Website Examines Medical Prices
Jeanne Pinder

Medical charges are at the top of the news. Teacher strikes across the nation, with health costs as a top issue, are just one indicator of how worried Americans are. One recent study showed that people are more concerned about the costs of a major illness (40 percent) than they are about getting the illness itself (33 percent).1

Studies show that a large number of Americans have a hard time paying their medical bills, or that they decide not to get treatment because they don’t think they can afford it.2

The U.S. third-party payment system hides medical prices, maintaining a high level of secrecy and confusion. Prices vary widely, even by a factor of 20 or more. For example, a common magnetic resonance imaging scan (MRI) could cost $300 at one place, or $6,000 at another nearby. A common blood test could be $19 at one place and $522 at another.3 The patient’s health plan (“insurance”) might cover all, part, or none of the cost.

My associates and I determined to change that. We’re a journalism startup from New York that brings transparency to the medical marketplace by revealing prices on our website, ClearHealthCosts.com, or in partnership with other news organizations.4

We find out prices through shoe-leather journalism, database reporting, investigative reporting, and crowdsourcing. As we are revealing price disparities, we tell people how to navigate the system. Often people are frustrated in their attempts to learn pricing in advance, and we post a handbook of tips on that in our “how-to” writings.

We have partnered with a number of news organizations. A sample of our work can be seen in a three-minute “sizzle reel”5 and an hour-long television special.6 A project page for each partnership7catalogues our work and coverage about it.

NiemanLab at Harvard wrote about our work and how “the internet hates secrecy.”8 A previous partnership was featured in JAMA Internal Medicine,9 with a positive editor’s note from the editor, Rita F. Redberg.10

Our stories and videos on Facebook11have thousands of views and shares. We hear from fraud-busting lawyers. Hospital administrators complain12about us. Legislators and regulators praise us. “Deep Throat” confidential informants whisper in our ears.

How I Got Started

I’ve been a journalist all my life. I started working as a cub reporter at age 13 at my family’s twice-weekly small-town newspaper, the Grinnell Herald-Register in Grinnell, Iowa. I took a detour into academia (graduate school in Slavic linguistics) but wound up back in journalism, at the Associated Press, the Des Moines Register, and The New York Times. I worked for The New York Times for about 23 years as an editor, reporter, and human resources executive. I volunteered for a buyout in 2009 as part of a staff reduction, when the paper offered severance to those willing to go.

A year after taking the buyout, I presented the idea of ClearHealthCosts.com and won a “shark tank” type pitch contest in front of a jury of New York City venture capitalists and internet illuminati at City University of New York (CUNY) Graduate School of Journalism.13

The pitch contest was the culmination of a class in “entrepreneurial journalism” at the school, taught by Jeff Jarvis, the creator of the weblog BuzzMachine.com, and his colleague Jeremy Caplan. The blog tracks developments in new media. The idea of the class was that if the journalism school is preparing young journalists for a profession in which the business model is challenged if not completely broken, the school has an obligation to address that problem by teaching and thinking about entrepreneurship in journalism.

We all had to apply to enter the class with a business idea that could be considered journalism. My idea was that I could build a company telling people about medical prices and how to understand their bills.

The idea came from personal experience. I have always been a careful consumer, and I had noticed that my medical bills were incomprehensible.

Also, a few years before the class, I had been involved in a billing dispute with a hospital. Within 14 months, my family had experienced three half-hour surgical procedures: first, an open reduction and internal fixation of a catastrophically broken leg (mine); second, an endoscopy (for a family member); and third, removal of the hardware from my leg. These three surgeries took place at an ambulatory surgical center in Westchester County, N.Y.; at a big New York City teaching hospital; and at a small for-profit hospital in Westchester County.

The anesthesia bills for the three procedures were about $2,000 at the first, about $2,000 at the second, and about $6,000 at the third. All were in-network; my responsibility at the third, after all the bills were in, was $1,100.

I studied the third bill and noticed I was being billed $1,419 for 4 mg of ondansetron, a generic anti-nausea medication. I researched it online and found that I could buy it for $2.49 at a local drug supply company, and that the Medicare reimbursement at the time was $14.92.

I challenged the bill and the insurer’s treatment of it. I complained to the insurer, the hospital, and the human resources department of my employer at the time, since the employer can sometimes set such things right. No one budged.
After a year of sending copies of bills, complaint letters, documentation of lower prices, faxes, and the like to multiple recipients at all three places, I sent the hospital a check for $500 with the notation that I would not pay any more, and that they should consider themselves fortunate that I was not reporting them to the New York State attorney general and the Better Business Bureau.

The hospital cashed the check, and I didn’t hear anything more from them. I wrote about it on my blog.14

This experience prompted me to think what many people suspect: the charged prices can be highly inflated, and actual payments are more negotiable than I had thought. The cost problem affects not just uninsured people, but also insured people dealing with high deductibles, co-insurance, out-of-network spending, and unwelcome sky-high bills.

After winning the contest at CUNY, I started in early 2011 to figure out how to implement the idea.

Our Methods

We survey doctors and medical facilities to collect their cash prices on a range of 30-35 common, “shoppable” procedures. Examples include four common MRIs, a colonoscopy, a vasectomy, a test for sexually transmitted disease, a walk-in visit, and a well-woman exam. We collect 15 cash prices in a metro area for each one of these procedures, knowing that we are being representative and journalistically responsible, though not comprehensive or exhaustive.

Then we put this data on our website. There is a simple search function, which also provides the Medicare rate for all 8,400 codes in the Healthcare Common Procedure Coding System (HCPCS) database. The Medicare rate is the closest thing available in the marketplace to a fixed or benchmark price.

Separate from our own website, we also partner with other news organizations. We build for them a customized version of our interactive software, giving easy display access to the cash survey information in their area as well as Medicare pricing.

Next, we invite community members to contribute their experiences and their prices to this searchable database. In doing so, we create an extensive and revealing, though imperfect data set. People can search the data and share. We also use that data to make news stories: A woman was billed $800, and then when she supplied insurance information to the hospital, her bill went up to $1,200. A man who had a simple screening colonoscopy received $2,500 in bills. A woman who had a clinic visit resulting in a frozen-shoulder diagnosis was billed for a $1,434 facility fee, in addition to the bill for the doctor.

We also heard from people who said things like, “I’m not privy to the internet, but I want you to have my bills. How do I get them to you?” We are fully open and transparent about our methods and our data, describing our procedures in great detail.15

Many people search our database for prices. We find there are about 15-20 searches of the database for every contact to share information via the on-line form.

Our Motivation

We have no political agenda: We simply think people should know what things cost.

People should not present themselves for a procedure, not knowing either before or immediately after what it cost, and then receive a bill or explanation of benefits months later—an explanation that is confusing and often error-ridden, and one that is difficult to challenge either with the hospital, doctor, or the insurer. People want to know what they are paying for.

Our media partners also view this as important. They want to do journalism that can change people’s lives. People who want to understand their bills get little or no information or solace from the insurance company, and a hospital or doctor will often not be able to give a satisfactory explanation to a person asking, “Why does that MRI cost $4,538?” or “Why does that primary care visit include so many add-on charges?”

In New Orleans, as in our other partnerships, we have generated a conversation about medical cost, giving people a voice in the debate and active roles in controlling health spending. Administrators can hear what patients think, independent doctors can contribute their expertise, and lawmakers and regulators can learn what’s really going on among patients.

This community engagement helps bolster a deep emotional connection between news reporters and the people in their communities. People can stop us on the street, buttonhole our reporters at a party, come to the office to tell a story—or even yell out of a horse-drawn carriage in the French Quarter to our partner Lee Zurik, “Hey, Lee, you saved me a pile of money with that medical cost series!” They can also comment on our Facebook posts, comment on our stories, and send us confidential messages about the scandalous behavior they know about in health care. (“I used to work for a doctor who bought truckloads of back braces for $15 apiece and re-sold them for $1,500. Are you interested?”)

Results

Facility Fees

One of the hottest topics in New Orleans was hospital facility fees. Dr. Brobson Lutz, a private physician and former city health director under three successive mayors, spoke to our partners about Tulane’s facility fees:18

Independent primary care clinics are just as well equipped and staffed as primary care facilities inside a hospital. In many cases, they’re better equipped. And yet you’re still paying more for the one in the hospital. These neighborhood clinics, like Tulane Institute of Sports Medicine, have essentially the same operating expenses as my private practice. And yet they get a facility fee because they’re affiliated with a hospital. That’s not only unfair to the patient; it’s unfair to the primary care physician.
Dr. Lutz explains why he views such fees as unfair, and what their effect is on independent facilities:

The cost of running a private practice keeps increasing, while reimbursement rates from insurance companies have leveled out. It’s hard to maintain good employees for the reimbursement rates we get. For example, I recently dropped out of Humana’s network because they were reimbursing me less than 80 percent of Medicare, whereas they were reimbursing Ochsner more than 120 percent of Medicare. And yet those hospitals are charging facility fees on top of it and just minting money.

Dr. Lutz concedes that there originally may have been a justification for facility fees, as it is more expensive to see patients in certain situations. But the big systems are taking advantage of it, he said.

An anonymous commentator noted that a patient’s bill went from $150 to $600 when the dermatologist became employed by the hospital and a facility fee was added. He stated that freestanding surgery centers, endoscopy centers, and cataract mills were partnership arrangements to capture facility fees, some of which was kicked back to the “providers.” He accused the large systems of “money grabbing and patient stealing.”

Hospital systems noticed. In an email to Tulane staff and physicians, Tulane Health System President and Chief Executive Officer William Lunn, M.D., wrote:

You are likely aware of a recent series of media stories on hospital billing, many of which include Tulane Health System hospitals or clinics as well as other healthcare systems, locally and nationally.

We are extremely disappointed in the tone and intent of these stories. Despite the media’s claims, they have not been developed with an interest in explaining the healthcare process or helping consumers understand their care—they were developed in a continuing theme of painting healthcare providers as greedy and opportunistic, with our patients as unwitting victims.

Absent in these stories is any responsibility on the part of health insurance companies—which have much more say in what a patient actually pays than do providers—or employers who are continuing to shift employees to high-deductible plans.

Additionally, there is no discussion of quality or service, for which Tulane Health System is known and recognized throughout the country. Healthcare is not a commodity, nor, frankly is it in consumers’ best interest to only base medical decisions on cost. While certainly a factor, consumers should also consider the skill, training and experience of their physicians, the quality of the facility itself, amenities they deem important, etc.

Healthcare providers do not benefit from this incredibly complex and burdensome reimbursement system. As you well know, many of the costs associated with healthcare are devoted to caring for highly complex patients we treat at Tulane, the growing expenses of caring for the uninsured as well as the cost of ancillary and support staff and equipment.

Our healthcare system is complex and far from perfect. As compassionate healthcare providers we are dedicated—as much as ever—to patient care and helping people heal than the aspect of our industry on which our local media has unfortunately decided to focus.

We have communicated these same ideas to media repeatedly and will continue to do so. Thank you for helping us communicate our stance to your patients and—more importantly—thank you for the unparalleled care and compassion you provide those who trust us with their care.¹²

Cash Prices

Patients can often save money by putting away their insurance card and paying cash.¹⁹ In New Orleans, we saved one woman $3,786.²⁰ She was asked to pay $4,458 for an abdominal MRI without contrast; in using our database, she found the same procedure for $672.68, in-network for her plan. Others saved more than $1,000 on an ultrasound²¹ and hundreds of dollars on laboratory tests.²²

Cash prices seem to stay relatively flat. We’ve been collecting prices over the course of seven years now, and re-surveying in the same cities we’ve surveyed in before reveals that quite often those prices do not go up—and sometimes they go down (except when a hospital acquisition or merger is involved).

This is revealing in light of the ongoing conversation about constantly rising health prices. What if everyone paid cash? Remember the paper by the famous Princeton economist Uwe Reinhardt and co-authors, “It’s the Prices, Stupid.”²³

Now people are beginning to ask: Why pay a hefty insurance premium if it gets you a higher price? Isn’t insurance supposed to give you access to the lowest price? The high prices are especially disturbing when people have not met their deductible—and many more have not, since deductibles have increased so much. Additionally, those who have 20 percent co-insurance will be paying hefty prices even after meeting the deductible.

Effect on Legislation

We have been instrumental in passing consumer protection legislation.²⁴ This was particularly interesting because the Louisiana state insurance commissioner came on camera with our reporter at the time of our new partnership launch to say that he had given up on passing consumer protection legislation in the state capital, Baton Rouge, because he knew that legislators would not go against Blue Cross/Blue Shield of Louisiana and Our Lady of the Angels Hospital. A few weeks later, after we launched and garnered a lot of publicity, that legislation passed.
Conclusions

We have experienced a hugely rewarding outpouring of appreciation for our efforts. Individuals have saved significant sums of money, and have even discovered errors on their bills in the process of entering information into our database. People are learning that, as one commentator observed, “Health Insurance is separate from healthcare,” and are becoming much more discerning as consumers.

This constant effort by insurers and health systems to keep prices secret must end, and our goal is to make that happen as soon as possible.

Jeanne Pinder is the founder and CEO of ClearHealthCosts. Contact: jeanene@clearhealthcosts.com.

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REFERENCES