



Mass Hospitals Weak on Price Transparency

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There is a national conversation around the need for more price and quality transparency in our healthcare system. The growth of high-deductible plans where someone can spend from \$2,000 to \$6500 on deductibles, plus co-insurance and premiums, is driving this conversation.

A survey by the National Business Group on Health shows that in 2015, roughly 32 percent of American companies intend to offer only high-deductible plans to their employees. And, a March 2015 Robert Wood Johnson funded survey by Public Agenda entitled “How Much Will It Cost” shows that 56 percent of Americans say they tried to find out how much they would have to pay out of pocket – not including a copay – or how much their insurer would have to pay a doctor or hospital, before getting care. This same study showed that people with high deductibles – 67% of those with deductibles of \$500 to \$3,000 and 74% of those with deductibles higher than \$3,000 – tried to find price information before getting care.

Although surveys show that consumers would welcome price information about their healthcare, there is generally a lack of such information readily available. Even where it may be available, there is a lack of awareness among consumers concerning how to obtain such information. A recent survey in Massachusetts by MassInsight showed that at least 60 percent of consumers did not know that prices about healthcare could be obtained. All of this results in a lack of healthcare price transparency which impedes the normal operation of market forces and leaves many of us wondering why healthcare continues to be the only service we obtain where we have little idea of price or quality beforehand.

In 2012, Massachusetts stepped into the transparency breach and passed a law that requires hospitals, physicians, clinics and insurance companies to give consumers and prospective patients the price of medical services and procedures ahead of time. These features of the new law, which became effective in 2014, were praised by healthcare think tanks and public policy wonks.

But passing transparency legislation is one thing. Embracing a culture of transparency and eliminating the secrecy that surrounds healthcare prices is quite another.

A Survey Looking for Price Information

Pioneer Institute has embarked on a project to learn more about the effectiveness of Massachusetts' law and the adoption of transparency principles among providers and carriers. We began this project with a look at provider hospitals and clinics and we plan to look at physicians and carriers as well.

In the project's first phase we were interested to learn whether provider hospitals and clinics made it easy or difficult for consumers to learn about healthcare prices. Since January 2014, Massachusetts providers have been legally obligated to provide consumers with price information within two business days of a request. Hospitals and clinics are supposed to give consumers the "allowed amount," which is the amount of money the consumer's insurance company has agreed to pay the provider for a service. If the consumer is uninsured or the provider is out of network, the provider is supposed to provide the "charge," which is a price from a hospital's master list of prices before any discounts, for the procedure.

To conduct our survey, we called 22 hospitals and 10 free-standing clinics around the state to request price information for an MRI of the left knee without contrast. We chose an MRI because it is such a common procedure. We also looked at the websites of the 22 hospitals to see if there was any information about price transparency or how to obtain a price estimate for any procedure. While our survey does not measure confidence limits, we believe the sample is large enough to give an overview of price transparency among hospitals and free standing clinics in Massachusetts.

What Did We Find?

In general, our survey showed that Massachusetts hospitals seem to lack a culture of price

transparency. The good news is that with much persistence and diligence over seven days of survey work, we were able to obtain price information from 21 out of the 22 hospitals and all of the clinics. While clinics provided price information fairly easily, extracting a price from hospitals posed significant challenges.

With few exceptions, hospitals seem to have no systems or procedures in place to direct consumers who are looking for price information. Operators seem flummoxed when asked for price information and do their best to guess the department to which such calls should be transferred. We were transferred anywhere from three to as many as six or seven times before finding the one person in an organization who could give us a price for an MRI. In most cases we then had to leave a voicemail message, which inevitably began a round of phone tag until the price information was finally obtained.

In addition to the price of the MRI, we were often directed to another organization to get the price for interpreting or reading the MRI. The fact that there was a separate fee for reading the MRI was not always volunteered by the hospital, and in many cases we had to ask if there were any additional fees. Making calls to obtain the reading fee added extra time and frustration. It's hard to believe that busy consumers would have the time to diligently pursue the price of a procedure. It is more likely that consumers would simply give up the pursuit in frustration and disappointment.

The amount of time it took to get the total price ranged from about 10 minutes in rare cases, to a couple of hospitals where it took six or seven business days. The average time was two-to-four business days, and that included numerous calls. We found a very wide variation in prices, from \$382 for an MRI for a child and \$700 at a South Shore community hospital, to more than \$8000 at some downtown Boston hospitals, one of which did not include a reading fee. Prices at the clinics ranged from about \$500 to \$4300.

In some cases, hospitals would not give us the price unless we provided the diagnostic code. This is contrary to the plain language of state law which says if codes are not given, an estimate can be given by the provider. It is also contrary to a [bulletin](#) from state regulators advising providers not to insist on codes, which consumers are simply not going to have at their disposal. In some cases, hospital staff said they had no idea what prices insurers pay their hospital even though this information is a feature required by state law. In all cases, staff were asked if they were familiar with state law. While most said they were, in a number of cases hospital staff were mistaken about the law's features. For example, some hospital staff thought they had five days to provide the information when in fact they have two business days.

A review of hospital websites shows that, with few exceptions, there is a lack of easy-to-find information about how consumers can request an estimate for any particular procedure. The exceptions that we found include Boston Children's Hospital, which actually describes the state transparency law on its website and provides an online form and phone number. Other hospitals with easy-to-find price transparency web pages that direct consumers to a phone number include New England Baptist and Cape Cod Healthcare. At other hospitals the information is either not provided or is very difficult to uncover.

While there is no law that requires price transparency information to be posted on websites, many modern consumers rely on an organization's web pages to search for and find needed information. For hospitals not to advertise or promote the availability of price information to prospective patients does not reflect a culture of transparency and may reflect the value that such hospitals appear to hold regarding price transparency.

Conclusions

1. Most Massachusetts hospitals do not seem to embrace a culture of price transparency. Most are barely meeting the minimum

requirements of state law when it comes to making prices available to prospective patients.

2. There are a lack of outward facing procedures or protocols regarding how prospective patients can obtain price information.
3. There is a lack of training among administrative and office staff about MA law and its requirements.
4. There is little information available on hospital websites about price transparency and the right of prospective patients to obtain price estimates for anticipated procedures.
5. The issue of price transparency has not been incorporated into the customer service culture of most hospitals.

Recommendations

1. Massachusetts hospitals need to elevate the issue of price transparency and adopt it as part of a customer service culture.
2. Hospitals should develop processes and protocols for handling price information requests from prospective patients that are consumer friendly and that give consumers the information they seek easily and in a timely manner. Consumers should not be transferred all over an institution until by luck they happen to land in the appropriate office in order to obtain a price estimate.
3. Staff need to be trained in the requirements of Massachusetts law and in methods to provide price information as completely and accurately as possible.
4. More than one person in the "estimate" office should be trained to handle consumers' requests for price information.
5. Consumers should not have to ask if there are additional fees in order to obtain a complete estimate and consumers should not be badgered to provide diagnostic codes before they will be given a price estimate.

6. The current “system” of leaving voicemail messages and the constant rounds of phone tag seem archaic and inefficient. Hospitals should investigate other protocols for providing estimates. We noted that one hospital appears to have an online form. While we don’t know how well this works in practice, it may be worth pursuing to augment the current reliance on phone messaging.
7. Massachusetts hospitals should follow the lead of Children’s Hospital and use their websites to tell the public about state law and their own commitment to transparency. Through their websites, hospitals should provide a means for consumers to obtain an online form and consumers should be given a direct telephone number to obtain estimates.

New laws in Massachusetts are aimed at changing attitudes and behavior toward price transparency in healthcare. For too long, healthcare prices have been shrouded in secrecy and none of us questioned that state of affairs. But now, with the rapid increase in high-deductible health insurance plans, more consumers than ever have a stake in knowing the price of healthcare services before they obtain them. In addition, it is impossible for a market to most efficiently allocate scarce resources without transparent prices.

But having a state law requiring transparency is not sufficient by itself to change attitudes, behavior and the status quo. Consumers need to know that this information is available to them and the industry itself has to help spread the word and empower consumers to seek and obtain such information. The performance of Massachusetts hospitals in this regard is disappointing. There is a lot more to do to embrace a culture of price transparency and to provide prospective patients the information they are entitled to under state law and as a matter of simple fairness in the marketplace.

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