

# Strategies to increase health care price transparency

## Background

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The lack of timely, standardized information about the cost of health care services prevents health care markets from operating efficiently. The recent influx of high-deductible plans means patients are assuming greater financial responsibility for care choices and, thereby, increasing the demand for better information about anticipated out-of-pocket costs. As the health care market evolves, patients increasingly are becoming active consumers of health care services rather than passive recipients of care in a market where price is often unknown until after the service is rendered. Achieving meaningful price transparency can help lower health care costs and help patients make informed care decisions. The American Medical Association supports price transparency and recognizes that achieving meaningful price transparency may help control health care costs by empowering patients to choose low-cost, high-quality care.

## Barriers to price transparency

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### Complex financing system

The current lack of transparency in health care pricing is primarily the result of a health care financing system that depends on complex arrangements between employers, third-party payers, providers and patients. In particular the system's reliance on third-party payers to negotiate prices for patients and pay providers makes it difficult to identify accurate and relevant cost information. Health care prices vary dramatically depending on who is paying, so many practices and facilities do not maintain standard fee schedules that reflect the amount patients would be reasonably expected to pay if billed directly by the provider.

### Creating consumer-friendly resources

Even for services that are predictable, developing and implementing a consumer-friendly health care cost tool is challenging. According to a recent study by the

Catalyst for Payment Reform, 98 percent of health plans surveyed offer some kind of cost estimator tool, but only two percent of plan members use the tools. For tools to be effective patients must have the requisite health literacy to make value-based choices with pricing information. The rise of high-deductible plans highlights the need for useable price information and education as patients become responsible for greater cost-sharing. Based on a patient's individual insurance, members of the care team can initiate financial conversations and provide health literacy education before providing treatment. This communication helps empower patients to make informed care decisions.

### Legal concerns

Generally, from a consumer point of view, the more transparency the better. However, health care price transparency must be undertaken carefully so as to avoid concerns surrounding antitrust law. For example, reporting rates negotiated between providers and payers could give the appearance of collusion by either party. To mitigate such risk, the Department of Justice and the Federal Trade Commission, the primary enforcers of antitrust law, have issued guidance on how to release price information through various means aimed at reducing antitrust concerns.

### Integrating quality information

Making value-based care decisions requires cost and quality information. However, integrating cost and quality information in a useable format in transparency efforts is challenging. Further aggravating this challenge is the fact that many health care services still lack relevant quality metrics. Studies indicate that patients are willing and able to make choices based on value as long as the information is presented clearly. However, in the absence of quality information, many patients assume there is a direct correlation between cost and quality and are likely to choose a higher cost provider if their priority is high-quality care.

### Current resources and initiatives

Almost all major health insurers offer some kind of cost estimator tool to help enrollees predict their out-of-pocket costs. States are pursuing price transparency initiatives as well. There are currently 13 states with an established all payer claims database (APCD) with another five pursuing APCD implementation. APCDs serve as a centralized resource for data related to care costs and charges. APCDs are potentially valuable sources of data if the claims data is accurate and reported in a useable format.

Independent nonprofits and private companies have also emerged to provide pricing information. For example, the Health Care Cost Institute created [guroo.com](http://guroo.com), a free online transparency tool that provides national and local cost averages for common health care treatments and services based on claims data from numerous large insurers.

### How to increase price transparency

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The AMA believes there is a need for increased price transparency to address health care costs. Successful implementation of any price transparency program will require cooperation and collaboration by all stakeholders. As a next step to address health care costs, the AMA supports the following specific measures to expand the availability of health care pricing information that allows patients and their physicians to make value-based decisions when patients have a choice of provider or facility:

- All health care providers and entities should be required to make information about prices for common procedures or services readily available to consumers.
- Physicians should communicate information about the cost of their professional services to individual patients, taking into consideration the insurance status of the patient (e.g., self-pay, in-network insured, out-of-network insured).
- Health plans should provide plan enrollees or their designees with complete information regarding plan benefits and real-time, cost-sharing information associated with both in-network and out-of-network provider services or other plan designs that may affect patient out-of-pocket costs.
- Health plans, public and private entities, and other stakeholder groups should work together to facilitate price and quality transparency for patients and physicians.
- Entities promoting price transparency tools should have processes in place to ensure the accuracy and relevance of the information they provide.
- All-payer claims databases should be supported and strengthened.
- Electronic health records vendors should include features that assist in facilitating price transparency for physicians and patients.
- Patient confusion and health literacy should be addressed by developing resources that help patients understand the complexities of health care pricing and encourage them to seek information regarding the cost of health care services they receive or anticipate receiving.