



Price Transparency

Here's a winning strategy for doctors and patients.

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A consumer who wants to make an intelligent economic choice must have accurate pricing information. You might recall a TV commercial that aired some time ago in which a potential customer asked a sales person, "How much is your \$1,200 dollar computer?" with the reply being, "\$1,800 dollars." Producers of this tongue-in-cheek commercial were intending to show the lack of price transparency in this one industry—that of computers. The fees in today's medical "industry" are even less transparent.

As the computer industry has matured, pricing has become more transparent; however, in the healthcare industry, patients still have little idea what price they will be charged for specific services. Researchers examined medical claims data for 82,000 employees working for small businesses in the same town—data from May 2010 to May 2011. They found that a patient could pay as much as 683% more than another for the exact same medical procedure—such as an MRI or CT scan. Doctors who astutely recognize that lack of information regarding such matters is bad for patients and doctors alike will benefit greatly when they make their pricing information

more accessible to patients. Wouldn't you want to know the price of a procedure you were going to undergo ahead of time—especially if you knew that prices for the same service could vary by as much as 683%?

Providing consumers with accurate pricing information is fundamental to success in every business. We

taken the initiative to assure that their fee information is transparent. They either believe this to be unprofessional or they worry that patients will comparison shop—looking for the cheapest doctor. A better argument is that it is unprofessional not to make price information more accessible. The reality is that because of

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take for granted that we will receive accurate pricing for products or services we purchase—including medical services. As it turns out, every healthcare reform plan that has been put forth to "fix our broken system" has recommended this need for greater transparency. Given the reality that at least 30% of today's population have high deductible insurance plans—basically, making them cash patients—greater price transparency will be a key strategy for the future success of any practice as this offers significant benefit to patients.

Meanwhile, few doctors have

the huge variation in medical charges, patients are often even hesitant to schedule, erroneously assuming that fees will be much higher than they actually are. It is the "not knowing" that keeps many from making appointments in the first place, especially those who have high deductibles or who are paying cash—those who may very well represent the majority of our future patients. If increased transparency of information makes economic sense for businesses in all industries, why wait for it to become a requirement in medicine?

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Reading an article that appeared in the January 2017 issue of *Consumer Reports* entitled, “How to Survive a High-Deductible Health Plan” can be of value to us here. This article is focused on educating consumers of the wide variation in both price and quality that exists for identical medical or surgical services. Within the text, it gave an example of bunion surgery prices in Kansas City, Missouri. These ranged from \$3,136, to \$8,150—the latter almost triple the price for identical services. The results for most other services were similar. For example, knee-replacement surgery ranged from a low of \$20,165 in St. Louis to a high of \$71,619 in Sacramento—with a national average of \$35,543. MRIs for lower back pain ranged from a low in New York of \$399 to a high in Sacramento of \$2,162—with a national average of \$504. A cash-paying patient who would consider having an MRI at the average price might reject the test at the highest price. The problem is that it is difficult for patients to know prices in advance. More importantly, according to *Consumer Reports* (as we know), high price and high quality do not necessarily correlate. For example, higher quality MRIs require use of the highest strength magnet; however, neither the cheapest MRI nor the priciest in this *Consumer Reports* survey used one.

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A patient who makes an appointment for a consultation with a new physician faces constraints based on previous experiences s/he has had when seeing doctors, and this includes pricing experience. How often does a patient come to your office and complain about the “outrageous” fee s/he was charged for a consultation by another doctor? This is usually followed by negative comments regarding the small amount of time the doctor spent with him/her. Assume that your charge for a consultation is \$175. A patient is more likely to make an appointment and pay in full if s/he knows ahead of time that this is your charge. Even if your charges are fifty percent higher than those of another practitioner in your area, a patient who has been referred to you by another doctor or a

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trusted friend is still more likely to choose you over the doctor who charges less. A patient who has no pricing information may fear that your fees could be even higher than they actually are—possibly “astronomical”—reducing the possibility of the patient scheduling.

Transparency in medicine will eventually include information regarding quality as well as price. This information regarding quality will be more subjective and difficult to measure, but its existence will ultimately enable patients to assess value. Third-party gathering of this type of information is still in the early stages; yet, physicians today can begin providing information regarding the quality of their own practices to patients. Traditionally, doctors have considered their personal credentials (such as education, training, certification, and hospital affiliations) to be the primary measures of quality, but today’s patients want more. They see quality as including quicker access, shorter waits, information regarding their own specific needs, and success levels of various treatment options. Supplying the type of quality information that is important to patients will demonstrate your practice’s greater value and, subsequently, validate higher, but fair, fees for your services.

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Ultimately, information and price transparency will be required of all doctors. What are you waiting for? It makes sense to proactively take on this challenge now. **PM**



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