

Health care costs are hard to pin down

Some groups are pushing for ways to help consumers compare prices

By Kirsten Valle
kvalle@charlotteobserver.com
Posted: Sunday, Jun. 27, 2010

Health care costs are at the heart of a dispute between Presbyterian Hospital's parent company and Aetna, with the insurer alleging the health care network is more expensive than the state and national average - and Novant countering that the claim is far from the truth.

But if consumers want to assess whether they've been charged fairly for their trip to the emergency room, for an MRI, or even for open-heart surgery, they encounter a murky process.

Health costs are difficult to track, clouded by complex calculations and shrouded by privacy rules. There are different measures, from what it costs a hospital to perform a procedure to how much an insurer reimburses a health care provider to what the patient ultimately pays. Novant and Aetna officials say their dispute involves reimbursement rates, but neither will release data to back up its claims, saying it's proprietary information.

There's no N.C. agency that tracks average consumers' out-of-pocket costs, several government officials said, and unlike for auto insurance or airline tickets, there are few comprehensive comparison tools that track the price of medical procedures.

But transparency for U.S. consumers is gaining traction.

Private companies, insurers and health organizations are pushing for more open reporting of costs and patient-friendly billing. And more patients are asking questions as they shoulder higher deductibles, co-payments and other costs.

New Hampshire in 2007 launched a website for consumers to compare costs of medical procedures. The state's insurance department has worked with or fielded questions from Maine, Minnesota, Tennessee, Vermont, Utah and other states, though not the Carolinas.

One website, the American Hospital Directory, publishes a list of U.S. hospital charges - the raw numbers reflected on patients' bills before insurance and other discounts are applied - and other data.

The AHD shows that Presbyterian hospitals' charges are no higher than others in the Charlotte area for some procedures - but those numbers are inconclusive, because the patient's final bill depends on his insurance plan, the cost of labor in that market, complications that might arise and other factors.

Hospitals and health care experts advise patients to tread carefully when looking up health pricing data - and say that until a better database is available, the best way to shop around is to contact their health care provider and insurance company before a procedure.

"Most people go to buy a car, and they say, I like these bells and whistles - what's it going to cost? In health care, patients haven't always done that, because there's been this insulator between them of insurance," said Todd Nelson of the Healthcare Financial Management Association, an educational organization for chief financial officers, consultants and other medical professionals. "Now ... I think we are seeing more patients be cognizant, maybe, of what things cost."

Aetna-Novant dispute

The issue made news locally this month when the Novant health care network sued Aetna in the midst of their contract negotiations, alleging unfair competition, defamation and the misuse of trade secrets.

At issue was Aetna's claim, distributed to doctors, patients and the media, that Novant's inpatient and outpatient costs are well above state and national averages. Novant officials say that's not true, and that their research from independent consultants shows their prices are not higher than local and state competitors.

Aetna spokesman Walt Cherniak said the assertion comes from patient claim data. He said the argument is based on the negotiated rate Aetna pays Novant, adding, "If we pay more for a procedure, you'll likely pay more" out of pocket.

Both sides declined to release information to support their cases, saying they're legally bound to keep such numbers private.

Numbers from the AHD show Novant hospitals are in line with others in the Charlotte area for a variety of inpatient and outpatient procedures. Aetna and Novant officials said the site is credible but doesn't tell the whole story, because hospital costs and charges don't reflect insurance discounts and patients' out-of-pocket costs.

Factors such as labor, technology - even the length of time a patient is under anesthesia - determine what an insurance company and, ultimately, the patient, pay for the service. Hospital charges also depend on reimbursement rates from the federal government for programs such as Medicare, which often pay less than the procedures actually cost.

Pushing for transparency

Hospital officials say the process can be frustratingly complex. To help, the Healthcare Financial Management Association, for instance, has launched a patient-friendly billing initiative to help hospital employees talk to patients about their bills, Nelson said. The goal: greater transparency and more collaboration.

"The reality is that health reform is a big issue," he said. "Everybody's got to work together to make this happen."

A Tennessee startup called Change:healthcare hopes to capitalize on the push. Its online database is meant to help employers and their workers choose the most affordable providers for medical services.

That could open up a bigger discussion among patients and providers, eventually, about quality, said company founder Christopher Parks, who launched Change:healthcare after his parents died, leaving him with piles of difficult-to-understand medical bills and insurance statements.

"Without transparency, you'll never really get at the value of the service needed," he said. "There's a reason why the Ritz Carlton costs more than Motel 6. But right now for the vast majority of people, they're checking in ... and they've never seen a bill."

Parks said patients probably won't shop around for major surgery, but comparing costs for more basic services could save big money. He said patient costs can vary 20 percent to 40 percent across a metropolitan area - within the same network, insurance company and plan.

Price comparison website

"The reality is that health reform is a big issue," he said. "Everybody's got to work together to make this happen."

A Tennessee startup called Change:healthcare hopes to capitalize on the push. Its online database is meant to help employers and their workers choose the most affordable providers for medical services.

That could open up a bigger discussion among patients and providers, eventually, about quality, said company founder Christopher Parks, who launched Change:healthcare after his parents died, leaving him with piles of difficult-to-understand medical bills and insurance statements.

"Without transparency, you'll never really get at the value of the service needed," he said. "There's a reason why the Ritz Carlton costs more than Motel 6. But right now for the vast majority of people, they're checking in ... and they've never seen a bill."

Parks said patients probably won't shop around for major surgery, but comparing costs for more basic services could save big money. He said patient costs can vary 20 percent to 40 percent across a metropolitan area - within the same network, insurance company and plan.

Price comparison website

Some insurance companies have gotten in on the act, too. Aetna, for instance, introduced a price-comparison tool for members and operates Plan for Your Health.com, a website that seeks to educate consumers about health benefits.

Charlotte resident Velva Rowe said she used Aetna's cost-comparison tool to make sure she was getting a fair price for hernia surgery last year and would use a site such as the one in New Hampshire, especially for outpatient procedures. Rowe, 38, and her family shop around for insurance coverage - but mostly, they rely on their doctors' word, she said.

"I've never really compared," she said. "I didn't know there was a way to do that."

Kirsten Valle: 704-358-5248

 [Subscribe to The Charlotte Observer.](#)