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Leonard D. Schaeffer Center
for Health Policy & Economics

Overview of Price Transparency

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Interest in Price Transparency

- **Concerns about level of health costs**
 - **Broader interest in using competition to constrain costs**
 - **Patients historically have had neither the opportunities nor the tools to incorporate price into choice of providers**
 - Culture of medicine: patients should not concern themselves with price

What is Price Transparency? (1)

- **Initial focus is on patients--ready availability of price data for comparison shopping**
 - **Does patient have incentives to choose lower-priced provider?**
 - Depends on the benefit design
 - **Are the prices relevant for individual patients?**
 - Prices need to be specific to their insurance plan
 - Prices more useful when for meaningful units of service, e.g. episode of care or annual cost
 - Are the data too complex to be used by many?

What is Price Transparency? (2)

- Are the services “shoppable”?
 - Patient must have the time and mobility to choose a provider
 - More is shoppable if decision is periodic choice of health plan/network or delivery system

Broadening the Definition

- **Information for citizens and policy makers to assess appropriateness of prices – aspect of “sunshine”**
 - **Public releases of data**
- **Tools used by employers/insurers to help patients get lower prices for services – dependent on price data**
 - **Reference pricing, tiered networks, limited networks**
 - **Some tools do not involve patients’ use of price data – limited networks**

Additional Audiences for Price Transparency (1)

- **Employers (private and public)**
 - **Information on price variation leads to changes in benefit design**
 - **Better access to their own price data can support/encourage initiatives to address high prices**

Audiences for Price Transparency (2)

- **Insurers**
 - **Access to additional claims data (Medicare Part B, all payers) to assess prices for broader units of service more accurately**
 - Example, episode of care, population spending
- **ACOs, bundled payment contractors**
 - **Prices for outside providers who treat patients attributed to ACO**

Audiences for Price Transparency (3)

- **Physicians**
 - Information on prices for different specialists, hospitals, other facilities they refer to
 - Information on costs for patients of alternative diagnostic and therapeutic approaches
 - Responsibilities as their patients' agent
 - Key support for provider payment reforms
 - Example: CareFirst PCMH

Audiences for Price Transparency (4)

- **Policy Makers**
 - **Regulations to support market approaches**
 - Hospital contracting practices
 - Priorities for anti-trust enforcement
 - Network adequacy requirements
 - Price disclosure for providers who are out of network
 - Access to Medicare or all-payer claims data for physicians

Audiences for Price Transparency (5)

- **Policy Makers (contd)**
 - **Direct regulation of prices**
 - Limits on out-of-network charges for services where no patient choice
 - Application of Medicare limits to Medicare Advantage pricing
 - “Jaw-boning” on hospital rates
 - Hospital rate setting

Key Takeaways

- **Numerous audiences for price information**
 - Each has its own distinct needs
- **Price transparency's potential: a support behind other tools to contain costs**
 - Benefit designs, reforms in provider payment
 - Simple publication of price data (e.g. hospital chargemasters) generally not an effective transparency strategy

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