

Free essay about prices in healthcare industry

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Prices in Healthcare Industry

Like in all consumer services markets prices do play a great role in the healthcare industry. However, unlike in the other markets there is lack of transparency in the healthcare industry. Thus patients are not able to make comparisons based on prices when shopping for health care services since providers in the industry do not disclose their prices before the services are offered (Sinaiko & Rosenthal, 2011). Prices in the industry are important as they are used by the consumers to compare between different providers. Also the consumers are able to assess the value for their money from the prices charged by a particular provider relative to the provider's reputation of service delivery.

There are numerous ways of paying hospitals, physicians and other providers in the healthcare industry. One of the traditional methods used by both government and private health insurers is known as “ fee-for-service”, or simply FFS. Under the FFS model, the services are unbundled and payments made separately. In the healthcare industry this gives a physician an incentive to provide many treatments since payment was dependent on the quantity rather than quality of health care (Hagland, 2014). However, this model of pricing and payment results in high healthcare costs and discourages the efficiencies and benefits of integrated care.

Medicare is medical insurance primarily targeting the elderly (those aged 65 and above) and those disabled. Medicaid on the other hand, is a form of medical insurance for children, expectant women, and specified needy groups. The centers for Medicare and Medicaid Services (CMS) manage both Medicaid and Medicare at the Federal Level. Using the Prospective Payment

System (PPS) CMS regulates fees for outpatient care, inpatient care, and other medical services. Since Medicare is the largest medical services purchaser in the US, the fixed prices set by Medicare's pricing schedules do significantly impact the prices in the healthcare market. The prices are determined based on CMS's analysis of resource input costs and labor costs for various healthcare services. In Medicare pricing system, every medical procedure is assigned relative value units. Each unit is then translated to a dollar value, which varies yearly and depends on the region.

References:

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