Transparency in Medical Group Practices
Pricing and Benefit Policies
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Abstract
Public and private payers, employers, consumers and health care providers have expressed concerns about the increasing cost of health care. In 2006, President George W. Bush and Secretary of Health and Human Services Michael Leavitt attempted to help encourage consumer cost-consciousness by asking the industry to make prices for health care services readily available to the public.

While increases in providers’ cost to deliver health care services are a factor in increasing expenses for payers and consumers, they are not the sole contributing factor. The administrative complexity of multiple health plan policies and procedures also has serious financial ramifications for the entire system. The Medical Group Management Association (MGMA) has estimated that almost $300 billion each year is spent on wasteful and duplicative administrative tasks. Much of this unnecessary cost could be eliminated by standardizing and simplifying the administration of health care benefits.

Background
In February 2006, President Bush announced a new initiative by the Department of Health and Human Services to create price transparency for hospital and physician services to better inform consumers of the costs of health care. Secretary Leavitt has announced that Medicare prices in certain cities will be made public by June 1, 2006.

Speaking to the American Hospital Association, President Bush said he would call on “doctors and hospitals . . . to post their walk-in prices to all patients.” The President also said, “Most Americans have no idea what the actual cost of their treatment is. Third-party insurers pay their bills so patients have no reason to demand better prices, and the health care industry is under little pressure to lower prices. When somebody else pays the bills, it seems like everything is just fine. The result is that health care costs are skyrocketing.”

Most physicians participate in 20 or more insurance plans, and because many insurers have varying reimbursement rates for different products, it is not unusual for a service to have as many as 100 prices in a particular physician’s practice. Accordingly, the physician is unlikely to be able to produce the price that will be paid by a particular insurer, for a particular patient’s plan, for a particular procedure.

Furthermore, contractual restrictions in health plan contracts often prohibit medical practices from releasing pricing information. These restrictions often fall under confidentiality provisions that classify health plans’ pricing structures as proprietary information. As a result, medical practices cannot disclose this information, even to patients.
MGMA position

MGMA supports the call for price transparency. However, simply requiring physicians and other providers to disclose their walk-in charges for common procedures is not the solution. Patients are increasingly responsible for co-insurance payments based on a percentage of the charges allowed under their insurance plans, so it is essential that they know the amount their insurance will pay for services received.

Price transparency will be impossible unless these provisions are removed from health plan contracts with physicians and hospitals.

Recommendations for achieving price transparency

- **Require health plans to release fee schedules showing total allowed charges and methods used to calculate fees to physicians and hospitals as part of their provider contracting process.** An MGMA statewide survey of Colorado practices found that 31 percent of primary care groups could not obtain fee schedule information from insurers at the time of contracting. Physicians and hospitals are unable to provide accurate price information to patients if insurers are not required to provide fee schedule information to them.

- **Require that health plan contracts with physicians and hospitals clearly specify that disclosure of insurer fee-schedule information to patients, for services that are to be provided to the patient by the physician or hospital and charged to that insurer, is permissible.** MGMA supports research to investigate elements of fee information most valuable to patients and consumers, especially those in preferred provider organizations; health savings accounts and high-deductible health plans; and for self-pay patients.

Studies should also investigate whether health plan use of efficiency ratings of medical practices or individual physicians is useful to consumers in estimating their out-of-pocket costs for certain conditions. If not, additional research should be undertaken to investigate what is most beneficial for consumers.

- **Providers should use the billing terms established by the Patient Friendly Billing® Project in its glossary of terms:** This glossary document has created a standard set of consumer-friendly pricing definitions for commonly used clinical and billing terms. Adherence to these principles will help ensure that consumers receive clear, correct, concise and patient-friendly price estimates and billing. The terms can be accessed at [http://www.hfma.org/NR/rdonlyres/23451177-F074-4F49-A655-73F1949A1DA8/0/Glossary.pdf](http://www.hfma.org/NR/rdonlyres/23451177-F074-4F49-A655-73F1949A1DA8/0/Glossary.pdf)

President Bush’s goal of empowering consumers and patients with pricing information to permit comparative shopping for health care services is hampered by the complexity of the health insurance market. It adds significant costs that are borne by medical practices and the health care system at large and are not apparent to consumers. Much of the estimated $300 billion spent annually on administrative activities results from needless complexity or duplication.

Recommendations for increasing administrative benefit transparency and reducing administrative complexity

- **Simplify insurance product design by limiting the number of policy forms (including self-insured plans) and adopting a common electronic inquiry system for verifying insurance coverage;**
• Simplify payer and provider contracting by creating standard contracts at the state level, including standard effective date and contract terms;

• Simplify billing and payment processes by developing a standard content layout for patient bills, creating standard policies for documentation required for any specific CPT* codes and agreeing on common coding policies across health plans;

• Simplify credentials verification by using the Council for Affordable Quality Healthcare Universal Credentialing Datasource; and

• Simplify health care fees by revealing fee structures to medical practices and hospitals at the time of contracting.

Members of MGMA in their professional roles are encouraged to:

• Make information on walk-in fees available to patients on request, along with any policies regarding discounts offered for prompt payment.

• Make allowable charges for specific procedures, for a particular insurer and plan, available to patients covered by that insurer and plan upon request (as permitted by insurer contracts).

• Quantify the effect of administrative complexity on their practices and communicate that information to payers, state and federal legislators and MGMA. Research and initiate local efforts to raise awareness among patients, public and private payers and other stakeholders of the cost of administrative complexity in their markets.

For additional information on this topic, please consult the following resources:

MGMA’s position paper, “Principles for Pay-for-Performance Programs and Recommendations for Medical Group Practices”
http://www.mgma.com/about/MGMApositions.cfm

Administrative Simplification for Medical Group Practices

Patient Friendly Billing Project
http://www.patientfriendlybilling.org/

The Commonwealth Fund
http://www.cmwf.org/aboutus/aboutus_show.htm?doc_id=365285

About MGMA
MGMA, founded in 1926, is the nation’s principal voice for medical group practice. MGMA’s nearly 20,000 members manage and lead more than 12,000 organizations in which more than 242,000 physicians practice. MGMA’s core purpose is to improve the effectiveness of medical group practices and the knowledge and skills of the individuals who manage and lead them. MGMA headquarters are in Englewood, Colo.

For feedback or questions, please contact MGMA Communications Department at communications@mgma.com, 303.799.1111, ext. 871, or visit www.mgma.com.

*Current Procedural Terminology, © American Medical Association