

Hospital Price Transparency: Can Better Information Help Us Lower Our Insurance Premiums?

**Teacher Retirement System of Texas
Dallas, Texas
December 12, 2022**

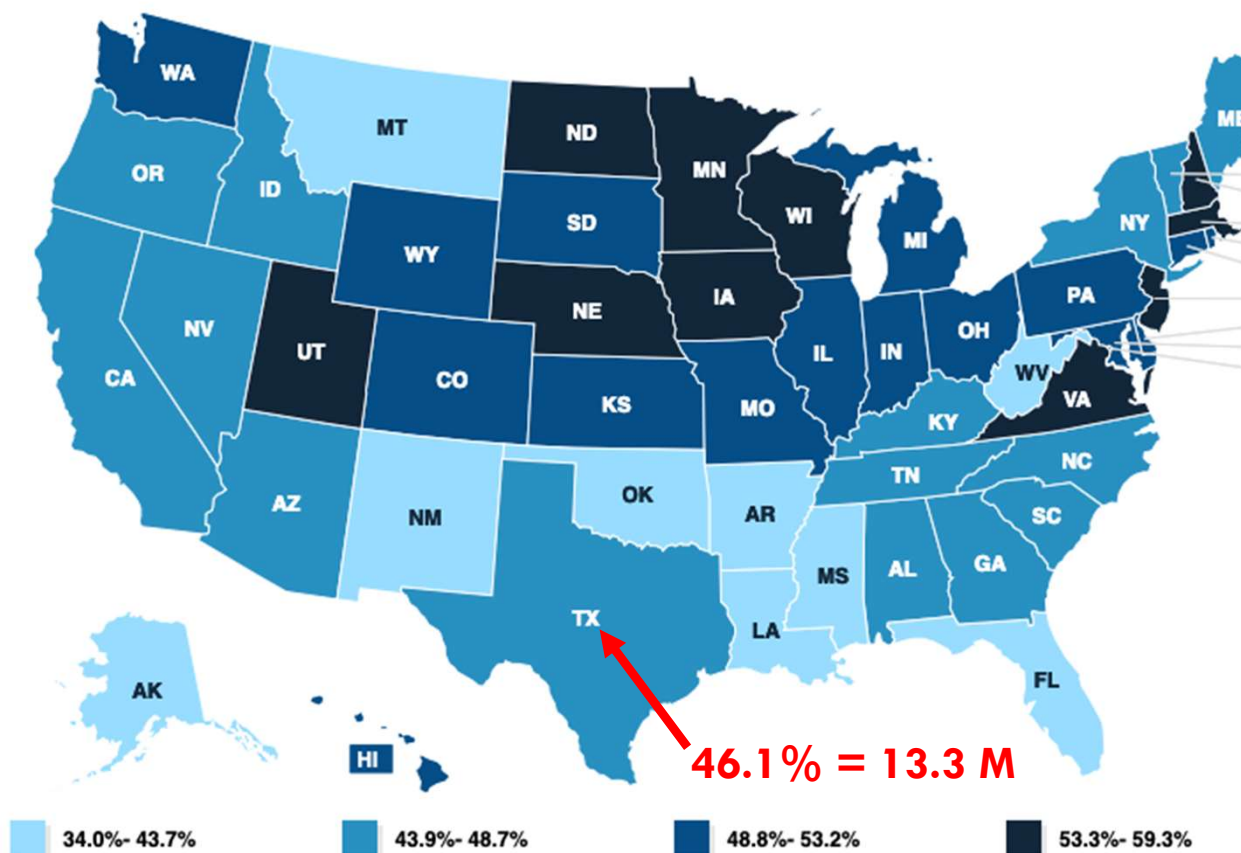
Vivian Ho, PhD

James A. Baker III Institute Chair in Health Economics
Professor, Department of Economics at Rice University
Professor, Department of Medicine at Baylor College of Medicine

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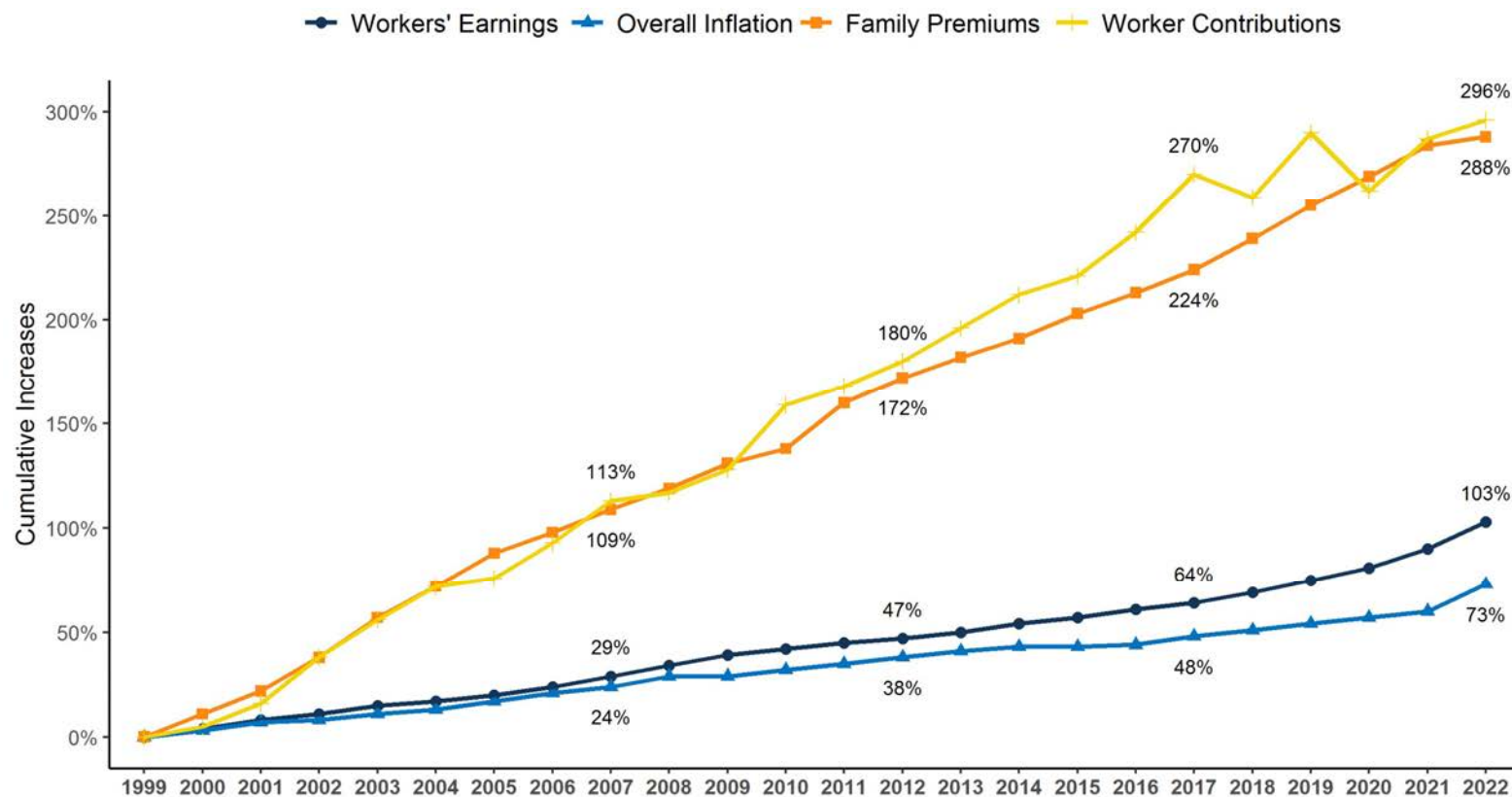
Baylor
College of
Medicine

Employer Sponsored Insurance Prevalence, 2021



Source: Kaiser Family Foundation, State Health Facts.

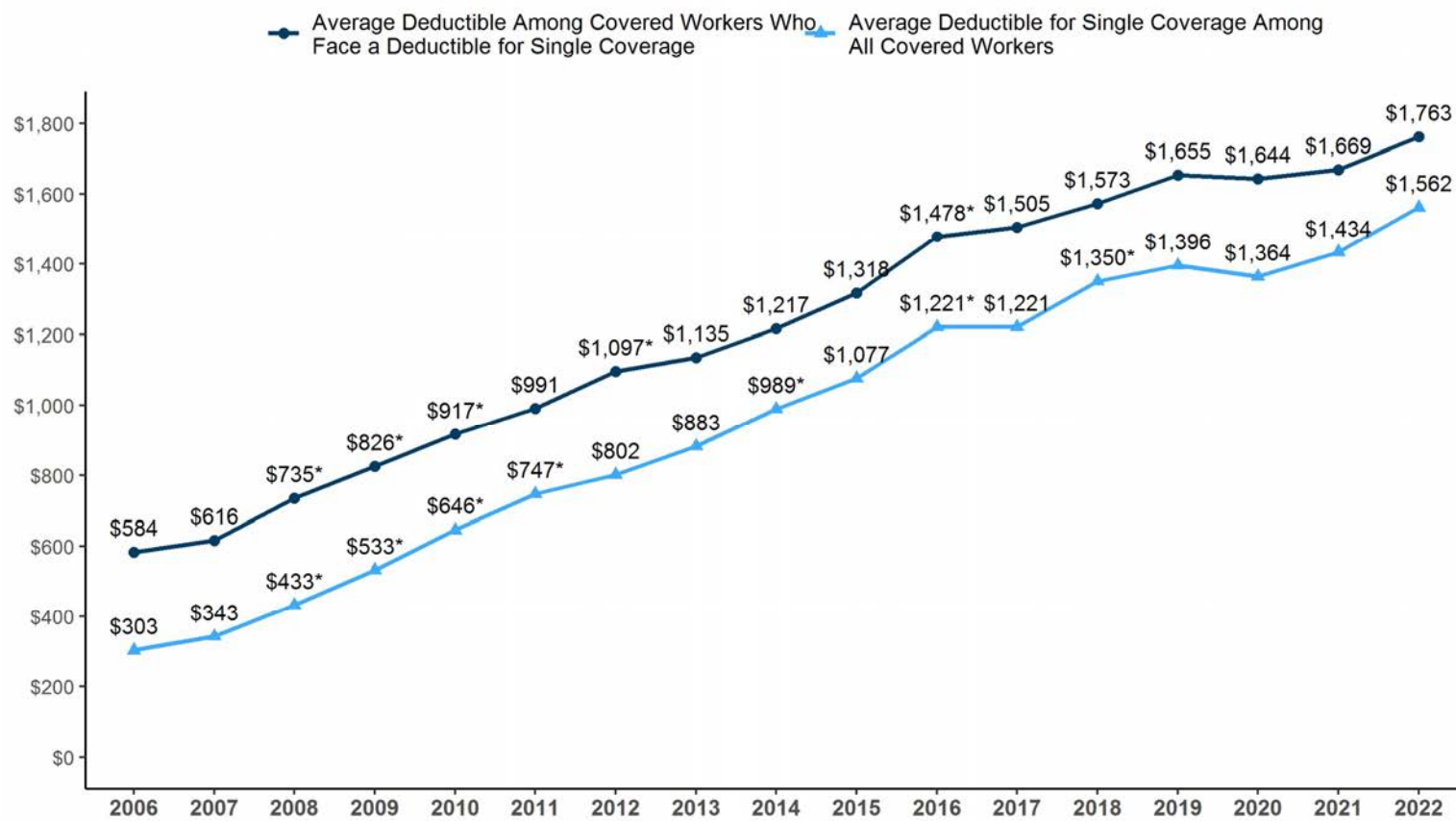
Cumulative Increases in Family Premiums, Worker Contributions to Family Premiums, Inflation, and Workers' Earnings, 1999-2022



SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 1999-2022; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2022.

Figure 7.10

Average General Annual Deductibles for Single Coverage, 2006-2022



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Average general annual deductibles are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2017

Self-funded employers have a fiduciary responsibility to monitor health care prices

“Fiduciaries have a responsibility to “act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them.”
—Department of Labor”



How can self-funded plans fulfill fiduciary obligations without knowing prices?

By Zack Cooper, Stuart Craig, Martin Gaynor, Nir J. Harish, Harlan M. Krumholz, and John Van Reenen

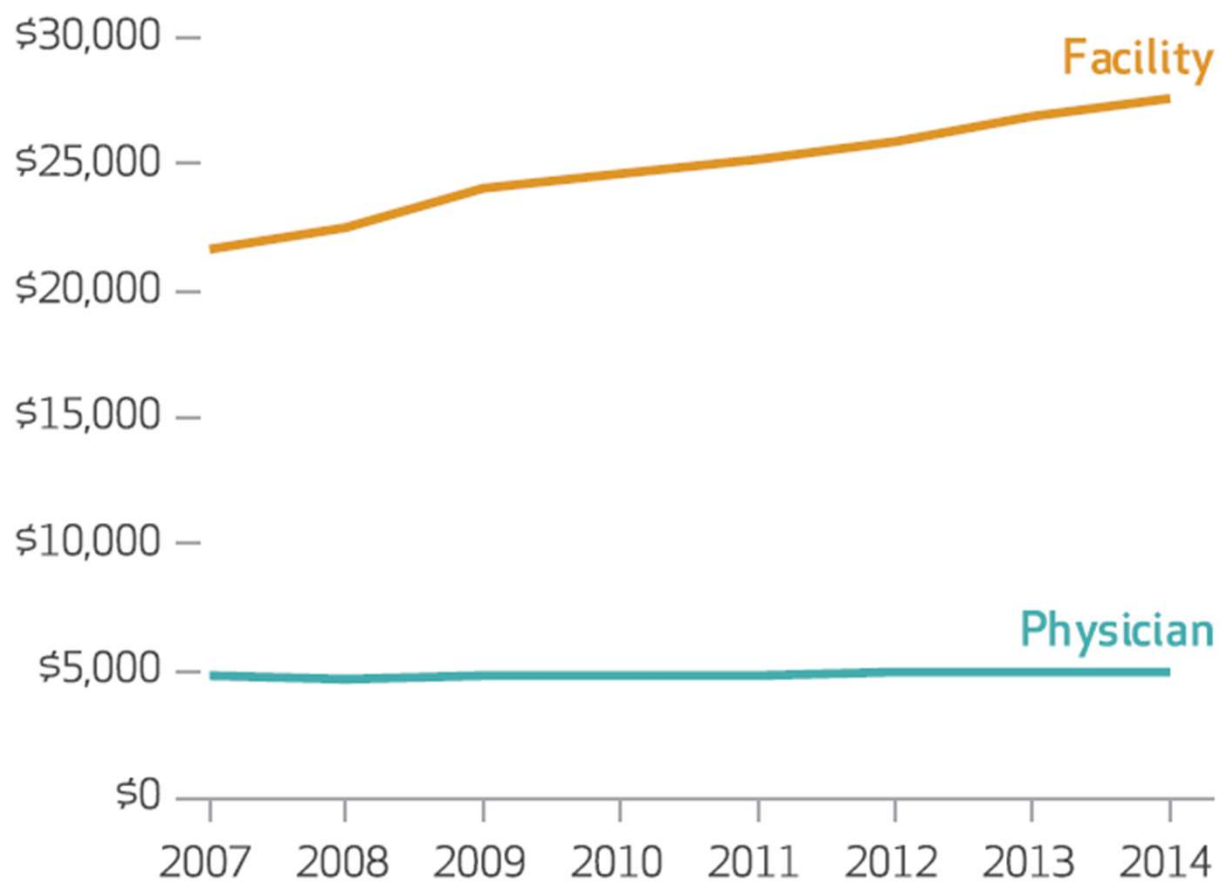
Hospital Prices Grew Substantially Faster Than Physician Prices For Hospital-Based Care In 2007-14

DOI: 10.1377/hlthaff.2018.05424
HEALTH AFFAIRS 38,
NO. 2 (2019): 184-189
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The People-to-People Health
Foundation, Inc.

“We found that in the period 2007–14 hospital prices grew substantially faster than physician prices. For inpatient care, hospital prices grew 42 percent, while physician prices grew 18 percent. Similarly, for hospital-based outpatient care, hospital prices grew 25 percent, while physician prices grew 6 percent...”

EXHIBIT 3

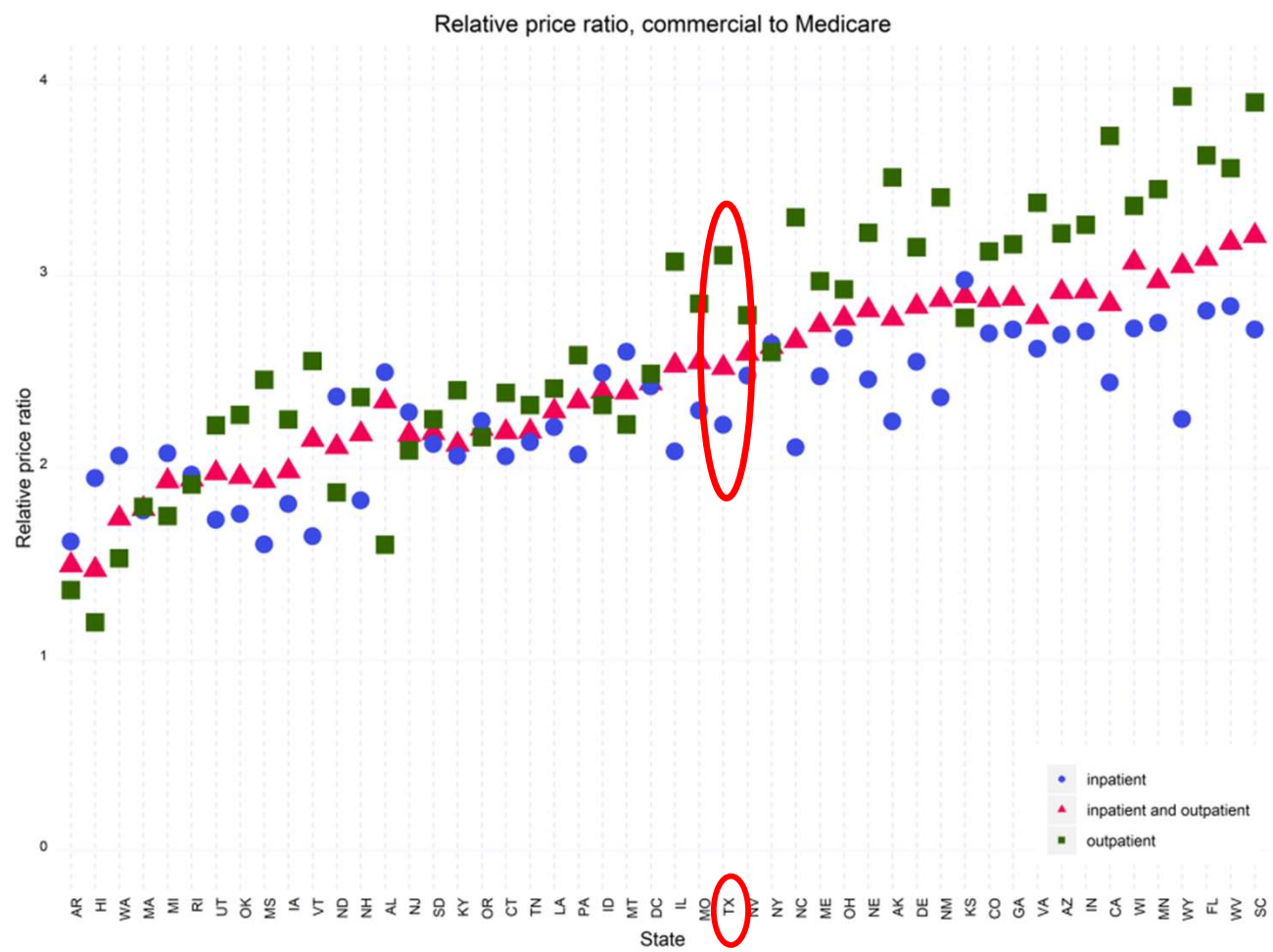
Inpatient physician and facility prices for knee replacement, 2007-14



Comparing Prices Can be Challenging

- Hospitals perform different services and vary in quality.
- The Medicare fee schedule can help us standardize prices and compare apples to apples.
- What do employers pay relative to what Medicare paid the same hospital?
- Easy to interpret and compare across hospitals.
- Medicare adjusts for cost of living and wage increases.

Figure 3.2. Relative Prices by State, 2020



Source: “Prices paid to Hospitals by Private Health Plans. Findings from Round 4 of an Employer-Led Transparency Initiative. Whaley, et al. RAND, 2022.

NOTE: Relative prices are the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare’s price-setting formulas.

An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals

Table 1: Average Prices Negotiated by Insurers for Services where Prices were Reported by Each of 3 TMC Hospitals

Insurer	Number of Services	Average Negotiated Prices		
		St. Luke's	Memorial Hermann	Houston Methodist
BCBSTX	139	20,019.28	29,764.56	48,933.86
UnitedHealthcare	71	24,186.30	28,211.14	58,584.73

Source: V. Ho, G. Kneidel. Baker Institute Report, Oct. 10, 2022. "An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals."
<https://www.bakerinstitute.org/research/early-comparison-prices-3-major-texas-medical-center-hospitals>

An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals

Table 2: Ranking of Prices Negotiated by BCBSTX with 3 TMC Hospitals

Insurer: BCBSTX (n=139)

Hospital	Highest Price	2nd. Highest Price	Lowest Price
St. Luke's	0.0%	9.4%	90.6%
Memorial Hermann	63.3%	30.2%	6.5%
Houston Methodist	36.7%	60.4%	2.9%

Source: V. Ho, G. Kneidel. Baker Institute Report, Oct. 10, 2022. "An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals."
<https://www.bakerinstitute.org/research/early-comparison-prices-3-major-texas-medical-center-hospitals>

An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals

Table 3: Ranking of Prices Negotiated by UnitedHealthcare with 3 TMC Hospitals

Insurer: UnitedHealthcare (n=71)

Hospital	Highest Price	2nd. Highest Price	Lowest Price
St. Luke's	2.8%	49.3%	47.9%
Memorial Hermann	50.7%	40.8%	8.5%
Houston Methodist	46.5%	9.9%	43.7%

Source: V. Ho, G. Kneidel. Baker Institute Report, Oct. 10, 2022. "An Early Comparison of Prices at 3 Major Texas Medical Center Hospitals."
<https://www.bakerinstitute.org/research/early-comparison-prices-3-major-texas-medical-center-hospitals>

Many Texas Hospitals were Financially Healthy in 2021

	Houston Methodist	Memorial Hermann	Baylor St. Luke's	UTSW University Hospital	San Antonio Methodist Hospital	Dell Seton Med Center
Net Profit Margin	10%	7%	1%	4%	21%	-1%
Price as % of Medicare	332%	281%	223%	291%	302%	309%

<https://www.nashp.org/hospital-cost-tool/>



Press release: NASHP's Interactive Hospital Cost Tool Makes Cost Data More Transparent and Accessible Than Ever Before

Note: The dashboard is best viewed on a desktop or laptop in Chrome, Firefox, or Edge.



Hospital Cost Tool



Explainer: Understanding NASHP's Hospital Cost Tool: Commercial Breakeven



Q&A: What States Can Learn from NASHP's Hospital Cost Tool



Video: Demo of Hospital Cost Tool



Slide Deck: Overview of NASHP's Hospital Cost Tool



Dashboard last updated on November 21, 2022

EXPLORE BY HEALTH SYSTEM

Dashboard Overview

- **Compare among hospitals:** View hospital-level metrics for a group of hospitals based on the filter selections. The state and national medians shown also relate to the selected hospital attributes.
- **View a single hospital:** View metrics for the selected hospital over time.
- **Explore by state:** View state medians on financial metrics for the selected states over time and by hospital attributes.
- **Explore by health system:** View hospital profit generated from patient care services aggregated at the health system level (shown as medians and totals).

COVID-19, Market Consolidation, And Price Growth

8/3/2020

HealthAffairs

COVID-19 a Catalyst for Healthcare Merger and Acquisition Activity

1/13/21

The Pandemic Will Fuel Consolidation in U.S. Health Care

3/9/21

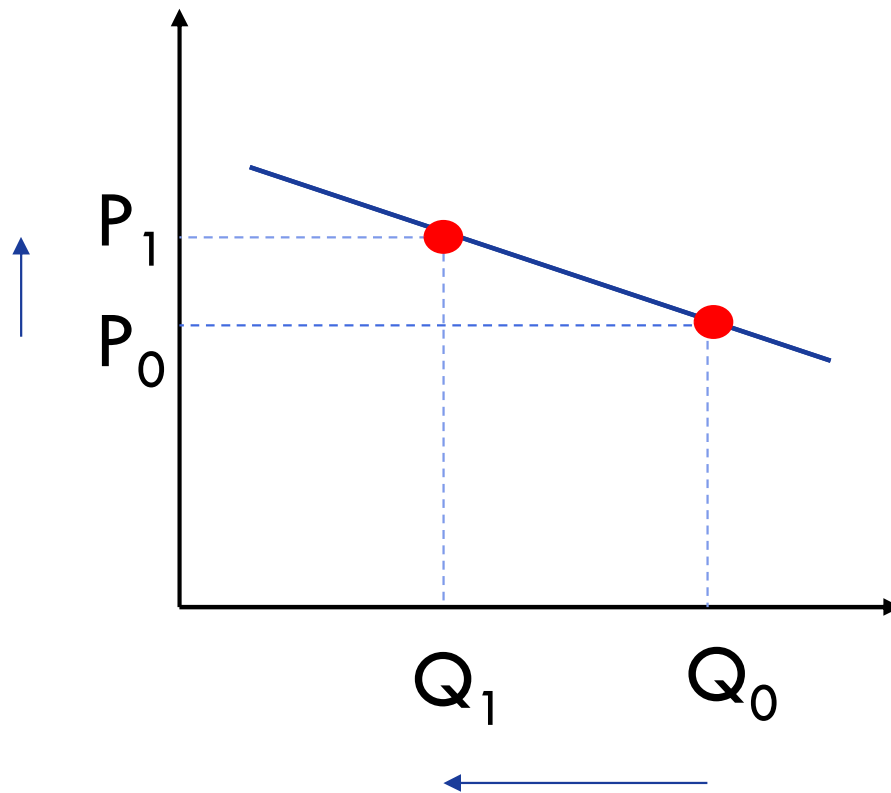
Harvard
Business
Review

REVCYCLE
INTELLIGENCE
xtelligent HEALTHCARE MEDIA

RICE UNIVERSITY'S
BAKER INSTITUTE
FOR PUBLIC POLICY

Baylor
College of
Medicine

Standard Demand Curve



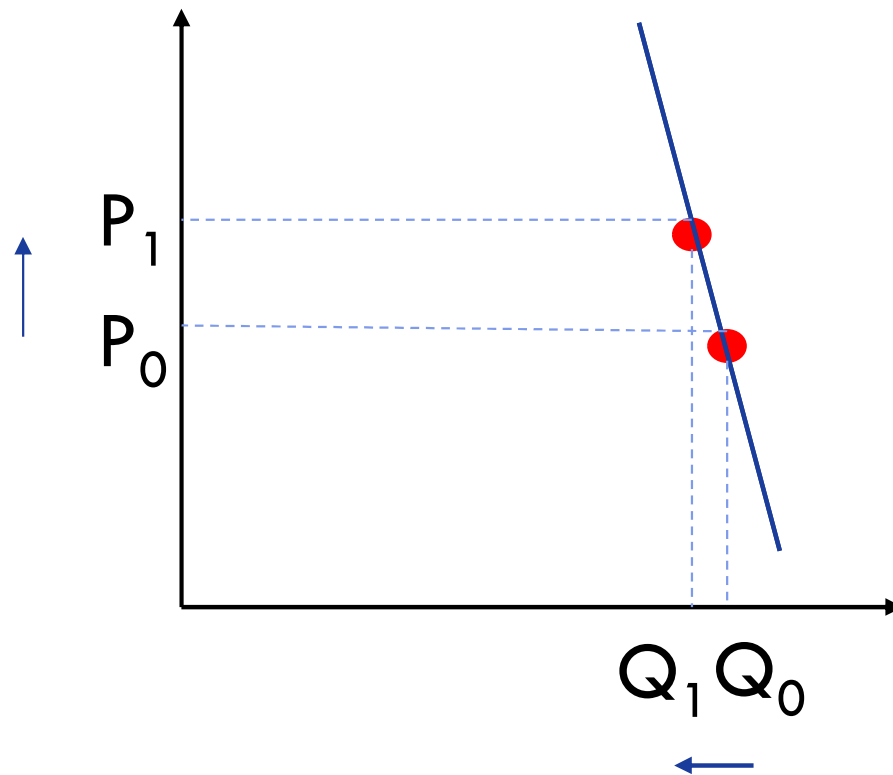
Insurance Alters the Demand Curve

- Employers pay an insurance company to negotiate prices with healthcare providers.
 - Administrative Services Only (ASO) contract.
- Insurance companies can use volume of business from multiple employers to negotiate lower prices for a network of providers.

Insurance Alters the Demand Curve

- Employers are in a “war for talent.”
 - Firms are worried they will lose workers, so they offer generous benefits.
- Insurers will threaten to remove a hospital from their network if their prices are too high.
 - But if the employer disagrees, the insurer will give in.

Demand Curve with Generous Insurance



Insurance Alters the Demand Curve

- Hospitals can raise their prices, and expect little decline in demand.
 - Higher prices generate even more profits.
- Because employers self-insure, higher hospital spending translates into higher insurance premiums the following year.

Conclusions

- Employer sponsored health insurance premiums are rising faster than wages.
- Rising hospital prices are the main reason premiums are rising.
- Hospital prices are becoming more transparent.
 - Many of Texas' top non-profit hospitals charge high prices that are earning them high profits.
- The only way to force hospitals to stop raising prices is for employer sponsored plans to demonstrate they are price sensitive.

***Hospital Price Transparency:
Can Better Information Help Us Lower Our Insurance Premiums?***

Thank you!

For a copy of the presentation email

healthecon@rice.edu