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THE EXPERTS

## Why Health-Care Price Transparency Isn't Enough for Consumers

Mar 26, 2015 6:30 am ET



ISTOCK

**LEAH**

**BINDER:** Last year, more than half of working Americans reportedly checked prices for the health services they required. Surprised?

This is a very

new phenomenon, catalyzed by the massive shift in the economics of health care toward high-deductible health plans (HDHPs), where consumers pay the full cost of the MRI, the X-ray, the specialist visit, etc., until they hit that high deductible. Consumers have more skin in the game than ever before.

Health-care providers and policy makers are scrambling to meet consumer demand for accurate pricing, and it's not easy. An important meeting on the topic, the Health Care Transparency Summit, just concluded in Washington, with speakers condemning how convoluted and confusing it can be to get the information, and then how absurd the numbers look once you have them. The same services can be priced five or 10 times more at one facility than at another down the street, for no apparent reason. To make it even worse, different plans negotiate different prices for the same doctors and services, so even your doctor is confused when you ask her how much your bill will be.

On the upside, price transparency unleashes market power to drive health-care costs down, encouraging patients to make decisions based on value. On the downside, consumers are forced to navigate an extraordinarily puzzling and dysfunctional health-care system. Alarmed by what they find, consumers may forgo needed care because the price is simply too high. Millions of consumers are shopping for care, and it's time we addressed that trend frankly and responsibly.

Here's the priority: pricing information should never be presented alone. Price must always appear side-by-side with quality ratings. Here are three reasons why:

**1. Pricing is not enough for any consumer, ever.** Price is often the first question we ask when we make a purchase, but the second question is always: "What do I get for my money?" Nobody walks into a car dealer and says: give me a car priced at \$20,000. They ask for a listing of cars in a particular price range, and start comparing. Consumers weigh the pros and cons—safety record, special features, and design. And that decision-making process doesn't stop with just cars.

This is such an obvious point it hardly needs any research, but there are some good studies to back it up. A recent paper in the *Journal of Patient Safety* found that 97% of surveyed consumers preferred hospitals with the highest grades for safety, and that pricing, although relevant, was less important to them.

**2. Pricing reported on its own can *inflate costs in the market.*** Many consumers think the health-care industry functions like a normal market, and high-end pricing correlates with high-end quality. That's not so in health care, where quality and price are unrelated. This may lead many consumers to simply assume the highest price provider is the best one, and reward them with more business. Without good quality ratings, pricing becomes a proxy for quality, and can drive costs upward.

**3. Price transparency can mask suffering.** There are many hazards, misdiagnoses, inappropriate referrals for the wrong service, errors, and infections that cost patients big time. Upward of one-third of all spending in health care can be attributed to this waste. One study found that surgical site infections cost employers on average \$39,000 extra at one hospital system. That number won't show up on pricing data. Can you imagine a price comparison among hospitals with one "only" charging \$25,000 for the privilege of an infection compared to another charging \$39,000?

A price-only report might show you how much a knee replacement might cost at Hospitals X, Y, and Z, but it won't tell you that Hospital X has twice the infection rate of Hospital Y, and that's going to cost you—money, and possibly your life.

So, while I applaud individuals and organizations that seek to make prices transparent to consumers, we can't just stop there. High-value care should be the *right* care, at the *right* price.

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