



May 3, 2019

**Comments of Pioneer Institute Regarding RIN 0955-AA01, Proposed Rule Fulfilling CURE’S Act and Executive Order (EO) 13813 Requirements, and in Particular Section 1(c) of the EO, to Re-Inject Competition into Health Care Markets and to Improve Access to and the Quality of Information That Americans Need to Make Informed Health Care Decisions**

**Introduction**

Pioneer Institute (Pioneer) is a non-partisan, privately funded research organization that seeks to improve public welfare and discourse through rigorous, data-driven policy solutions. Such solutions are grounded in free market principles, individual liberty and responsibility, and the ideal of effective, limited and accountable government. Pioneer submits these comments to the Office of the National Coordinator (OCN) in support of easy to access, consumer friendly healthcare price information for common procedures by hospitals, physicians and other medical providers. Further, Pioneer urges requiring that insurance carriers provide their members with online cost estimator tools that are easy to navigate, accurate, and allow comparisons among providers for prices paid by the insurer and the out of pocket price paid by the consumer. Pioneer urges OCN to recognize the critical distinction between insured and uninsured consumers. Each type has its own healthcare price transparency needs.

**Hospitals and Physicians Perform Very Poorly on Consumer Healthcare Price Transparency**

For many years, Pioneer has researched the issue of healthcare price transparency in Massachusetts and across the country. We have found that it is very difficult, frustrating and time-consuming for consumers to obtain the price of a healthcare procedure before obtaining such procedure from either hospitals or physicians. Even in Massachusetts, where state law requires that hospitals and physicians provide price upon request, Pioneer found that most providers have grossly inadequate systems in place to handle such requests and make it very difficult for consumers to compare prices among providers even when consumers are paying the entire cost themselves.<sup>1</sup>

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<sup>1</sup> See “Mass Hospitals Weak on Price Transparency,” Pioneer Institute, 2015; <https://pioneerinstitute.org/healthcare/survey-price-information-difficult-to-obtain-from-massachusetts-hospitals/>; “Bay State Specialists and Dentists Get Mixed Reviews on Price Transparency,” Pioneer Institute, 2015; <https://pioneerinstitute.org/healthcare/mass-healthcare-price-transparency-law-still-not-a-reality/>; “Massachusetts Hospitals Score Poorly on Price Transparency ... Again,” Pioneer Institute, 2017; <https://pioneerinstitute.org/healthcare/follow-survey-finds-hospitals-still-fall-short-price-transparency/>; “Healthcare Prices for Common Procedures Are Hard for Consumers to Obtain,” Pioneer Institute, 2016. <https://pioneerinstitute.org/healthcare/national-survey-finds-limited-access-to-price-estimates-for-routine-hospital-procedure/>



This last survey of large hospitals in six major metropolitan areas across the country found that hospitals are not prepared to give price information to consumers upon request. It should be noted that at the time of this survey, the Affordable Care Act (ACA) actually required hospitals to provide price information *upon request*. But it appears the law was never enforced.<sup>2</sup> In addition, five of the six metropolitan areas surveyed are located in states that require either that prices be posted or given out upon request, but those laws were also ignored.

Pioneer’s multi-city survey of hospitals in Dallas-Fort Worth; Des Moines, Iowa; Los Angeles; New York City; Orlando; and Raleigh-Durham, North Carolina showed some startling results. In 61 percent (33) of the 54 hospitals called, it took our researchers between three and 11 separate telephone calls to get price information. In some cases, the information was never obtained. Almost 60 percent of the hospitals took from 16 to 74 minutes to provide the price of a simple procedure – an MRI of the left knee without contrast. A small number of hospitals were not sure they could even give out the price over the phone; some required name, address and date of birth before giving out price information; and some hospitals use voice-recognition answering software that could not process requests for “costs” or “price estimates.” To make it as easy as possible to comply with our price requests, the Pioneer researchers said they were uninsured and were looking for the price for the uninsured patients, known as the chargemaster rate.

In general, we found that front-line staff at a majority of hospitals in Massachusetts and around the country did not know what to do with our researchers’ requests and many hospitals were ill-prepared to provide the requested cost estimates. In many cases, it took long waits on hold, multiple calls, several internal transfers, call-backs, dropped calls, and lots of persistence and diligence on the part of our researchers. Our callers were frequently required to provide medical billing codes about which ordinary consumers would have no knowledge and, further, our staff was often told to call a different medical organization altogether to get a separate price for the MRI reading fee. Overall, we found that an average consumer seeking price information for a common procedure faced a difficult and frustrating, if not impossible, task. We also found that none of the hospitals in the national survey provided online price estimates and only a couple of Massachusetts hospitals offered online request forms.

Healthcare pricing transparency is more important than ever. Most insured consumers have some kind of deductible that can reach from \$7,900 for an individual to almost \$16,000 for a family. Increases in the deductibles are planned for 2020. For 29 million uninsured Americans, price transparency is especially important, as they are paying fully for their own healthcare without any government or private insurance. Although since the ACA the numbers of uninsured have been reduced from 45 million, and there used to be no limit on deductibles. The fact remains that, for most Americans, healthcare price transparency is a very important but elusive priority.

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<sup>2</sup> Most recently, in January 2019, the Trump Administration, based on the ACA law, *required* that all hospitals post prices for all services and procedures. Although well-intentioned, the new price posting rule has resulted in very complex, difficult to navigate transparency tools for consumers.



“In 2017, more than half (56 percent) of those under age 65 – about 152 million people – had employer-sponsored insurance, either on their own or through a family member. In contrast, only 9 percent of those under 65 had purchased a plan on the individual market, including marketplace exchanges.”<sup>3</sup> The average annual deductible rose to \$1,808 in 2017; in Maine and New Hampshire the average was \$2,300. According to the Commonwealth Fund, average deductibles across single and family plans amounted to almost 5 percent of median income in 2017, up from 2.7 percent in 2008. In three states – Florida, Mississippi and Tennessee – average deductibles made up more than 6 percent of median income.<sup>4</sup>

### **Americans Want Healthcare Price Transparency**

A 2015, “How Much Will it Cost? How Americans Use Prices in Health Care,” a national survey from the research group Public Agenda, included a number of findings that were similar to Pioneer’s.<sup>5</sup> Most people who compared prices said they saved money.<sup>6</sup> Public Agenda’s survey also showed that 56 percent of Americans said that before getting care they tried to find out how much they would have to pay out of pocket – not including a co-pay – or how much their insurer would pay a doctor or hospital. People with higher deductibles were more likely to have sought price information before getting care, with 67 percent of those with deductibles between \$500 and \$3,000 and almost three-fourths of those with deductibles above \$3,000 attempting to do so.

**Public Agenda also found that almost 70 percent of Americans say insurance companies should be required to make public how much they pay doctors for medical services.<sup>7</sup>**

Pioneer’s work underscores that the more Americans have to shoulder their own health care costs, the hungrier they are for healthcare price information. This is true among insured as well as uninsured or underinsured individuals. Both providers and carriers have a role to play in making transparency a reality so consumers can reap the fruits of price competition among shoppable, common non-emergent healthcare services.

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<sup>3</sup> “The Cost of Insurance is a Growing Burden for Middle-income Families,” *The Commonwealth Fund*, by Sara R. Collins and David C. Radley, Dec. 7, 2018, online; <https://www.commonwealthfund.org/publications/issue-briefs/2018/dec/cost-employer-insurance-growing-burden-middle-income-families>

<sup>4</sup> Ibid.

<sup>5</sup> Research Brief: “How Much Will It Cost? How Americans Use Prices in Health Care,” A project by Public Agenda with support from the Robert Wood Johnson Foundation, March 2015. Executive Summary; <https://www.publicagenda.org/pages/how-much-will-it-cost>

<sup>6</sup> See “Wildly Varying MRI Prices at Massachusetts Hospitals: Why We Need Access to Healthcare Prices at All Levels,” Pioneer Institute, 2019; <https://pioneerinstitute.org/featured/study-finds-patient-cost-for-mri-largely-unrelated-to-overall-price-or-insurer-contribution-at-14-ma-hospitals/>

“Need An MRI? In Worcester, Patients Pay Less for More,” Pioneer Institute, 2018;

<https://pioneerinstitute.org/news/survey-shows-wide-variation-in-both-overall-cost-of-medical-procedure-and-amount-paid-by-consumers/>

“Recommendations to the Transparency Subcommittee of the Special Commission on Provider Price Variation,” Pioneer Institute, 2017;

<https://pioneerinstitute.org/blog/achieving-sustainable-transparent-healthcare-system/>

<sup>7</sup> Public Agenda, Ibid.



## **Carriers Have a Critical Role in Providing Healthcare Price Transparency**

Since 2014, all insurers in Massachusetts have been required to provide their members with consumer-friendly online cost estimator tools. Pioneer has examined these tools and the extent of their use by insured consumers. We found that while the tools have improved over the years and provide members with consumer-friendly access and relevant price information, such as how much the insurer pays a provider and the out-of-pocket cost to the consumer, they should be much more widely used. While Massachusetts has among the highest healthcare costs in the nation, there are also very wide variations in price that cannot be explained away by underlying differences in acuity, quality or teaching status. Hence the secrecy that surrounds healthcare prices and the obstacles confronting consumers who search for price information are harmful to a competitive market and consumer welfare. We have also found that consumers and employers need to be educated about the availability of cost estimator tools, and consumers need incentives and assistance by carriers, employers and providers to more readily use the tools.<sup>8</sup>

### **Conclusion**

Pioneer urges that OCN embark on a much-needed national effort to make healthcare price transparency consumer friendly and easily accessible to both insured and uninsured consumers. Pioneer rejects the notion that consumers/patients are not medically literate enough to take advantage of price transparency for non-emergent care. But practical information about healthcare prices requires nothing short of a cultural shift in the way consumers/patients, employers, payers, providers, and state and national governments think about healthcare markets. There is no question that our healthcare market is a hybrid of market forces and government regulation and, hence, price transparency is extremely important to the market as a whole. Suppressing price information leads to the inevitable result that healthcare dollars are misallocated because the price of such services is not available to help guide the decision-making process of consumers and businesses.

Respectfully submitted,

James Stergios, Executive Director

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<sup>8</sup> See “MA Health Insurers Have Improved Their Consumer Price Transparency Efforts, But Significant Work Remains: After six years on the books, the market is waking up to the benefits of consumer price transparency. Carriers’ efforts far exceed provider efforts,” Pioneer Institute, 2018; <https://pioneerinstitute.org/featured/ma-health-insurers-have-made-good-progress-in-price-transparency-but-significant-work-remains/>