



## Price Discrepancies in Hospital Services Revealed

On September 18, 2023, the Journal of the American Medical Association (JAMA) published a study comparing online hospital pricing and pricing given over the telephone for shoppable hospital services.<sup>1</sup> Hospitals in the U.S. are required to post pricing online for specified services, but it was unknown whether or not hospitals quoted the same prices to telephone callers as they posted online.<sup>2</sup> This Health Capital Topics article will discuss the topic of price discrepancy and the difficulties with cost comparison.

As healthcare costs continue to rise, price transparency has become a focus of regulatory rulemaking. In 2021, the Centers for Medicare & Medicaid Services (CMS) implemented a final rule that mandated all U.S. hospitals to publicly display prices.<sup>3</sup> Hospitals were required to post on their website 300 shoppable services and their corresponding prices in a consumer-friendly manner.<sup>4</sup> However, as of February 2023, just over two years after the final rule went into effect, only about 25% of hospitals were in compliance with all of the rule's requirements.<sup>5</sup> The final rule currently allows for fines up to \$2 million for hospitals that do not post prices, but there is no mechanism through which CMS can audit hospitals to determine if they are posting misleading prices and erroneous data.<sup>6</sup> To date, 14 hospitals have been fined a total of \$4.6 million by CMS for noncompliance with the rule.<sup>7</sup>

The JAMA study, conducted in 2022, over one year after the enactment of the Hospital Price Transparency Rule, found poor correlation between prices that were offered over the telephone to secret shoppers and prices that were posted online by hospitals.<sup>8</sup> Results highlighted the ongoing issues in hospitals communicating their pricing, as well as for patients who shop comparatively for healthcare.<sup>9</sup> The study analyzed prices for two services – vaginal childbirth and brain magnetic resonance imaging (MRI) – across 60 representative hospitals classified as either: a top-ranked hospital, a safety-net hospital, or a non-top-ranked, non-safety-net hospital. Of the 60 hospitals analyzed, only 22 (just over one-third of hospitals) provided both online and phone pricing estimates for vaginal childbirth, and only three of those hospitals provided matching estimates.<sup>10</sup> Nine hospitals provided pricing estimates via phone that differed by more than 50% from the online price, and ten hospitals provided estimates that were within 25% of the online price.<sup>11</sup> For brain MRI, 47 of the 60 hospitals provided both online and phone pricing estimates, but only nine provided matching estimates. Twelve hospitals provided phone price estimates that differed by at least 50% from their online estimates, and 31 hospitals provided phone price estimates within 25% of the online price.<sup>12</sup>

Overall, safety-net hospitals had the lowest online prices of the three hospital categories for both vaginal childbirth and brain MRI, but similar telephone prices compared to the other two hospital categories. Online pricing for vaginal childbirth varied widely among hospitals, with prices ranging from \$0 to \$55,221 among highly-ranked institutions and from \$4,361 to \$14,377 among safety-net hospitals.<sup>13</sup> Online prices for brain MRIs had a somewhat tighter range, with price estimates between \$481 and \$7,307 at highly-ranked hospitals and between \$418 and \$6,864 at safety-net hospitals. The study's findings highlighted the implausibility and inaccuracy of the online pricing, providing an example of the same hospital quoting the cost of childbirth as \$0 and the cost of a brain MRI as \$166,000.<sup>14</sup> According to the study, a variety of factors account for the discrepancies in pricing. For example, hospital billing staff may not be adequately trained or may be unaware of the online price estimator tool.<sup>15</sup>

Notably, the study was co-authored by affiliates of the University of Texas's Medical Branch, the Baylor College of Medicine, and Mark Cuban, billionaire entrepreneur and co-founder of the Mark Cuban Cost Plus Drug Company, who has been a big advocate for transparent and affordable pricing on drugs.<sup>16</sup>

This newest study is in line with other analyses of the Hospital Price Transparency Rule, which found various issues with reported services and prices. For example, inconsistencies exist in which services corresponded with which prices, making price comparisons difficult.<sup>17</sup> Critical information for interpreting price applicability, such as the payor class and contracting method, was often missing.<sup>18</sup> The quality of data also varied widely, with some hip and knee replacement data suggesting hospital prices were under \$1,000 for the procedure, while other data suggested prices exceeding \$1 million.<sup>19</sup> While CMS provides suggested guidelines regarding the formatting, validation, and quality of data, hospitals are not required to comply with those suggestions.

While federal policy related to hospital price transparency is certainly not perfect, CMS's final rule did succeed in making publicly available some data related to negotiated charges between providers and payers, regardless how reliable.<sup>20</sup> As the JAMA authors note, the study's "results illustrate the promise of and substantial barriers to translating newly available hospital price data into actionable information that ultimately facilitates comparison shopping."<sup>21</sup> Whether further regulations will be enacted to ensure true price comparison remains to be seen.

- 1 “Comparison of Hospital Online Price and Telephone Price for Shoppable Services” By Merina Thomas, et al, Journal of the American Medical Association, September 18, 2023, <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2809589> (Accessed 9/27/23).
- 2 *Ibid.*
- 3 “Secret shopper’ study finds errors, discrepancies in inquiries about hospital prices” UTMB Health, September 18, 2023, <https://www.utmb.edu/news/article/utmb-news/2023/09/18/secret-shopper-study-finds-errors-discrepancies-in-inquiries-about-hospital-prices> (Accessed 9/27/23).
- 4 “Hospitals share differing medical prices online versus over the phone, secret shopper survey finds” By Rebecca Pifer, Healthcare Dive, September 18, 2023, <https://www.healthcarediver.com/news/hospital-price-variation-online-phone-transparency/693866/#:~:text=Price%20discrepancies%20could%20be%20due,hospital's%20online%20price%20estimator%20ool.> (Accessed 9/27/23).
- 5 “Fourth Semi-Annual Hospital Price Transparency Report” Patient Rights Advocate, February 2023, available at: <https://www.patientrightsadvocate.org/february-semi-annual-compliance-report-2023> (Accessed 9/27/23).
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- 7 Pifer, Healthcare Dive, September 18, 2023.
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- 10 “Mark Cuban-backed study finds price discrepancies in hospital services” By Caroline Hudson, Modern Healthcare, September 22, 2023, <https://www.modernhealthcare.com/finance/mark-cuban-jama-study-hospital-price-variations> (Accessed 9/27/23).
- 11 *Ibid.*
- 12 *Ibid.*
- 13 *Ibid.*
- 14 UTMB Health, September 18, 2023.
- 15 Pifer, Healthcare Dive, September 18, 2023.
- 16 Hudson, Modern Healthcare, September 22, 2023.
- 17 “Ongoing challenges with hospital price transparency” By Justin Lo, Gary Claxton, Emma Wager, Cynthia Cox, and Krutika Amin, Kaiser Family Foundation, February 10, 2023, <https://www.healthsystemtracker.org/brief/ongoing-challenges-with-hospital-price-transparency/#Distribution%20of%20negotiated%20rates%20for%20hip%20and%20knee%20replacement> (Accessed 9/27/23).
- 18 *Ibid.*
- 19 *Ibid.*
- 20 *Ibid.*
- 21 Thomas, et al, Journal of the American Medical Association, September 18, 2023.



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