

BUSINESS

# Schafer: We already knew hospital pricing was a mess, so now what?

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Anybody know, without looking it up, what a stress test for your heart really costs?

At Regions Hospital in St. Paul that common test costs \$247.51. Or maybe \$241.76. It's just \$129.36 if the customer pays cash.

The different prices are only based on who pays the bill. It's the same service, and the cost seemed so low there had to be something missing.

The \$247.51 price was for a Medica Choice member. A HealthPartners member — and remember, Regions is part of HealthPartners — gets charged \$221.78.

This is all [according to Turquoise Health Co.](https://turquoise.health/providers/regions-hospital/services/regions-ho-3824388-cardiovascular-stress/), (<https://turquoise.health/providers/regions-hospital/services/regions-ho-3824388-cardiovascular-stress/>) a California-based startup. It's been putting this kind of information online, gathered from the nation's hospitals that, for the first time, are required by the federal government to disclose it in electronic form.

A Turquoise executive later showed where the firm found Regions' big Excel workbook of prices. There were several stress tests in it, some far more costly than the one that first popped up on a search.

If this seems scandalous, different prices for different customers, in most industries it's not. A machine shop with six industrial customers won't publish a price list. It negotiates for what it can get from each.

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Hospital prices are becoming publicly available, revealing just how varied they can be for patients using different insurers.

That's what's going on here, too. The big health plans negotiate prices with health care providers, and the odds that any of them — even two health plans offered by the same insurance company — are paying the same price don't seem that high.

Another layer of complexity comes from how a lot of people who get their insurance through their job are really being insured by their own employer, with a health plan company mostly just managing it. These so-called self-insured health plans might all get a different price, too.

None of this mattered much until a lot of people had high deductible health plans ([https://www.youtube.com/watch?v=1Kh7EA\\_Lt-c](https://www.youtube.com/watch?v=1Kh7EA_Lt-c)).

Now with a sizable out-of-pocket expense, an unlucky patient who chose the wrong high-deductible health plan and went to the wrong hospital will never know they'd just become that hospital's most profitable cardiac stress test customer.

Reformers have long argued that if consumers were just better informed, that kind of thing wouldn't happen. Increases in health care costs would certainly moderate. Consumers shop price and quality for everything else, and they would for health care if they only knew where to find the right information.

The Trump administration put this into motion through rules that would require posted prices by provider, the cash price plus prices for members of insurance plans. They kicked in at the start of the year and required disclosures from health plans are coming (<https://www.fiercehealthcare.com/payer/cms-delays-enforcement-key-parts-price-transparency-rule-by-six-months>). There's been far from full compliance so far, although that's partly explained by weak enforcement.

In Minnesota, though, the hospitals complied, at least according to the Minnesota Hospital Association and its president, Rahul Koranne (<https://www.mnhospitals.org/about/staff>). And yes, the MHA checked.

America's health care providers, generally, fiercely resisted these transparency rules and the battle isn't over (<https://www.wsj.com/articles/business-groups-sue-over-healthcare-price-transparency-rule-11629464688>). Yet Koranne says he doubts there'd be much of an impact on Minnesota health care.

He did say the timing was awful, with hospitals having to put time and money into complying when already under so much pressure because of the COVID-19 pandemic.

"We want our patients and our communities to know and be educated, about what is the procedure, what is the test, what is the care plan," Koranne said, including its cost.

The hospital association has had price information on its website (<https://www.mnhospitals.org/data-reporting/minnesota-hospital-price-check/compare-hospital-charges>) since 2014.

Elsewhere in the industry, though, consultants and executives have predicted power shifting from providers and toward the insurers and big self-insured employers, who have plenty of incentive to hold down health care costs.

That's part of the story behind Turquoise Health, the venture capital-funded startup that put up Regions' price information. Turquoise plans to soon begin rolling out a platform for price negotiations, with all sides sharing the same information about costs and prices.

"You are entering a world where the hospital or the provider has to have some sort of justification for charging two or three times more than the hospital down the street," said Marcus Dorstel, head of operations for Turquoise Health. "There certainly can be a justification if you've got the top surgeons, the top medical devices, some sort of academic facility.

"But ultimately what we see is there's going to be some sort of market equilibrium happening here. There's going to be the need to negotiate contracts and adjust contract rates, at a much quicker pace, in this new world where the data is out there and it's everywhere."

Don't underestimate the power of better informed patients, he added. But, as that confusing scan of Regions prices showed, this info for awhile is useful only to the pros, like consultants and health plan executives.

As for consumers, we've been promised new eras before. They've all ended up being nothing more than an extension of the one we've long been in — the Everything Costs Too Much Era.

None of the potential fixes in the past have done much to fundamentally reshape the health care system, which isn't a system at all or at least something anyone would have created on purpose.

The patients want to get healthy and not get bankrupted, but they often don't pay the bills. Institutions paying a lot of the bills, like our government through Medicare, are not part of treatment decisions.

Physicians make decisions about medical devices and pharmaceuticals that they will never pay for. And so on.

It's hardly a surprise health care prices are all over the board. My best guess is that they will be five years from now, too.

If experience is any guide, later this fall people will once again get offered two choices of health plans at work and they'll pick the one they think they understand. Then next year, if told they need a cardiac stress test, they'll go where their doctor sends them.

It won't occur to them to first look up the price.

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**Lee Schafer** joined the Star Tribune as a columnist in 2012 after 15 years in business, including leading his own consulting practice and serving on corporate boards of directors. He's twice been named the best in business columnist by the Society of American Business Editors and Writers, most recently for his work in 2017.

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