

## Transparency in Healthcare: Lower Costs and Higher Quality

### Transparency in Healthcare —

*The public disclosure of information on the cost of services and the quality of care delivered in a readily accessible and understandable format.*

### The Right to Know

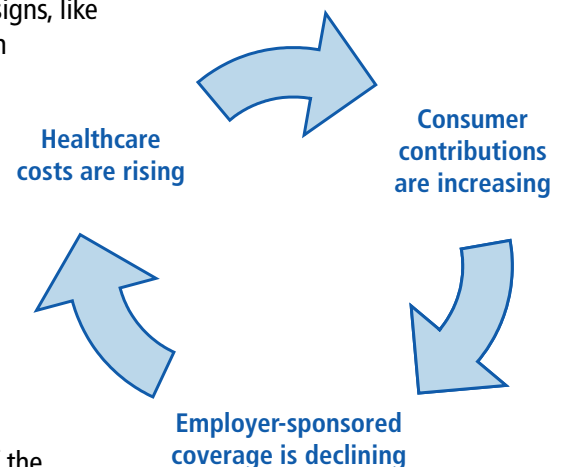
Do individuals have the right to know the cost of a medical procedure they are about to undergo? Should a business be made aware of the providers within their insurance network that charge excessively and perform poorly? Would an individual's decision to use a certain provider be altered if it were known that the provider has a history of performing below average and putting patients at risk?

The healthcare sector may be the only industry in our society where consumers are expected to purchase a service without fully knowing the cost or quality of the service they seek. To businesses offering health coverage to their employees, this results in a lack of knowledge about the cost drivers that determine the premiums they pay. To an insured individual, a lack of information produces uncertainty about the quality of care sought and creates difficulty in working with their health plan to determine the out-of-pocket expenses they will face. To the uninsured the lack of transparency can mean financial devastation once the bills arrive.

### Rising Healthcare Costs and Consumer-Driven Healthcare

According to the National Coalition on Healthcare, healthcare spending in 2004 totaled \$1.9 trillion, or 16 percent of the Gross Domestic Product. It is estimated that healthcare expenditures for the nation will reach \$2.9 trillion by the year 2009.<sup>1</sup> As healthcare costs continue to rise, more employers are reassessing their ability to provide coverage to their employees. Employers grappling to contain health care costs are turning to alternative plan designs, like Health Savings Accounts (HSAs) and High-Deductible Health Plans (HDHPs) which provide incentives for consumers to become more engaged in the management of their health coverage.

While the number of businesses offering coverage has remained relatively level from year to year, the number of employees utilizing this option has declined due to increased costs. This has been particularly noticeable in the declining number of employees at smaller firms choosing benefits which cover dependents. As employees elevate their involvement in managing their healthcare, they have an increased need to research cost and quality of the services they seek. This expanding need for information is a leading contributor to the growing movement to increase transparency in healthcare.



With government, business, and consumers demanding an end to the secrecy of pricing and performance, the transparency movement is well underway. The benefits of transparency will not only empower healthcare consumers but also drive down the costs of services provided while forcing improvement among providers where information reflects a history of poor outcomes. In Ohio, where a coalition of employers ranked hospitals based on selected outcomes, there has already been a noticeable change in practice among the hospitals. Most strikingly, the coalition has seen hospitals previously ranked poorly in their report climb to the top of the rankings by striving to improve.<sup>2</sup> This improvement was in no doubt driven by the competitive advantage that such rankings delivered to hospitals. In this scenario transparency offered employers a tool to select plans that contained high performers; provided consumers a tool to identify the best location to for specific procedures; gave the entire community a better system through enhanced performance; saved money for employers and consumers by reducing complications associated with surgeries; and shifted the compensation incentives to outcomes.

### Disparities in Healthcare Costs

A lack of transparency in healthcare costs has thwarted the ability of market forces to influence the pricing of medical services. This stifling of market competition has contributed to the escalating cost of healthcare in our country permitting price increases to occur with little, if any, public awareness.

As is the case in any industry, an increase in costs are a reality but many argue there is a lack of justification for the level of increases and the disparity in healthcare pricing that has become common today. One health plan discovered a \$100,000 difference in the price of the same procedure at two separate hospitals located only a few miles apart.<sup>3</sup> This information was not readily accessible and while the patient may not have been directly impacted by the difference, the excessive pricing does contribute to escalating healthcare spending and ultimately to higher premiums for those who pay for coverage, including the affected patient.

Following are examples of the disparity in healthcare pricing within the same state that is made possible by a lack of transparency:

Procedure/Medication	Hospital A	Hospital B
Pacemaker <sup>4</sup>	\$25,000	\$125,000
Head/Brain CT Scan <sup>5</sup>	\$881.90	\$6,599
Abdominal CT Scan <sup>6</sup>	\$1,000	\$4,800
Ibuprofen (per tablet) <sup>7</sup>	\$0	\$12

### Disparities in the Quality of Care

A lack of transparency in the quality of healthcare has minimized the impact of outcomes in driving providers efforts to improve performance. This has occurred despite the fact that outcomes and cost are inherently linked in measuring quality. It has also been a likely contributor to the increasing number of medical errors that put patients and their families at risk. According to a report by the National Academy of Sciences' Institute of Medicine, between 44,000 and 98,000 people die each year because of mistakes by medical professionals.<sup>8</sup> These medical errors and other quality indicators have been kept from the public rather than being utilized to improve care.

Research by the Institute of Medicine, RAND Corporation, and John Wennberg of Dartmouth University demonstrates the massive variation of care provided to patients based solely on geography. It also indicates quality is often worse where utilization is higher. Compounding the delivery of quality care is the fact that providers are often unaware that their outcomes are below the norm because there is no measurement of quality available for comparison. This evidence is further reinforcement of the value that transparency can bring by forcing providers to acknowledge and correct such disparities. It also highlights an important role health plans can and should bring to the system by measuring and rewarding quality and evidence-based medicine and providing that information to consumers in a user-friendly format.

Increased transparency will motivate consumers to seek care from high-performers creating an economic incentive for providers to be recognized for the quality of care they deliver. This movement reinforces the pay for performance model health plans are increasingly utilizing to reward providers for results.

One of the central goals of the transparency movement is the continuing shift away from fee-for-service, where reimbursement is based on episodes of care and volume, to a system where outcomes actually matter. This is particularly true as it relates to the small percentage of individuals that drive health care costs. It is an axiom of healthcare that 20 percent of the people drive 80 percent of the costs. While the price of care will be of less importance to these individuals as they meet their deductibles quickly and need the care, quality will matter to them, and enhanced quality will produce savings for everyone in the pool.

### How Health Plans are Responding to Transparency Demands

A number of health plans are responding to the increased demands for transparency by developing and piloting their own programs. While these initiatives are providing valuable information to the health plan's members, a lack of access to the information by the public limits their reach and effectiveness. Following are examples of how some health plans for responding to their member's requests for greater transparency in healthcare costs and quality information:

## Transparency in Healthcare: Lower Costs and Higher Quality

**Aetna's** Hospital Comparison Tool allows members to evaluate hospitals based on volume, mortality, and complications for 160 diagnosis and procedures. Its price transparency initiative being piloted in Cincinnati includes member access to rates for approximately 5000 physicians in the Cincinnati provider network. Rates are available for up to 25 different services most commonly delivered by a physician. The rates are available in a simple printable table and appear in four categories including: office visits, diagnostic services, minor procedures, and other services. Aetna recently announced plans to expand its pilot to eight additional areas.

**Blue Cross Blue Shield of Texas** has worked with the Blue Cross Blue Shield Association to adopt a set of principles on health care quality and cost transparency. The principles illustrate Blue plans' commitment to advancing quality and cost information to empower consumers to make more informed decisions. In light of this, the Association and seventeen Blue plans (including Texas) are working to initiate national transparency demonstration projects to focus on the most effective ways of sharing information with consumers to help them learn about absolute and relative healthcare costs.

**CIGNA** Healthcare provides its members with the average cost by state for common medical procedures including physician office visits and preventive screenings. It also provides its members access to detailed quality information for more than 160 hospital-based procedures with star-based scores for hospitals on patient outcomes and cost efficiency for 29 procedures and conditions. Members are able to compare hospitals in their area for various procedures and then rank them based upon factors such as complications during treatment, relative cost, and patient safety. Beginning in January of 2007, CIGNA members will be able to compare participating specialists in 21 specialty areas based on their performance under select quality and cost efficiency measures.

**Humana's** "Compare Hospitals" online tool uses information from WebMD Quality Services to allow members to evaluate hospitals by making a side-by-side comparison based on outcomes for certain procedures, estimated costs, and other important factors. Humana also has an online tool to assist members view physician's profiles and to compare their adherence to treatment guidelines with their peers. "Family Health Budget" and RxCalculator™ are additional online resources Humana makes available to assist consumers in projecting their health care and pharmacy expenses.

**Unicare's** commitment to transparency is reflected in the launch of its Anthem CareCompare pilot in Ohio. More than 300,000 Anthem Blue Cross and Blue Shield members in Dayton now have access to the total estimated costs of nearly 40 specific medical procedures performed in area hospitals. The information includes not only the cost of the procedure but the costs of the entire spectrum of care, from lab tests to recovery room charges. The costs are facility specific allowing members to compare charges for similar procedures at various hospitals in the area. As a part of its broader transparency strategy, Unicare is expecting to rollout the pilot nationally.

**UnitedHealthcare's** commitment to create transparency in healthcare is reflected in several initiatives including a pilot project that rates the quality of care and affordability among 20 of its contracted hospitals in Colorado. The results of the project, released earlier this year, rates hospitals by 150 of the most common medical procedures. UnitedHealthcare is planning for an expanded rollout of the project with the goal of making health care quality and cost information a key tool in ensuring that their patients have access to the best care possible. Additionally, UnitedHealth Group has implemented new definitions to be used in physician assessment performance. The definitions were developed by a group of physicians, purchasers and government representatives and mark an important effort toward the development of meaningful national performance standards.

In response to their members' growing expectations for greater transparency, health plans will continue developing tools that will increase access to important healthcare information while balancing the need and methods for delivering such data with the increasing administrative costs required to do so. Expanding access to healthcare information to all who seek it will likely require utilizing the role government's play in collecting such data.

## A Transparency Blueprint for Texas

Today consumers are forced to make potentially life-altering healthcare decisions with little or no ability to compare price and performance among Texas' hospitals, outpatient facilities, and physicians. A 2006 Zogby poll indicated over 80 percent of those interviewed believe that healthcare providers should publish price information for all goods and services.<sup>9</sup> Clearly, consumers and businesses want and deserve access to key healthcare information.

Credible disclosure of information should be available to all Texans regardless of their health insurance coverage. Although Medicare and some health plans now disclose limited comparative information to their members, such comparisons are not available to individuals in large, self-funded employer plans, government employees, or the 25 percent of the state's residents who are uninsured—those who are most vulnerable to the high cost of healthcare.

Texas leaders can lay the groundwork for the tomorrow's healthcare system by providing for the expansion of the state's ability to collect and publicly disclose key healthcare information. During the 79<sup>th</sup> regular session, the Legislature considered SB 1738 (Duncan/Isett) also known as the "Consumer Right to Know" bill. While the proposal was approved by the Senate and a House committee, the session ended before it reached the full House of Representatives for consideration. The legislation represented a strong, bipartisan approach to increasing consumer access to pricing information from hospitals and physicians. The progress it offered toward greater transparency presents legislators with a solid foundation on which to build during the 80<sup>th</sup> session. The final proposal considered during the 79<sup>th</sup> session included:

- The reporting and posting of price data of the 50 most common inpatient and outpatient procedures performed at facilities in Texas
- The internet posting by the Department of State Health Services of price data collected to allow for comparisons between providers
- The right to request written price estimates prior to non-emergency treatment
- Disclosure of a patient's right to request facility charges and billing policies, including if interest will be charged on unpaid balances
- Facility procedures for handling complaints relating to the charges for healthcare and supplies
- Protections against balance billing of insured patients when services are provided at a network facility by an out-of-network hospital-based physician.

From Washington to Austin, efforts are underway to arm healthcare purchasers with the tools and information that will aid them in assuming a greater role in managing their medical care. State leaders have an opportunity to ensure Texas is not left behind in the growing movement to increase transparency in healthcare. Many believe it's clear, empowering consumers and businesses to know the price and quality of the medical services they pay for is good public policy. Greater transparency will lower healthcare costs, improve the quality of care delivered, and ensure that Texans are equipped to make informed healthcare choices for themselves and their families.

### Sources:

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- <sup>5</sup> Lagnado, Lucette (2004, December 27). Medical Markup: California Hospitals Open Books, Showing Huge Price Differences-State Law Requires Disclosing Charges of Goods, Services; Big Bills for Uninsured-Why a Leech Retailers for \$81. Wall Street Journal.
- <sup>6</sup> Colliver, Victoria (2005, January 30). Shopping Hospitals' Price Lists-New Law Sheds Light On Wide Discrepancies in Charges. San Francisco Chronicle.
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- <sup>9</sup> Council for Affordable Health Insurance, Results from Nationwide Poll in Price Transparency, (2006, April 28) [http://www.cahi.org/cahi\\_contents/resources/pdf/CAHIPollResults042806.pdf](http://www.cahi.org/cahi_contents/resources/pdf/CAHIPollResults042806.pdf)
- <sup>10</sup> Ibid

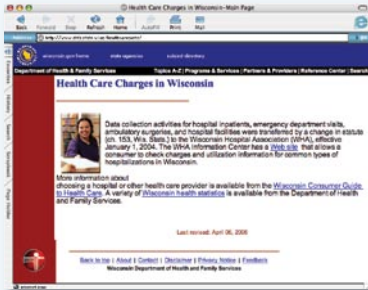


**Our Mission:** "To improve health care for all Texans by serving as an effective advocate for value, access, quality care and sound public policy in the administration of health care benefits."

## How States are Increasing Transparency

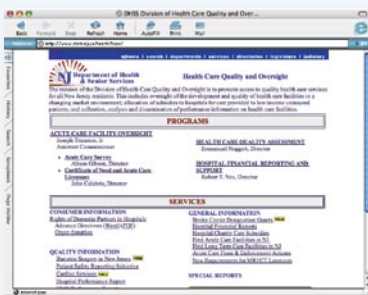
A number of states have taken the lead in collecting and disseminating healthcare information to the public. Many states, including Texas, already collect certain medical information but have lacked funding and the impetus to formalize its release in a consumer friendly format. The growing need and demand for increased transparency has led the federal government and state leaders to put in motion efforts to make key healthcare information available and useful to those who seek it. Costs and average costs of the most common procedures as well as outcomes including mortality, infection rates, readmission rates, and length of stay are included in the information currently being provided by some states.

Following are examples of how states are increasing transparency in healthcare:



**Wisconsin** — [www.dhfs.state.wi.us/healthcarecosts](http://www.dhfs.state.wi.us/healthcarecosts)

Includes information that allows users to track by hospital charges and utilization for common types of hospitalizations.



**New Jersey** — [www.state.nj.us/health/hcsa/](http://www.state.nj.us/health/hcsa/)

Allows users to view information including hospital performance on such conditions as heart attack, pneumonia, and heart failure. The performance scores are based on protocols established by the state and reported on by the hospitals.



**Maryland** — <http://mhcc.maryland.gov>

Provides information on hospital performance including number of cases by diagnosis, average length of stay, and readmission rates.



**Florida** — [www.floridahealthstat.com](http://www.floridahealthstat.com)

Includes general demographic information on hospitalizations based on diagnosis, provides number of hospitalizations by facility and the average length of stay, and includes links to federal agencies that provide information on quality measures for major diagnosis at selected hospitals. Also includes links to federal information on average costs paid by Medicare for the top 30 Diagnosis Related Groups (DRGs) in certain counties.

Myth	Fact about Transparency in Healthcare
<i>Greater transparency in healthcare will not lower costs.</i>	Greater transparency will reduce the secrecy and monopolistic nature of today's healthcare pricing and increase the influence of market forces in determining the cost of medical services. History shows that market forces can be a key factor in driving down costs and increasing quality of services offered.
<i>Greater transparency in healthcare will not improve the quality of care.</i>	Elevating the public's awareness of the quality of care delivered will increase the focus of our healthcare system on the performance of its providers. The result will be additional emphasis on outcomes and an overall improvement in the quality of care provided.
<i>Consumers are not equipped to make complex decisions about their healthcare.</i>	Numerous web-based resources (Web MD, Yahoo Health, etc) reflect the public's desire for more information. Health plans will play a vital role for consumers in aggregating data and translating it into a user friendly format.
<i>Increased public access to healthcare information will not result in better informed consumers.</i>	Simplifying choices, taking complex data and making it understandable, and compiling provider performance information collected by government will increase an individual's ability to make sound decisions involving healthcare choices. A 2006 Zogby America poll indicated that 79 percent of those surveyed would use additional healthcare information in making their choices for care. <sup>10</sup> Early evidence indicates that consumers who purchase high-deductible health plans use health information tools offered to them at higher rates than the general public.
<i>Providers know what's best for patients and increased transparency will not improve that assessment.</i>	Greater transparency will strengthen the patient/provider relationship by allowing for informed discussions between the two regarding treatment options, facilities, and their costs.

"Injecting consumerism into health care would give us the best of all worlds: more healthcare for less money."

**Steve Forbes**

"You can't have an informed marketplace in a setting where you don't have any information."

**Former U.S. House Speaker Newt Gingrich**

"The notion is, if we can dramatically improve quality and reduce medical errors, it will go some distance in lowering the gigantic cost of health care."

**Gerry Shea-Ohio AFL-CIO**

"The bad news is hospitals are the single biggest driver of medical inflation today. The good news is it is forcing employers to look at what they're buying."

**Peter Lee of the Pacific Business Group on Health**

**What Leaders Say...**

"We must do everything we can to make health care more affordable for average Wisconsin families. This database will make health care more efficient and will arm consumers and employers with the information to make smart choices and save money."

**Governor Jim Doyle (D-Wisconsin)**

"There is a need to increase transparency in the health care system so that Oregonians can be better consumers. We can do this is by making the right information available in order to challenge the health care system to improve the quality of health care services and to help Oregonians understand what they are getting for their health care dollar."

**Governor Ted Kulongoski (D-Oregon)**

"...within the next decade, patients should be able to gain online access to performance rankings and prices for doctors and hospitals."

**U.S. Senator Bill Frist, M.D. (R-Tennessee)**