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Hospitals, Insurers Set to Resist Price Transparency Proposal

A Trump administration plan could require the public disclosure of negotiated prices for medical services, in a market-based way to lower health-care costs



A Trump administration plan that could upend hospitals' negotiations with insurers. PHOTO: ISTOCK

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Hospitals and insurers are gearing up to battle [a Trump administration plan](#) that could require the public disclosure of negotiated prices for medical services, part of an effort to lower U.S. health-care costs.

Patient advocates have largely cheered the idea, saying consumers should be able to price shop before they pick a doctor or undergo treatment. But industry groups are attacking the administration's legal authority to mandate price disclosure, which could upend hospitals' negotiations with insurers, and are criticizing any requirement as too complex to implement.

They also say such a move would force them to disclose prices that would be of little use to consumers, who just want to know what they need to pay out of their pockets, not the full price of the service.

"What is it the consumer wants? 'What is it going to cost me out of pocket?'" said Tom Nickels, executive vice president of the American Hospital Association. "That's what the health-care field needs to do a better job with. Let's give the patient what they need."

While hospitals fear new demands from insurers to lower prices, insurers could also face price pressures if hospitals that get lower reimbursements demand the higher rates their competitors have won. Also, insurers that have wrangled the steepest discounts may not want those rates exposed to competitors that would then be able to push for similar pricing.

The negotiated rates that insurers pay hospitals and other health-care providers often vary widely. In Ohio, the average price of a pregnancy ultrasound in Cleveland was \$522, almost three times the \$183 charged in Canton, Ohio, just 60 miles away, according to a 2016 study in Health Affairs.

These negotiated rates are [typically closely held secrets](#), often shielded by contractual gag clauses. Unveiling them could mark a major change for many health-care markets. Ana Gupte, an analyst with Leerink Partners LLC, said the effect would likely be to push down the rates that some hospitals receive, as insurers seek to renegotiate after learning that their competitors may have gotten a better deal.

“As you start seeing the contracts with some of the major players, everyone will ask for that price,” she said. In many cases, local Blue Cross and Blue Shield insurers get the steepest discounts, and other insurers may push to match them, she said.

America’s Health Insurance Plans, an insurance trade group, said it is still reviewing the administration plan.

Moreover, insurer contracts are complex and hospital systems typically have multiple contracts with each insurer, each with different terms.

“It’s going to be a big lift to actually make this happen,” said Niall Brennan, chief executive of the nonprofit Health Care Cost Institute, who said he applauds efforts to make health-care pricing more transparent. If it does move forward, “it’s going to put a lot of hospital CEOs and CFOs in the hot seat.”

The institute’s research has suggested that growth in health-care spending on people covered by employer plans is [due largely to rising prices](#), rather than increases in the volume of health-care services used.

If a proposal does go forward, providers that don’t comply could potentially face fines. The administration is seeking public comment through May 3, a request that marks the first step toward a possible rule. The prices could be posted on a public website or aggregated by third parties to enable consumer comparison shopping.

The actions are in line with the Republican stance of relying on competition and free-market factors to control prices. The administration this year already required hospitals to post their list prices, which don’t include any negotiated discounts. And under another administration proposal, drugmakers may also have to put prices in television ads.

But some hospitals and insurers, which wield considerable lobbying clout, are planning to push back. At the state and federal level, some legislative efforts to mandate price transparency stalled amid industry resistance. More recently, Reps. Ed Perlmutter (D., Colo.) and Mike Gallagher (R., Wis.) introduced legislation in February that would require all providers, including insurers and drug companies, to publicize prices.

Sen. Chuck Grassley (R., Iowa) tweeted last week that he supported the administration’s transparency push. “Too much secrecy contributes to high cost of health care!”

Industry groups say that consumers with health insurance often already have access to estimates of what they will pay out of pocket for a medical service, often provided by the insurers.

Even then, research shows that consumers don’t always price shop. Spending actually increased when two employers offered an online health care price tool to employees, according to a 2016 study in the *Journal of the American Medical Association*. Only 10% of employees used the tool in its first year.

Sunita Desai, a health economist at New York University School of Medicine who led the study, said the Trump administration idea would still help move the needle on price transparency.

“There is not a silver bullet,” she said. “But just making prices available, getting to a point where that information exists, is important for helping patients navigate.”

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