

Chargemasters costing americans essay



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A hospital's "charge-master" is a long list of hospitals charges for every single procedure performed within that hospital and for every supply item used in those procedures. These charge-masters overshadow the U. S. health payment system and shapes what virtually every American pays for health care (Reinhardt, 2013). Historically each hospital in the U. S. has had their own charge-master, updating them at least annually, but often updating them on a more frequent basis.

There is no common practice when updating these charge-masters, some hospitals raising every price on the list by the same percentage; others choosing to update prices or procedures separately, by different percentages, making it much more difficult to discern by what general percentage a hospital has increased prices. The process overall seems peculiar, without external restraints, a sort of madness concerning the pricing of services and supplies.

And hospitals have protected these charge-masters; treating these price lists like closely guarded secrets (Reinhardt, 2013). Traditionally hospitals based prices on health care costs, supply and demand, and the need for profit that enabled them to, among other things, make investments within their facility.

In an e-mail to the Huffington Post, Robert Laszewski, a former health insurance executive, and President of Alexandria, Va. based Health Policy and Strategy Associates, pointed out, that hospitals began increasing their prices in expectation of having to negotiate prices with private insurance companies, and a desire to retain their revenue streams, he also indicated that prices have continued to grow over the decades to the point where

there is no justification for them, with charge-masters becoming more and more disconnected from reality (Huff Post Business, 2013).

From a database released yesterday by the federal Centers for Medicare and Medicaid Services emerged a preliminary snapshot of an incoherent system, one in which critical medical service prices vary from state to state, region to region and hospital to hospital, varying seemingly at random. Hospitals in the U. S. are charging infinitely different prices for the same medical procedures. As an example, in the New York area, treating chronic obstructive pulmonary disease or COPD, varies greatly from hospital to hospital throughout the area.

In New Jersey, at Bayonne Hospital Center, the cost of treating this particular disease is, per patient, a shocking \$99, 689. 00. Compare this to the average cost of treating the same disease at Lincoln Medical and Mental Health in the Bronx, \$7, 044. 00 per patient. This database provides in capacious detail how much the vast majority of hospitals in the U. S. charges for the 100 most common inpatient procedures billed to Medicare. This new database covers claims files in the fiscal year 2011, spanning 163, 065 individual recorded charges at 3, 337 hospitals located in 306 metropolitan areas (Huff Post Business 2013).

While hospitals have attempted to dismiss the importance of these charge-masters altogether, this widespread practice of charging different prices to different payers for the same services and health care goods is price discrimination ((Reinhardt, 2013), and this practice, although not fully

realized as illegal per the Sherman Antitrust Act, and the Robinson-Patman Act, is dancing very close (Price Discrimination Law & Legal Definition, 2013).

These shocking, widespread variations in costs play a key role in the rising cost of health care, shaping what every American with health insurance pays, by determining the cost private health insurance companies must capitulate in reimbursements for services and medical care, The increase in cost to the insurance companies being passed on to the consumer in the form of higher premium costs, deductibles and co-payments.

This practice also undeniably places an even greater burden on the shoulders of the estimated 49 million Americans who are uninsured, and the only patients likely to see on their bill the dollar amounts actually listed on these official price lists or charge-masters. Virtually everyone who seeks health care is impacted by these inflated prices in one form or another, as these utter inconsistencies in prices spread inefficiencies throughout our system.

And while unexpected health bills continue as the leading cause of financial ruin of many American families, the prices hospitals establish for themselves for the services they provide continue to climb, basing their prices not on actual cost, or supply and demand of care, but on their fee scale of choice. Virtually ignoring the fact they are in large part responsible for running up prices in insurance and medical care, creating adverse, and often devastating, consequences for the very market they are in the business to serve (Huff Post Business, 2013).

Hospitals have made claims that the prices on their charge-masters are of little importance to the American citizens, claiming that patients never pay the full price listed, even those without insurance coverage; because they accept negotiated payments from insurance companies and provide discounts to the uninsured. In actual reality, even though Medicare and Medicaid don't base their payments on these prices, private insurance companies typically do, resulting in their paying more for services than the government, translating into higher health insurance costs for individuals and families.

The uninsured are expected to pay list price, or a somewhat discounted list price, resulting in the uninsured paying more for services than anyone else (Huff Post Business, 2013). Robert Huckman, a health care expert at Harvard Business School, has a different view. Huckman said when hospitals are not receiving enough revenue from one source, they makes up the in other ways, and one way is by charging full list prices to the self pay patients, who almost always are the uninsured.

And even after agreeing to huge discounts, from these overinflated prices, the individual unable to pay, is paying a higher price than the government or insurance companies; Lazewski also addressed this issue in his e-mail, stating that the charge-master is indeed complete nonsense, but the prices listed on them, however, mean a great deal to the uninsured person receiving these huge bills driving them into bankruptcy, the person who doesn't have a lot of money, the uninsured American (Huff Post Business, 2013).

Critics who claim the charge-master bears no impact on health care costs, because the actual prices are never paid, are conveniently leaving out the cost of "uncompensated care" created by the uninsured. Granted the uninsured account for a smaller number of patients, but 48 million, which is the estimated amount by the Kaiser Family Foundation, do account for the sizeable line item in bookkeeping known as uncompensated care, and was an estimated \$41 billion in 2011.

And while that \$41 billion pales in comparison to the \$3 trillion of our national healthcare expenditure. This is absolutely relevant to ALL of us, because that \$41 billion gets "cost-shifted" to us through negotiated prices for care (Munro, 2013). The release of this information, providing public access, pulls back the curtain on one of the most troubling aspects of the U. S. health care system: Medical providers setting prices in ways that seem illogical, with little oversight and practically no market incentive to reduce them, because as they claim no one pays the official rates.

Prices in hospitals are not based on supply and demand, nor are they based on the actual cost of providing care, technology or pharmaceuticals, they are figures pulled out of the air. This data has landed in the laps of Americans while they continue to grapple with the reality of unexpected health care bills being the leading cause of financial ruin in the U. S. for many families, and increasing skepticism, even among people with means, as to why we are paying typically higher prices for our health care than people in other countries without higher quality of care or superior health (Huff Post Business, 2013). I believe someday we will look back at this time, in our

quest to provide affordable quality health care to all Americans as a milestone accomplishment in those efforts.