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RESEARCH & COMMENTARY: HEALTH CARE PRICE TRANSPARENCY LAWS COULD HELP ALASKA PATIENTS

FEBRUARY 22, 2017
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In this Research & Commentary, Matthew Glans examines health care price transparency and how it promotes competition and helps ensure product quality.

Access to transparent health care prices remains elusive for consumers who are often insulated from the billing system through ineffective third-party payment systems which leave patients unaware of the cost of the treatments they receive. Patients are not given an incentive to shop around; they pay the same copay regardless of the services they choose and are not penalized for ineffective choices. Extra costs are passed on to the insurer, and the overall cost of premiums increases along with the cost of care.

According to the *Alaska Dispatch News* (ADN), the cost of health care in Alaska is considerably higher than in most parts of the United States: "Alaskans spend thousands more on health care annually than the average American, and medical specialists in the state sometimes charge 10 times prices found in Seattle," wrote Laurel Andrews.

In Alaska, state and local legislators are considering proposals that would make health care price information more transparent for patients, thereby helping to manage costs.

The first proposal would require health care providers to list prices for their most commonly used procedures, posting them both in their offices and online. Smaller providers would be required to post prices for their top 25 procedures. Larger providers would need to post price information for their top 50 procedures. These lists would be required to be kept up-to-date and reviewed annually.

Another effort, this time at the local level, is under consideration in Anchorage, where according to the *Alaska Dispatch News*, the mayor plans to introduce an ordinance that would allow patients to request a price estimate of medical services and impose penalties on those providers that do not comply. The proposed ordinance would require health care providers to offer an estimate within seven business days. The estimate would include all procedures that are likely to be administered and their costs. Billing codes would also be given in the estimate so patients would be able to follow up with their insurers should coverage questions arise. Failure to post information about these lists or to provide a prompt estimate would lead to a fine of up to $1,000.

While it is important to consider the potential costs these plans might create for providers, both plans would be a positive step toward empowering consumers and creating real competition in the state's health care market.

A recent report card from the Health Care Incentives Improvement Institute (HCI3) and Catalyst for Payment Reform's (CPR) examined state price transparency laws and found very little progress being made by state to improve health care price transparency. The report card found "45 of 50 states fail when it comes to disclosing health care price information to the public."

Price transparency laws do work. In a 2013 study published in the Journal of the American Medical Association, researchers looked at the medical claims paid by employers after a price transparency tool was made available. The study was extensive, covering 500,000 individuals in 253,000 households between 2010 and 2013 while examining three basic medical services:

laboratory tests, advanced imaging services, and clinician office visits. The results were positive, costs for consumers using the price transparency tool were "14 percent lower for lab tests and 13 percent lower for imaging services compared to those who did not use the tool. Costs associated with office visits declined by 1 percent." The money saved by the patients was also noteworthy; as an example, the consumers using the price transparency tool for imaging services saw a reduction of $124.74 per service.

Price transparency promotes competition and helps ensure product quality. When consumers are able to actively shop and compare prices, market pressures encourage providers to produce a more affordable, higher quality product or risk losing out to their competitors. State legislators should pursue efforts to ensure health care price transparency efforts in their state.

The following documents examine health care price transparency in greater detail.

Ten Principles of Health Care Policy

http://heartland.org/policy-documents/ten-principles-health-care-policy
This pamphlet in The Heartland Institute's *Legislative Principles* series describes the proper role of government in financing and delivering health care and provides reform suggestions to remedy current health care policy problems.

Price Transparency in Health Care: Will it Bend the Cost Curve?

http://dailysignal.com/2010/06/28/price-transparency-in-health-care-will-it-bend-the-cost-curve/
Kathryn Nix of writes in the Daily Signal about a new trend toward greater price transparency in medicine due to new companies aiming to make health care price more available. "Lack of transparency regarding pricing of medical services has often been attributed as one of the factors contributing to skyrocketing spending in the health care system, a concern which drew considerable attention during the recent debate over health care reform."

Transparency in Health Care: What Consumers Need to Know

http://www.heritage.org/research/lecture/transparency-in-health-care-what-consumers-need-to-know
In this 2007 lecture from the Heritage Foundation, the Honorable Alex M. Azar II, Thomas P. Miller, David B. Kendall, and Walton Francis discuss transparency in health care and how it effects choice and pricing. "In a free market, where consumers make their own decisions, technology and techniques rapidly improve. Quality rises and prices drop. In short, freedom fosters prosperity."

Empowering Patients as Key Decision Makers in the Face of Rising Health Care Costs

http://www.heritage.org/research/reports/2011/12/empowering-patients-as-key-decision-makers
The current trend of rapidly rising health care costs is unsustainable. Many proposed reforms to curb spending rely on some type of rationing imposed by an unaccountable government body. A better alternative would be to allow individual consumers to make their own decisions about care, including the self-rationing of medical services, based on cost and their own desires. Such a policy is compatible with American values of limited government and individual liberty and responsibility. State and federal policymakers should adopt measures to facilitate personal control of health care decisions.

Transparency and Disclosure of Health Costs and Provider Payments: State Actions

http://www.ncsl.org/research/health/transparency-and-disclosure-health-costs.aspx
This report from the National Conference of State Legislatures describes a number of state actions over the past two decades which promote efforts to improve transparency in health charges and provider payments.

Study: Price Transparency Benefits Consumers

http://news.heartland.org/newspaper-article/2015/01/16/study-price-transparency-benefits-consumers
Kenneth Artz writes in the *Heartlander* about a new study from the Journal of the American Medical Association which found as price transparency lowered total claims payments for common medical services.

Health Care Prices Remain a Secret in Most States

http://news.heartland.org/newspaper-article/2015/07/08/health-care-prices-remain-secret-most-states

Only five states adequately make health care prices available to the public, says a new report about health care price transparency. Kenneth Artz writes in the *Heartlander* about the Health Care Incentives Improvement Institute (HCI3) and Catalyst for Payment Reform's (CPR) third annual Report Card on State Price Transparency Laws which shows little progress being made despite what seems to be more activity in state legislatures discussing the need for price information, particularly at a time when more Americans are gaining health coverage under Obamacare. However, 45 of 50 states fail when it comes to disclosing health care price information to the public.

Healthcare Prices for Common Procedures Are Hard for Consumers to Obtain

http://pioneerinstitute.org/healthcare/national-survey-finds-limited-access-to-price-estimates-for-routine-hospital-procedure/

A survey of 54 hospitals in six metropolitan areas across the United States reveals consumers seeking a price estimate for a routine medical procedure face a difficult and frustrating task, despite price transparency provisions in the Affordable Care Act and five of the six states, according to this Pioneer Institute Policy Brief.

Price Transparency in Health Care Report from the HFMA Price Transparency Task Force

https://www.heartland.org/policy-documents/price-transparency-health-care-report-hfma-price-transparency-task-force

In this paper, a multi-organizational task force develops guiding principles and recommendations for price transparency which highlight how hospitals, physicians, and health plans can share reliable information on healthcare prices with consumers.

Nothing in this *Research & Commentary* is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. For further information on this subject, visit *Health Care News*, The Heartland Institute's website, and *PolicyBot*, Heartland's free online research database.

If you have any questions about this issue or The Heartland Institute's website, contact John Nothdurft, The Heartland Institute's government relations director, at john@heartland.org or 312/377-4000.

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