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POLICY BRIEF
COVID-19 RESPONSE

Healthcare Transparency in the Age of COVID-19

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In addition to causing widespread morbidity and mortality, the COVID-19 pandemic has transformed everyday life and has placed an enormous burden on a US healthcare system for which rising costs were already a major concern. Well before the current crisis, there was wide recognition of the need for greater healthcare price transparency in the United States as a way to promote competition, reduced spending, and a more efficient allocation of resources. The additional demands of the COVID-19 pandemic have accentuated the need for policymakers to take this opportunity to advance healthcare transparency as well as give consumers incentives to use the newly available information to make better healthcare choices. There are short-term measures that can be taken even as the medical impact of COVID-19 is being brought under control. More importantly, longer-term structural reform of the current insurance-based financing system is needed in order to alleviate the stress on the healthcare system and obviate the need for government intervention.

THE COVID-19 BURDEN

Historically, pandemic outbreaks have caused widespread morbidity and mortality and have cost hundreds of billions of dollars in lost wages, productivity, and economic hardship. Estimating the overall impact of the COVID-19 pandemic is difficult because there are so many unknowns. Early models of the current pandemic use different underlying assumptions that lead to varying projections of infection rates, death rates, and the overall impact on healthcare spending.[1] Such measures will depend greatly on the success of countermeasures such as social distancing, adequate testing, effective treatments, the development of a vaccine, and whatever strategies are used once restrictions are lifted. However, although estimated mortality rates differ, depending on demographics and local resources, COVID-19 appears to be deadlier (and costlier) than seasonal influenza.[2] In

addition to patient care during the acute phase of the pandemic, preparedness and response efforts beyond medicine are needed to mitigate the longer-term impact.[3] The cost of caring for those who have survived major complications such as acute respiratory distress syndrome and sepsis can also add substantially to the total cost of care.[4]

Another unknown is the impact of deferred care for patients with non-COVID-19 medical issues. According to the Commonwealth Fund, although visits to ambulatory care practices have rebounded since early April after a decline of nearly 60 percent, visits are still roughly a third lower than they were before the pandemic.[5] A Cigna study found significantly reduced rates of hospitalization in March and April, 2020, for a number of acute, nonelective conditions, including acute coronary syndromes, acute appendicitis, aortic aneurysm and dissection, gastrointestinal bleed, epilepsy and seizure, transient ischemic attack, and atrial fibrillation.[6]

According to a March 25, 2020, American Cancer Society Cancer Action Network survey, 50 percent of cancer patients and survivors reported some impact to their healthcare owing to the COVID-19 pandemic. In addition, 38 percent of respondents reported a notable impact on their financial situation that affects their ability to pay for care.[7] Nonurgent hospital services, such as elective surgeries, were suspended as well.[8] Although the decrease in the use of these services has resulted in a short-term reduction in healthcare spending that has offset some of the added costs of COVID-19 care,[9] the long-term health effects as well as costs could be substantial.

Price opacity, arcane billing terminology, and complex accounting practices in the US healthcare system also make it difficult to accurately predict the financial impact of the COVID-19 pandemic. FAIR Health, an independent nonprofit organization dedicated to bringing transparency to healthcare costs and health insurance information, estimated the total average *charge* per COVID-19 patient requiring an inpatient stay to be $73,300.[10] However, the imputed average *allowed amount* was only $38,221.[11] Even before the arrival of the COVID-19 pandemic, there was wide recognition of the need to reduce unnecessary spending for medical care through greater healthcare price transparency, which would be a key component of any effort to address the acceleration of increases in medical care prices. The demands of the current crisis add urgency to these efforts.

ROLE OF TRANSPARENCY, COMPETITION, AND VALUE

Even though prices of medical goods and services are the main driver of excessive healthcare spending,[12] patients in the United States rarely know what they will pay for services beforehand, which prevents them from making informed decisions about the value of the care they receive. This opacity in healthcare pricing has led to a number of state-level and private-sector initiatives that have made price transparency sources increasingly available.[13] In November 2019 the Centers for Medicare and Medicaid Services (CMS) finalized its price transparency requirements for hospitals, and for the first time hospitals will be required to make public payer-specific negotiated

charges, the amount the hospital is willing to accept in cash from a patient for an item or service, and the minimum and maximum negotiated charges for 300 common "shoppable" services.[14]

Although healthcare price information is becoming more broadly available and the CMS initiatives are important, it is clear that simply providing price information without giving consumers incentives to shop will not lead to better healthcare choices, more competition, reduced spending, or more efficient allocation of finite healthcare resources.[15]

POLICY APPROACHES

The current pandemic has not only upended daily patient care activities, it has sidelined discussions of important issues facing the healthcare system, including the need for greater price transparency. This should not be surprising. The crucial issue is to care for those afflicted by the virus and implement countermeasures to mitigate the ultimate impact of the pandemic.

However, the lack of meaningful price transparency is a major contributor to excessive spending and a misuse of resources that could mitigate the impact of healthcare crises like COVID-19. The current crisis should be seen as an opportunity to build on existing efforts to promote healthcare transparency.

SHORT TERM

Price transparency and consumer incentives are most appropriately applied to "shoppable" services that can be researched in advance, that are available from multiple providers, and for which data on price and, ideally, quality are available. Although most services provided to COVID-19 patients, especially those in the acute phase, are not "shoppable," some services that are provided on a less urgent basis and show substantial price variability may be amenable to price comparison. One such service is COVID-19 testing. Recognizing this, the Coronavirus Aid, Relief, and Economic Security (CARES) Act,[16] which became law on March 27, 2020, includes a provision requiring providers of COVID-19 testing to post their cash prices online. For reimbursement, if the payer and provider have an established negotiated rate beforehand, that rate will apply. If the payer and provider do not have a negotiated rate in place beforehand, the payer (including self-pay patients) and provider can negotiate to a price at or below the posted cash price.

Policymakers should, with input from payers, providers, and other stakeholders, expand on this provision and create a price list of additional comparable COVID-19-related services. The list may be made up mainly of services in the postacute phase of treatment and include such services as follow-up laboratory testing and imaging. Providers should be required to post their cash prices for items on this list and accept the cash price as a maximum allowed payment for services provided as part of a patient's COVID-19-related treatment. This would reduce the chance of a patient

having to deal with the added burden of a surprise medical bill while being treated for or recovering from COVID-19. It would also advance price transparency, adding price data that could be useful in a comprehensive, longer-term strategy of using transparency to promote competition and value in healthcare.

LONG TERM

Once the pandemic is brought under control, the fiscal challenges that the healthcare system faced before the outbreak will have an even greater sense of urgency. Therefore, it is important that policymakers continue to pursue longer-term approaches to reduce the burden of excessive healthcare spending through improved access to meaningful cost and quality data and reform of the current insurance-based financing system. Disrupting the status quo through policy, giving consumers greater control of their healthcare resources, and facilitating more direct transactions between patients and providers are also essential.

Enhanced Information

Simply posting price lists for medical goods and services will not help patients make better healthcare choices. Transparency policies need to go beyond lists of charges for individual services to include what is meaningful to patients: estimates of out-of-pocket costs for an episode of care based on a patient's real-time financial circumstances. The information should ideally incorporate meaningful quality measures to help patients make decisions based on value and not price alone.

Reform of the Current Insurance Infrastructure

In addition to meaningful healthcare cost information, healthcare consumers need incentives to use that information to shop for services. The well-entrenched insurance-based system of healthcare financing in the United States generally shields patients from out-of-pocket costs at the point of service, making price largely irrelevant. A number of value-based insurance design (VBID) approaches have been used to add incentives to shop by giving patients skin in the game. The challenge in designing VBID initiatives is to include a large enough incentive to get consumers' attention while not exposing them to disproportionate and possibly unexpected financial risk. VBID models vary in their capacity to change consumer behavior, promote competition, and reduce spending, and all come with their own set of tradeoffs (see table 1). However, it is critical to continue to refine these models as they represent a key element in taking full advantage of price transparency to promote competition in the current insurance-based system.

Table 1. Value-Based Insurance Design Models

MODEL	PROS	CONS	ADOPTION	POTENTIAL TO PROMOTE COMPETITION, REDUCE SPENDING, OR BOTH
High-deductible health plans	Easy to administer. Increased price sensitivity. Can encourage shopping for some services (e.g., lab tests but not office visits).	Effect on quality of care is unclear.	Rapidly growing (45.8 percent in 2018).	Good potential, but results are inconsistent. Spending reductions may owe to foregoing care rather than better health decisions.
Tiered networks	Straightforward for consumers to understand. Maintains some consumer choice.	Need a large cost differential between tiers to be effective. Need enough providers to make tiers meaningful.	As high as 27 percent in some markets.	Modest potential for hospital choice. For physician choice, effect mainly among patients who choose new physicians, particularly at the lower end of the tier structure.
Narrow networks	Easier for consumers to understand than tiered networks or reference-based pricing (RBP). Easier for providers to manage and coordinate care (most patients stay in network). Reduce costs for consumers (premiums)	Limits consumer choice and shopping. May limit access: e.g. rural areas and specialized services. Could exclude high quality, higher cost providers (teaching hospitals). Hard to exclude a dominant provider.	Greater than 30 percent in MA. Roughly 75 percent on Affordable Care Act exchanges. 8 percent elsewhere.	Limits consumer shopping to in-network providers. Potential for reductions in spending through increased payer negotiating leverage.
Reference-based pricing (RBP)	Unlike deductibles, no front-end costs. Patients responsible only for marginal costs above reference price. Preserves consumer choice. Incorporates price transparency.	Complex for plans to administer and for consumers to understand. Patients need education and support. Potential risk of sizeable unexpected out-of-pocket costs.	5–6 percent among employers. Some adoption at the state level.	Good potential to for increasing patients' incentives to choose less expensive providers. Some potential to increase providers' incentives to lower prices. Spending reductions more likely owing to choosing lower-cost providers rather than foregoing care.
Rewards programs	More attractive to patients and policymakers. Avoids exposure to increased out-of-pocket costs.	Concerns that rewards could result in patients receiving care of lesser quality or undermine care coordination efforts.	Low. Recent legislation in several states could increase adoption.	Modest potential. Limited data.

Disruptive Innovation

The eventual impact of the current pandemic, although still an unknown, could necessitate a fundamental rethinking of the healthcare financing system in the United States.[17] As unemployment rises, many people will find themselves uninsured or face unaffordable options. Those who keep their jobs will likely see additional healthcare costs through higher premiums and out-of-pocket expenses, as well as the potential of employers dropping coverage or shifting more costs to employees.[18] Prolonged government relief funding for large segments of the healthcare system is not a sustainable plan and will eventually add to the tax burden on a population already struggling from the broader economic impact of the pandemic, including the likelihood of a major recession.[19] In addition to contributing to this increasing instability, by shielding most consumers from the true cost of healthcare, the employment-based system of healthcare financing in the United States inhibits competition and is a major contributor to rising prices.

Given the appropriate set of forward-looking policies, greater price transparency can be the foundation for enhanced competition and substantial savings, but only if consumers have skin in the game and can make their own healthcare decisions.[20]

Policymakers need to support financing arrangements that give consumers greater control of their healthcare resources. Evidence suggests that insured individuals become price-sensitive when faced with relatively high prices at the point of care in consumer-directed health plans and that these plans can lead to substantial reductions in total healthcare spending on "shoppable" services such as outpatient care and pharmaceuticals without an increase in emergency department or inpatient care.[21] Policymakers also need to support arrangements that allow consumers to negotiate directly with providers. Consumers who have control of their healthcare resources can demand clear and competitive pricing and use that information to make better choices without the need for government or third-party payers.[22]

CONCLUSION

The COVID-19 pandemic has already taken a vast human toll and has upended almost every aspect of life. Although the overall impact is still unknown, the current crisis will place an enormous burden on a US healthcare system for which rising costs were already a major concern. Most current policy discussions are appropriately focused on meeting the surge in medical demand, caring for those afflicted, and implementing countermeasures to mitigate the impact of the pandemic. However, this crisis makes it even more important for policymakers to continue efforts to reduce excessive spending and promote more efficient use of limited healthcare resources, even while the medical impact is brought under control. In addition to reforming the current insurance-based financing system, policymakers should leverage the full potential of enhanced healthcare price transparency by supporting financing arrangements that give consumers greater control of their healthcare resources and promoting direct contracting arrangements between patients and providers that can obviate the need for third-party or government intervention.

ABOUT THE AUTHOR

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NOTES

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