

3 Ways Hospitals Take Advantage of Patients



Previously we looked at a commonly cited reason for Surprise Billing: members seeing out-of-network (OON) providers. And we described the usual drawbacks of higher costs and lower benefits.

But it didn't answer the question why members make poor provider choices? Our research shows it stems from **3 root causes**.

1. Not knowing true procedure costs
2. Lacking alternatives to consider

3. Using bad habits

Let's tackle them one at a time. First, **members don't know their true costs** of procedures because health insurance carriers are terrible about providing them. Why wouldn't their insurance company share the costs? Isn't this in their interest?

Carriers can't share pricing information

Yes, insurance companies would love to share costs and get members to shop on price. Unfortunately carriers agreed not to let this happen. Turns out their provider contracts contain gag clauses preventing them from giving the discounted rates that would steer members based on price.

Providers saw the threat of price competition long before it materialized and intentionally added these clauses years ago.



Similarly, health care providers haven't published their prices. Fortunately the environment has changed. In 2020, Federal law required hospitals to post their gross charges by procedure on their web pages. And in January 2021, Federal law went further requiring them to post not only their charges but also their different payer and self-pay rates in machine readable files.

Unsurprisingly, hospitals have employed different methods for hiding their pricing files and making it difficult for users to understand them. In March, the Wall Street Journal reported how hospitals block the information from web searches. They also use a number of other methods for obfuscating the data from members and patients - more to come on that. However, this underscores how much hospitals resist posting their prices.

Second, **members lack alternatives** to consider. Providers' online tools rarely give other options for services. They actually have no incentive to give them to you especially any outside their physician/hospital group. After all, the doctors and test results use the same electronic platforms, so they can communicate with each other more easily. In fact, hospitals often have entire departments devoted to tracking physician referrals, give incentives for retaining patients and regularly "coach" physicians when they refer patients outside the system.



Ultimately hospitals want to keep patients in their group to retain the revenue AND **patients pay a price for the convenience.**

Third, **members resort to bad habits.** Over many years members learned bad habits reinforced by a system that channels people in ways that optimize hospital revenue.

Emergency service is a great example. Hospitals set up emergency departments (EDs) to treat all types of symptoms, especially severe problems like trauma, heart attacks, and strokes. They have major investments in equipment, supplies and personnel to handle true emergencies.



Unfortunately, many people believe EDs provide superior care and choose them for all types of conditions including trivial ones like sore throats. Research shows **two-thirds of all ED patients could, and should, be handled in another setting** like an Urgent Care Clinic or Retail Health setting. It costs patients one-fifth of the price and helps EDs focus on true emergencies. However, the bad habit remains a barrier and patients pay higher rates as a result.

Similarly, patients trust physicians and often blindly follow their directions. After all they have the best intentions in mind - right?

Well maybe. Remember doctors have incentives to refer back to their own hospital. It's easier to refer a patient to a doctor down the hall as opposed to checking prices and finding a less expensive alternative outside the system.

Think about when you call a physician's office and you hear the automated system direct you to "call 9-1-1 if this is an emergency". But it doesn't give any guidance about how to tell if you have an emergency. The message takes advantage of people's trust (**bad habit**) and helps channel them to EDs (**no alternative given**). This reinforces a set of very expensive, often unnecessary, decisions; very profitable for hospitals.

Even the culture resists giving prices. If patients have the courage to ask about the cost of a procedure, physicians (and staff) usually have no concept of the prices and don't have time or even the ability to check. Many are indignant about having to address the question, which serves as negative reinforcement to not ask about prices in the future. They will tell you that they want to focus on solving the patient's problems without regard to other distractions such as expense.

It's A Game AND Providers Are Winning

In short, providers understand patients' weaknesses and employ methods to take advantage of them. They know they don't want to compete on price and have taken many steps to keep their prices secret. Provider systems don't offer alternatives and have incentives only to refer to their own group of doctors and hospitals. They rely on patients following instructions and have even created a culture to correct bad behavior for asking what a procedure costs.

This pattern of behavior violates the trust patients give them thinking they act with all good intentions - they don't. It's a game providers have designed AND they are winning at the expense of patients, businesses and ultimately our nation.

My company focuses on eliminating the pain of surprise bills and making it easier for everyone to understand their care options. Check us out or feel free to contact me at info@REDUHealth.com.