

# Transparency in America's Healthcare System

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# Transparency in America's Healthcare System

- Health insurance is one of the few commodities in America that consumers don't shop for a better price.
- Reasons:
  - They don't know that they can ask how much a particular medical product or service costs
  - Even if they asked there is rarely pricing and outcome information readily available to the average consumer.
  - "Rich" benefits have made it unnecessary.
- In other words health insurance in America is lacking.....

**TRANSPARENCY**

# Transparency in America's Healthcare System

- **Webster's definition of transparent:**

- : able to be seen through**

- : easy to notice and understand**

- : honest and open : not secretive**

# Transparency in America's Healthcare System

## **Healthcare and Outcome Transparency**

*Empowering the healthcare consumer with the cost and quality information necessary to make an educated and informed choice on a particular service, treatment, procedure or appliance **BEFORE** they make a buying decision.*

# Market Perspectives

- **Health insurance is expensive because healthcare is expensive**
- **The Affordable Care Act (ACA) has and will continue to drive up the cost of healthcare**
- **The Affordable Care Act (ACA) has and will continue to shift more responsibility for healthcare to the individual (patient)**
- **2/3 of all large employers are offering CDHP/HDHP which represents 20% of all insured .... and that number is growing**

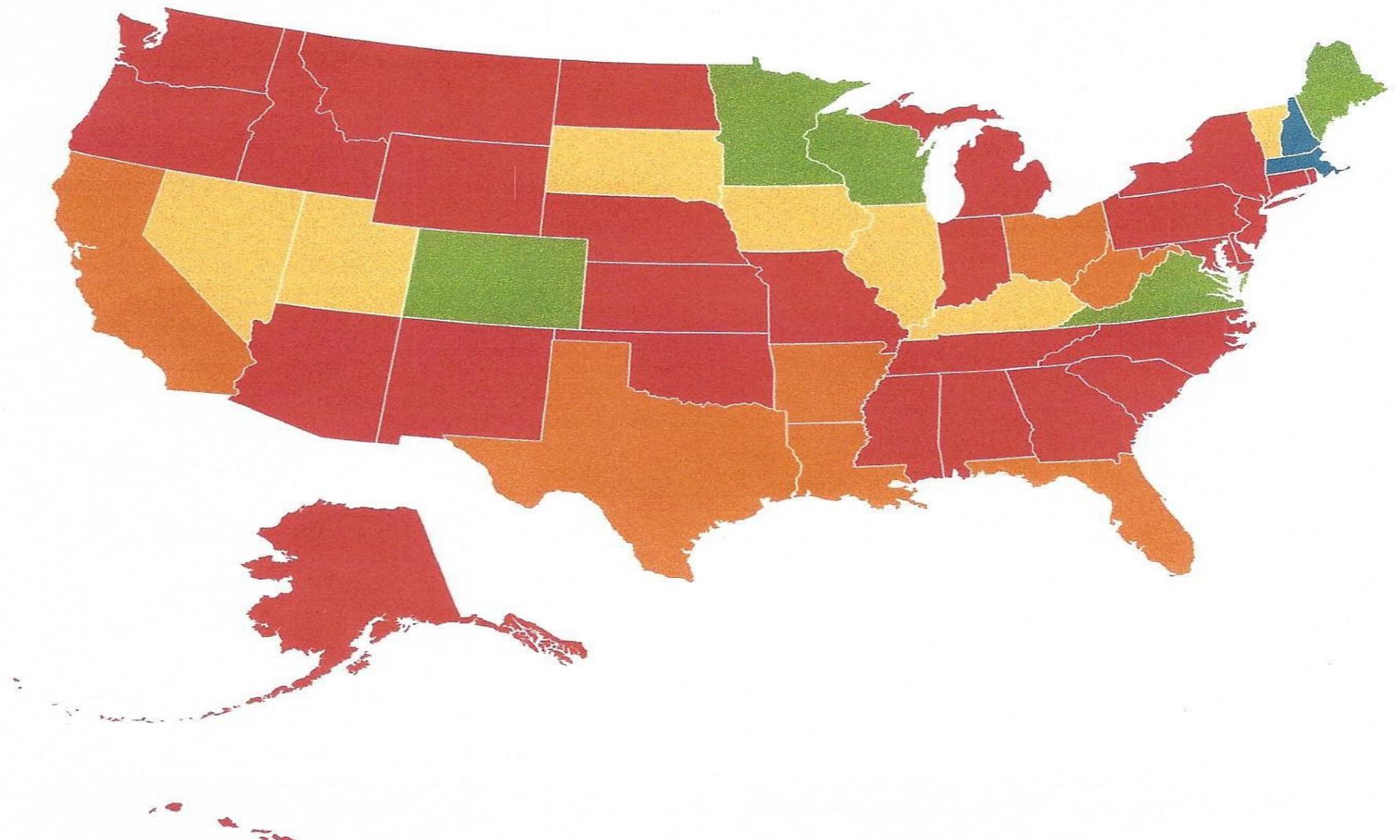
# Market Perspectives

- **There has been significant progress on quality reporting through Leapfrog Group and Bridges to Excellence**
- **Price transparency across the country is almost non-existent**

Source: Mercer, 2012 Employer Survey & Catalyst for Payment Reform

**Unit cost drives over 50% of trend, transparency is critical**

# Transparency Report Card - How are we doing?



# Transparency Report Card

29 states score an **“F”**, only two score an “A” (MA & NH)

<b>Alabama</b>	<b>F</b>	<b>Florida</b>	<b>D</b>	<b>Kentucky</b>	<b>C</b>
<b>Alaska</b>	<b>F</b>	<b>Georgia</b>	<b>F</b>	<b>Louisiana</b>	<b>D</b>
<b>Arizona</b>	<b>F</b>	<b>Hawaii</b>	<b>F</b>	<b>Maine</b>	<b>B</b>
<b>Arkansas</b>	<b>D</b>	<b>Idaho</b>	<b>F</b>	<b>Maryland</b>	<b>F</b>
<b>California</b>	<b>D</b>	<b>Illinois</b>	<b>C</b>	<b>Massachusetts</b>	<b>A</b>
<b>Colorado</b>	<b>B</b>	<b>Indiana</b>	<b>F</b>	<b>Michigan</b>	<b>F</b>
<b>Connecticut</b>	<b>F</b>	<b>Iowa</b>	<b>C</b>	<b>Minnesota</b>	<b>B</b>
<b>Deleware</b>	<b>F</b>	<b>Kansas</b>	<b>F</b>	<b>Mississippi</b>	<b>F</b>

# Transparency Report Card

<b>Missouri</b>	<b>F</b>	<b>North Carolina</b>	<b>F</b>	<b>South Dakota</b>	<b>C</b>
<b>Montana</b>	<b>F</b>	<b>North Dakota</b>	<b>F</b>	<b>Tennessee</b>	<b>F</b>
<b>Nebraska</b>	<b>F</b>	<b>Ohio</b>	<b>D</b>	<b>Texas</b>	<b>D</b>
<b>Nevada</b>	<b>C</b>	<b>Oklahoma</b>	<b>F</b>	<b>Utah</b>	<b>C</b>
<b>New Hampshire</b>	<b>A</b>	<b>Oregon</b>	<b>F</b>	<b>Vermont</b>	<b>C</b>
<b>New Jersey</b>	<b>F</b>	<b>Pennsylvania</b>	<b>F</b>	<b>Virginia</b>	<b>B</b>
<b>New Mexico</b>	<b>F</b>	<b>Rhode Island</b>	<b>F</b>	<b>Washington</b>	<b>F</b>
<b>New York</b>	<b>F</b>	<b>South Carolina</b>	<b>F</b>	<b>West Virginia</b>	<b>D</b>

# Transparency Report Card

Wisconsin B

Wyoming F

**A - 2**

**B - 5**

**C - 7**

**D - 7**

**F - 29**

Source: Catalyst for Payment reform

**0.72 GPA – We have a lot of work to do!!!!!!**



**Taking a Closer  
Look at  
Transparency**

**TODAY**

# Healthcare Costs – What are they?

## **A. Administration Fees**

Plan Administration

Broker Compensation

Compliance

## **B. Fixed Costs**

Vendor Fees

Network Access Fees (Sometimes Variable and sometime claim costs)

## **C. Stop-Loss**

# Cost “Drivers”

## **A. Cost of procedure**

**The cost of a particular procedure vs.  
The actual paid amount for the  
procedure**

**B. The frequency of a particular  
procedure (Multiplied by the number of  
times the procedure is done in a  
group)**

# Static vs. Dynamic Pricing

- **Static pricing** is immovable. At best it is an annual renewable rate (price).  
Example: How travel used to be booked.
- **Dynamic pricing** is based on “vacancy rates”. Example: booking via Travelocity
- **Recognizing the difference?**

**The terms of the pricing will tell**

# Cost “Confusers”

- **PPO Network Variability in allowable charges**

Without transparency costs can vary dramatically from one provider to another

Hospital “A” pricing may discount one procedure by 75% and another by 25%

Hospital “B” may price the same procedures in the inverse

- **There is no correlation between price and quality (Outcomes are often better with lower costs)**

- **Variation in facility fees (Physicians are usually paid the same regardless of where the procedure is performed)**

# Cost “Confusers” – Restricting Competition

## ➤ **Network “gag” clauses**

Employers not allowed to ask provider what they were paid

Providers often not allowed to ask employer what they are charged

## ➤ **Network contracts are based on fixed prices at the time the contract is negotiated**

Market Pricing is based on supply and demand everywhere  
**BUT** in healthcare

## ➤ **Transparency by itself can increase costs**

Lower wage workers with high deductibles want value  
(Employees earning 12k with a \$6k deductible have a tendency to go to a provider that charges more)

# Plan Design

**A. Effective employee incentives**

**B. Deductibles drive employee decisions on care & services**

**Employees need “skin” in the game**

**Monthly deductibles are more effective than annual deductibles**

**C. “Shopping Tools”**

**D. Transparency Tools (Differentiating between price & quality)**

# Shopping Tools

## ➤ Shopping tools

How can employees know what their plan will pay?

Setting an allowable required that employees know how to look up the allowable

How can employees find a provider willing to accept their allowable?

How to find tools which allow employees to shop for providers who accept the plan allowable

How to calculate out of pocket cost sharing

Example: [MediBid.com](http://MediBid.com)

# Transparency Tools

## ➤ Transparency tools

What is the difference between price transparency and quality transparency?

Is there a correlation between costs and quality?

How does one differentiate between price and quality?

# Transparency Tools

## ➤ Examples:

- [Fairchex.com](http://Fairchex.com)
- Healthcare Blue Book
- [PriceDoc.com](http://PriceDoc.com)
- [PricingHealthcare.com](http://PricingHealthcare.com)

# More on Transparency

- **Transparency implies openness, communication and accountability**
- **Price variation can be 8-fold in most markets**
- **Is the challenge to be transparent mechanical, philosophical or both?**
- **Is the challenge to be transparent too complicated to manage or just inconvenient?**

# Marketing Perspectives

**Is the conversation on  
transparency changing?**

**..... a little**

# Signs the Federal Government is Starting to “Get It”?

- ✓ In 2014, HHS released average charges for the 100 most common inpatient procedures (The average covered charge for a hip replacement varied by **800%**.)
- ✓ HHS released selected hospital outpatient charges for 30 types of common hospital outpatient procedures. Example: Endoscopies & Echocardiograms, (The average covered charge for a colonoscopy varied by almost **400%**.)
- ✓ A federal court in Florida lifted the 33 year-old “permanent” injunction that has forbidden HHS from disclosing Medicare reimbursement amounts for individual physicians (Medicare Assignment.)
- ✓ According to HHS, “we are committed to making the health system more transparent in harvesting data to empower consumers.”

Source: Richard Cowart, Chairman of Health Law and Public Policy, Baker Donelson Law Firm, TN

# Identifying Best Practices for Transparency

## Americans need and must demand:

- ✓ Current, accurate, unbiased and relevant data sources
- ✓ Easy access to information that is “user-friendly”
- ✓ Cost differentiations based on outcomes and clinical performance
- ✓ Quality measures, including outcomes, quality designations and any disciplinary actions
- ✓ The “personal touch” i.e. the ability to talk to a live person
- ✓ Consumer ratings information and user experiences

# Closing Remarks

- Transparency is a simple idea with lots of complications BUT one who's time has come
- Legislation and regulation don't have to be the drivers for transparency **IF consumer demand is strong**
- The notion of consumer confusion is a distraction
- The “flight to price” and “can't do without quality” argument ignore free market principles

## Closing Remarks

**How can the Agent or Broker  
promote and affect  
Transparency?**

# Promoting Transparency – Agent Broker

1. Educate themselves on cost and outcome transparency and what impact they can have on healthcare.
2. Educate the “buyer” on how transparency can benefit their organization. (**Employee incentives**)
3. Educate employees (and their families) on how transparency can benefit them. (**Employer incentives**)
4. Identify and share the tools and resources available that offer pricing and outcome information.
5. Share transparency success stories.
6. Be the voice/advocate for the consumer.

# Incentives?

## MediBid (Patient Advocates)

Taken from a proposal to a 185 life group:

Procedure	Billed	Plan Allow	MediBid Cost	MediBid/Billed	MediBid/Allow
Fundoscopy	\$72,000.00	\$14,500.00	\$11,650.00	(\$60,350.00)	(\$2,850.00)
Hernia	\$25,000.00	\$4,900.00	\$3,060.00	(\$21,940.00)	(\$1,840.00)
Whipple	\$386,000.00	\$85,000.00	\$35,000.00	(\$351,000.00)	(\$50,000.00)
Laminectomy	\$87,885.00	\$20,000.00	\$9,985.00	(\$77,900.00)	(\$10,015.00)
Gall Bladder	\$25,000.00	\$7,800.00	\$4,600.00	(\$20,400.00)	(\$3,200.00)
				(\$531,590.00)	(\$67,905.00)

# NAHU and Transparency?

- 1. Responsibility to educate. (Transparency Advisory Committee)**
- 2. Advocate for public policies that promote cost and outcome transparency.**
- 3. Establish standards for delivering cost and outcome transparency.**
- 4. Legislative Advocacy – helping legislators view transparency through the eyes of their constituents so they understand the positive impact it can bring.**
- 5. Connect constituents to their legislators.**

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**Questions?**