

## A Strategy to Reduce the Cost of Health Insurance: Price Transparency

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As we have seen in the past several years, politics continues to complicate health insurance, making it more expensive. As a result, we at DCI believe that to best serve you, we must also be engaged with our state legislators and members of congress on behalf of our clients.

“Why does healthcare cost so much?” And, “What can we do to reduce the price of healthcare?” These are two questions that motivate our client advocacy and legislative engagement.

Here are the critical questions: How can you reduce the price of healthcare when you don’t even know the price – when no one will tell you the price? Why do doctors, hospitals, and insurance companies keep the price hidden from patients?

With this in mind, DCI is joining and even leading the effort to require transparency in healthcare pricing. Today, essentially no one knows the price of healthcare at the time they use it. Instead, they must wait for a confusing Explanation of Benefits statement (EOB) that comes weeks after the fact. We mean to change this.

We are working with Minnesota legislators to pass a new bill that *requires* providers to show us the price – but not just the price they charge you. We want them to show the amount the government allows for the same service under the Medicare and Medicaid programs.

You will be astonished to learn how much more your private insurance pays compared to what the government allows for Medicare and Medicaid patients.

### Two Examples

This is actual data about healthcare pricing and reimbursements paid to providers. The first example shows the charges for a simple office examination at a primary care clinic – short, medium, and longer durations. You can see how much the clinic bills the insurance company or patient, and how much the insurance company allows. Then compare it with how much Medicare and Medicaid allows.

Table 1. The actual prices from a primary care clinic located in the Western Suburbs of Minneapolis, and the actual allowed amounts for the same service.

<u>CPT Code</u>	<u>Description</u>	<u>Provider billed rate</u>	<u>Private Insurance Allowed</u>	<u>Medicare Allowed</u>	<u>Medicaid Allowed</u>
99213	Office/outpatient visit-short	146.00	120.00	72.86	56.67
99214	Office/outpatient visit-medium	214.00	170.00	107.20	83.20
99215	Office/outpatient visit-long	294.00	230.00	143.92	111.95

As you can see, even with the insurance company discount, you pay 165% more than Medicare patients, and 212% more than Medicaid patients for the same service on the same day with the same doctor.

Doctors and hospitals make a compelling case that they cannot cover all their costs for what Medicare allows – and in fact, not all doctors will take Medicare and Medicaid patients. That \$120 allowed by insurance companies for a short exam is a result of cost-shifting, as the doctor must make up for his or her loss on Medicare and Medicaid patients. This is, in effect, like a hidden tax on the privately-insured person.

What if, instead, the insurance company reimbursed at 120% above Medicare, or in this example, \$87 instead of \$120? Would the cost of insurance fall if every claim were paid on this basis? Yes, dramatically.

Table 2 gives another example. It is based on an actual billing for a renal (kidney) aortic stent insertion from June 2016, at a St. Paul surgical facility for a person covered under Medicare. This person also owned a Medicare private insurance plan to help pay for what Medicare did not pay.

Table 2

Procedure	Billed Amount	Medicare Paid	Insurance Plan Paid	Individual Paid	Billed to Paid Ratio
Medical	\$267.00	\$66.27	\$0.00	\$0.00	24.8%
Surgical/Anesthesiologist	\$18,480.00	\$942.71	\$0.00	\$0.00	5.1%
Lab/X-Rays #1	\$202.00	\$68.89	\$0.00	\$0.00	34.1%
Surgery - Facility	\$36,504.05	\$8,453.52	\$1,288.00	\$0.00	26.7%
Lab/X-Rays #2	\$544.20	\$145.22	\$0.00	\$0.00	26.7%
Facility	\$13.15	\$0.00	\$0.00	\$13.15	0.0%
	<b>\$56,010.40</b>	<b>\$9,676.61</b>	<b>\$1,288.00</b>	<b>\$13.15</b>	<b>19.6%</b>

In this example, you can see how much the surgical facility billed Medicare and the patient's Medicare insurance, and the amount Medicare and insurance paid the provider. The patient paid just \$13.15 of the total bill himself.

It is astonishing that the surgical center billed more than \$56,000 for this procedure, but only received \$10,978, less than 20% of the billed amount. If this patient had been covered by a private health insurance plan, the insurance company would have likely paid about \$44,500 for this procedure, having shifted the Medicare underbilled amount to privately-insured patients.

The most astonishing numbers here are, however, the anesthesiologist's charges - \$18,480 – and the Medicare reimbursement – \$942.71. This means the provider tried to collect 20 times the amount allowed when it billed Medicare. (The sad truth, under current law, is that whatever amount the provider *bills* Medicare is the price billed to everyone, including an individual without insurance. The uninsured person not only lacks insurance, but is stuck paying this amount that no one else must pay. This also needs fixing.)

**Shouldn't you be able to know the price ahead of time?**

Health insurance costs are spiraling out of control. The reimbursements paid to doctors and hospitals – their insurance claims – are the primary reason health insurance costs so much, along with the volume of healthcare we consume. Yet you, as a patient, never know the

prices paid on your behalf until you receive an Explanation of Benefits weeks later. If you knew the price at the time you used a service, and knew you were being charged 165% or more than a Medicare patient for the same service, you would ask your provider to reduce his or her price.

If you knew the price you will pay before you have a procedure or purchase a device or medicine, you would want to ask the doctor, "Why do I need this?" "Why does this cost so much?" "Are there less expensive alternatives?"

We believe it is time to *legally* require total transparency in healthcare pricing. We believe you have the right to see the price of your healthcare, and to decide for yourself what you want to do about it. More importantly, we believe the light shed on prices through total transparency will reduce the price of healthcare in the long run. This is why we are helping to pass legislation requiring total price transparency.

### **Watch for action alerts**

The Minnesota legislature convenes on February 20. We already know there's a bill being introduced to require total transparency in pricing, because we are helping legislators write the bill – and we are providing back-up research to them. As these bills progress through committee hearings, there will be times when legislators need to hear from constituents like you. We will let you know about this.

As your benefits consultant, DCI believes it has an obligation to help our clients provide the very best benefits at the most reasonable cost. Advocating for you on this new law that could reduce your insurance cost is, we feel, an important part of our service to you.

Feel free to share this article with others, and contact us with your ideas about this. Email to Greg Dattilo or call us at 952.448.8800.