

# Pediatric Price Transparency: Time to Come Out of the Dark

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You have a child with a high-deductible insurance plan, or a child who lacks insurance completely, who needs a tonsillectomy and adenoidectomy (T&A). How will you know how much this procedure will cost? Considering that more American children are now covered by high-deductible plans,<sup>1</sup> and that there is maddening variation in pricing across hospitals and services,<sup>2</sup> the availability of accurate cost and quality data are needed more than ever to ensure that patients obtain the most cost-effective and safe options available.

In this issue of *Hospital Pediatrics*, Wong et al<sup>3</sup> are the first to study and review the availability and accessibility of pediatric hospital-based price transparency tools. Their study reveals a difficult and confusing experience for families seeking meaningful cost information from children's hospitals. Even when one could eventually obtain the requested cost information, the path for doing so was strewn with numerous obstacles: Web sites with unintelligible medical jargon (What parent can decode "Complete CBC w/ auto diff wbc"?), labyrinthine interdepartmental phone transfers, incomplete or inaccurate information, or hospital preregistration requirements before provision of cost estimates. State-based price transparency Web sites reviewed by these researchers did not perform much better. Only 15 (39%) of the Web sites included distinctions between prices for pediatric versus adult care, and most lacked appropriate quality data. With all the clamoring nationally for price transparency, we should not focus solely on the availability of information but should also consider the experience of accessing this information.

In this multiphase study, researchers posing as the parent of a 5-year-old, healthy, temporarily-uninsured child attempted to access price data for a needed, but elective, T&A from 45 freestanding children's hospitals across 25 states.<sup>3</sup> The selection of a T&A (a common, non-urgent procedure) should have been the optimal condition for advance price shopping. In 1 study of consumers' use of price transparency tools, tonsillectomy was found to be one of the most "shoppable" services on the basis of the percentage of searches relative to procedure volume in the population.<sup>4</sup> Asking for the price of a T&A for an uninsured patient eliminates the potential confounding vagaries of idiosyncratic high-deductible coverage plans and thus should be seen as throwing these hospitals a lobbed pitch. Yet, personalized cost estimates via publicly accessible tools could be obtained from only 12 of 45 (27%) of the children's hospitals. The staff of an additional 21 children's hospitals were eventually able to provide at least a partial price estimate after the researchers called the main hospital line. Overall, in 67% of children's hospitals

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in this study, hospital staff provided some cost estimate for T&A at their facility, with staff in 51% of the hospitals completing the request on the same date. Conversely, in one-third of the hospitals, staff failed to ever provide cost information, despite a maximum of 5 attempts to obtain information by the researchers.<sup>3</sup>

The rate of successful price acquisition in this study is actually better than that seen in earlier studies involving adult hospitals. The authors of a similarly designed “secret shopper” study from 2011 to 2012 found that the staff of only 16% of 122 adult hospitals contacted by phone could provide a complete estimate for a total hip arthroplasty, and the staff of only 46% of hospitals could provide even a partial estimate, despite multiple attempts by researchers.<sup>5</sup> As in the current study, obtaining prices was fraught with challenges related to poor integration of price transparency tools and financial customer service into hospital operations, resulting in generally negative patient experiences.<sup>15</sup> In addition, over a year after price transparency legislation was introduced in California to supposedly allow the uninsured to shop for care by requiring hospitals’ staff to provide price estimates, staff in only 28% of hospitals responded to requests for price information for laparoscopic cholecystectomy, open hysterectomy, and screening colonoscopy.<sup>6</sup> Of these respondents, staff in only 10% provided complete, bundled hospital and physician fees.

Perhaps the challenge with obtaining such personalized cost estimates is a result of the inherent complexity, variation in patient factors, and multicomponent resource usage in hospital-based surgical or procedural care. However, price opacity persists even when requesting price estimates for simple services from hospitals. In a 2013 study, a caller was able to get the cost for an electrocardiogram from only 3 of 20 (15%) Philadelphia-area emergency departments surveyed, despite successfully obtaining accurate parking costs for nearly all of these hospitals.<sup>7</sup> There is essentially no acceptable excuse for why a hospital’s staff cannot provide a cost estimate for a simple, common, unbundled service such as an electrocardiogram.

All of these studies reveal that actionable price transparency in a family-centered format remains a distant prospect. However, in this study, Wong et al<sup>5</sup> also offer a promising glimpse at how well-operationalized pediatric hospital systems (the positive outliers) can make obtaining price estimate information painless for patients. Staff in hospitals for which a dedicated phone line for price estimates was publicized could provide an estimate within 10 minutes. For other hospitals, personalized online price estimate tools were offered. These examples should be widely lauded and disseminated. Let us focus on these illuminating beacons in the otherwise opaque backdrop of pediatric price transparency.

### **WHAT MAY HAPPEN IF PATIENTS HAVE TIMELY, ACCURATE PRICE ESTIMATES?**

Giving patients cost data without concurrent quality data may result in the false assumption of a positive correlation between price and quality.<sup>8</sup> However, the authors of studies in pediatric hospitals have shown that cost data paired with even simple quality and safety information can effectively inform patient decisions. The authors of a prospective randomized clinical trial found that when families viewed an educational video in which equivalent efficacy and similar inpatient care and length of stay were emphasized while a \$2000 cost difference between open and laparoscopic appendectomies was highlighted, families chose the cheaper option two-thirds of the time, regardless of their projected income or payer status.<sup>9</sup> This was 1.8 times more often than those parents not given cost information. The authors of this study demonstrated that accurate and timely cost information paired with quality data can lead to high-value decisions.

Another example of consumer-directed cost information comes from an insurance claims-based study whose authors found that when patients were informed at the time of previous authorization about the availability of equal or higher-quality imaging at a lower price (ie, higher value), they were more likely to choose lower cost

studies and relocate from hospital-based to freestanding or office-based imaging centers.<sup>10</sup> This successful intervention resulted in an average of \$220 in savings for patients who chose to switch care to high-value providers. Interestingly, the insurance network providers in the study also noted a \$57 price reduction for nonparticipating imaging consumers and attributed this to the staff of 30 hospital imaging departments, who had renegotiated with the given insurer for lower prices during the study period.

Although patients will not always choose lower-priced health care products, providers and hospital staff may respond to increased transparency by trimming excess costs to improve their image in a competitive market. This may be analogous to public calorie reporting on restaurant menus, which did not seem to change individual ordering behaviors, at least not in aggregate, but was associated with a lower overall calorie content of offered items on restaurant menus.<sup>10</sup> Although not yet proven, it seems likely that increased transparency of comparative prices among competitors, and negative public perceptions related to egregious price variations, may create enough market pressure to drive providers to reduce price inflation and variation. Maybe it becomes embarrassing when you publicly report a \$15 000 charge for a T&A when your competitors quote a charge as low as \$1200. Of course, critics may suggest that this level of transparency will encourage lower-cost hospitals to raise their prices toward the mean. It is notable that Wong et al<sup>5</sup> found the 9 facilities with a dedicated price estimate phone line had less price variation than the 21 hospitals without: \$6008 (range: \$2622–\$9840; variation: 3.75-fold) versus \$7144 (range: \$1200–\$15 360; variation: 12-fold), respectively.

### **MOVING FORWARD**

Pressure to evaluate pediatric price transparency seems to have temporally lagged behind that of adult health care, perhaps because of the higher relative insurance coverage rate and lower out-of-pocket expenses incurred by families for pediatric patients. In this study, Wong et al<sup>5</sup>

demonstrate that the administrators of children's hospitals may now be catching up and even possibly standardizing, operationalizing, and disseminating cost estimate tools more broadly than administrators of adult hospitals.

As parents' out-of-pocket costs rise, pediatric physicians are increasingly likely to counsel families about financial risks and whether they are appropriately justified on the basis of the anticipated benefits for a proposed intervention.<sup>11</sup> When patients face decisions about the value of clinical care, they generally rely on their physicians. Thus, physician preparation for financial discussions during clinical encounters is critical to realizing real benefits from price transparency efforts. Resources to help train providers on cost conversations across the spectrum of care have been developed by the national nonprofit Costs of Care (available for free on their Web site).<sup>12</sup> Lack of cost clarity can make these clinical cost discussions impossible. In the absence of meaningful leadership by health care providers, third-party solutions, such as Amino,<sup>13</sup> are emerging to provide full and transparent cost estimates for all physicians and hospitals across the country.

Fortunately, Wong et al<sup>3</sup> help illustrate exactly how vast the gap is between our current state of hospital price disarray and the ideal state of accurate, personalized, actionable information for parents and pediatricians to make high-value health care decisions for children. The goal is clear, and the needs assessment is now complete. The next step is for pediatric hospitals to emerge from the opaque

pricing abyss and light the way toward real price transparency for patients.

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