Charge Master

Why do some hospitals in the same city or state charge thousands of dollars more for the same procedure? As one doctor, a surgical nurse, a business manager, and big pharma firms have been making backroom deals that drive up medical costs. BY IRENE WOLF

ILLUSTRATION BY TAYLOR JONES

A recent medical conference in Ann Arbor, the co-founder of an Oklahoma surgery center told the assembled doctors about a daring move he made a few years ago. He started a price war by making the center's surgery prices all-inclusive, then boldly posted them online and charged patients for orthopedic spine hardware at cost instead of marking up the price up.

"Why can't we do that in Michigan?" asked someone in the audience.

That prompted a disquieting story from another doctor, whose medical group tried to set up its own surgery center in Michigan and, as he told it, make its prices transparent.

But a nearby hospital was having none of it. It hired a "high-priced law firm" to fight every request the group filed with the state for certifi-
cants of need — approval required to open a surgery center, buy high-priced equipment, or add more hospital beds. The hospi-
tal sent letters with veiled threats of reparations to doctors if they made refer-
ral to the disfavored center.

The hospital and its law-
yers won the battle; the en-
trepreneurial doctors had to scrap their plans for new oper-
cating rooms. But the heavy-
handed hospital did not ac-
tractily win the war against competition and transpar-
cency, as some parts of its list of charges are now available for public scrutiny.

That's because in May the U.S. federal agency Centers for Medicare and Medicaid Services, known as CMS, posted online charges from more than 30,000 hospitals nation-
wide for the 100 most com-
mon inpatient procedures and 300 common outpatient pro-
duced for by Medicare.

The amounts were culled from each hospital's "charge master" — a comprehensive, legally required list detailing what the institutions charge for everything from aspirin to an artificial hip.

Almost no one ever sees the charges listed on a hospital's charge master. Washing-
ton basically ignores charge ma-
ters because of the huge admin-
istrative costs of the CMS's organi-
sation devoted to public health, was glad to see CMS publish the charge master list. She says the report has people talking not only about prices, but also about quality. "I think a lot of people aren't even aware, when they file this big variance in what's being charged," she says. "One might wonder, is it the case that hos-

pitals that charge more have higher quality?"

Indeed, studies show consumers think higher prices mean better quality, but health care experts aren't so sure. Dr. Jeff Hall, CFO of Healthcare Blue Book, which tracks hospital pricing and quality, says that, in fact, the opposite could be true. "More than one of the good studies show that lower costs mean better quality," he says. "That's because costs come down and expansive improvements as a predictable volume increases.

Dr. John Fox, senior medical director at Priority Health, a nonprofit health plan based in Grand Rapids, says there's not a strong cor-
relation either way.

But Herspetz is agnostic on the issue. "Whatever it means," she says, "hopefully it will steer interest among patients to get more in-
formation, and hopefully that will push down prices."

That happened with dental implants, Lantik eye procedures, and cosmetic surgeries. Be-
cause patients pay for these services out-of-

pocket, and because they're not particularly time-sensitive, consumers can shop around for the best value. A doctor whose charges are too high can price himself out of the market.

MORE PATIENTS ASK MORE QUESTIONS

When it comes to nonelective services, Herspetz hopes that patients will be inter-
ested in getting more price and quality informa-
tion is already happening: More people are un-
insured and pay for services directly, or are enrolling in high-deductible, high-out-of-pocket insurance plans that offer lower premiums and qualify the individual for a tax-Advantage Beneﬁts Group in Grand

Rapids.

More high-deductible policies mean that more question come from patients about the huge disparities in hospital charges, and some health advocates say finding rhyme or reason to them remains uphill.

When Maciejochtitch Mitchell, executive director of Michigan Universal Health Access Network, a statewide network that promotes comprehensive health care, said the phenomenon, she called among to health care executives she knows in search of an explanation — but she had no luck. She says one told her, "If you tell me the truth, I don't even understand our charge master".

"Then we threw up our hands at one point."

Others downplay the importance of a charge master. "I don't think hospitals pay a lot of at-
tention to the charge master; they pay more atten-
tion to insurance contracts," says Dan Bahl, CEO of Oakland Regional Hospital in South-
field. "Charges are secondary."

Even rating charges "secondary" may be giving them too much weight when it comes to negotiating with insurance companies. "No-
bodies starts with the charge master," echoes Nick Vitalis, CFO at Beaumont Health System in Royal Oak, "They don't care less."

In general, health care people understand that they are not part of a regular market. After all, the need for health care is nondiscretionary and, until now, pricing has been almost entirely opaque.

But even when health care acts somewhat like a regular market, the vagaries of an indi-

vidual's underlying health and his particular needs make it nearly impossible to accurately predict what the bill will be until after services are rendered. It's like walking into a restaurant and asking, "What's she going to do and she hasn't eaten yet," Bahl says.

"The big switch: Rate-setting becomes cost-sharing"

A dive into recent Michigan health care in-
dustry history offers an additional explanation. At one time, some auto and health insurance companies paid what a hospital charged with-
out negotiating a discount. Or, in the case of the federal government or Blue Cross Blue Shield of Michigan, they simply told the hospitals what they would pay. Historically, Blue Cross insured so many auto-owners and others in the state that the institution was seen as playing in the federal market.

Even today, with the diminished number of auto-

owners, Blue Cross has enough power to tell hospitals what it will pay. "They're 25 per-
cent of our business and they just do that," says Vitalis, of Beaumont. That practice has, over the years, helped restrain rising prices in Michigan.
**HEALTH CARE TRANSPARENCY**

- Some savvy health care and information technology gurus who saw health care price transparency looming and know how to crunch Big Data have spun off a new business based, in part, on the response to consumer-driven health plans.

   Such plans come with high deductibles that encourage consumers to shop around to find the best health care value, which means consumers need to know a lot more about prices and quality. That's where so-called transparency vendors come in.

   Healthcare Blue Book, which borrows its name and concept from the longtime business go-to for cars, is among the new group of vendors adept at transforming data into information consumers can use to shop for health care. Some of the others include Compass Healthcare Advisors; Castlight Health; and Change Healthcare.

   Among these vendors, Healthcare Blue Book is the only one that offers free online information. It upgrades the services for playing clients and incorporates their health care usage data into its algorithm.

   Dr. John Fox, chief medical officer at Priority Health, says his company chose Healthcare Blue Book for its customers because it offers a better user experience and is more intuitive to use. "There were a large number of (transparency) vendors offering to partner with us," he says. - Bobbi Woff

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**Different hospital, different price**

**WHILE MICHIGAN** has a long way to go when it comes to price transparency, some health care providers are partnering with companies like Healthcare Blue Book to help patients compare prices for many procedures and surgeries. Here are some of the typical procedures and prices for the same services from several hospitals around the state. Amounts are average covered charges for Medicare patients.

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Tawas St. Joseph Hospital</th>
<th>Lakeview Hospital, St. Joseph</th>
<th>Tawas Hospital</th>
<th>McLaren Flint</th>
<th>Allegiance Health, Jackson</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHRONIC OBSTRUCTIVE PULMONARY DISEASE WITHOUT COMPLICATIONS</td>
<td>$8,750.97</td>
<td>$8,940.00</td>
<td>$8,630.00</td>
<td>$7,490.00</td>
<td>$6,836.00</td>
</tr>
<tr>
<td>CARCINOID CATHETERIZATION WITH STENT WITHOUT COMPLICATIONS</td>
<td>$8,250.00</td>
<td>$8,250.00</td>
<td>$8,500.00</td>
<td>$7,950.00</td>
<td>$7,390.00</td>
</tr>
<tr>
<td>CARDIAC CATHETERIZATION WITH STENT WITHOUT COMPLICATIONS</td>
<td>$9,341.60</td>
<td>$9,341.60</td>
<td>$9,341.60</td>
<td>$9,341.60</td>
<td>$9,341.60</td>
</tr>
<tr>
<td>MID-MICHIGAN MEDICAL CENTER TAWAS</td>
<td></td>
<td></td>
<td>$8,250.00</td>
<td>$8,250.00</td>
<td>$8,250.00</td>
</tr>
<tr>
<td>TAWS HOSPITAL Tawas</td>
<td>$8,750.00</td>
<td>$8,940.00</td>
<td>$8,630.00</td>
<td>$7,490.00</td>
<td>$6,836.00</td>
</tr>
<tr>
<td>LAKESIDE HOSPITAL, St. Joseph</td>
<td>$8,250.00</td>
<td>$8,250.00</td>
<td>$8,500.00</td>
<td>$7,950.00</td>
<td>$7,390.00</td>
</tr>
<tr>
<td>MCLAREN FLINT</td>
<td>$8,631.96</td>
<td>$8,631.96</td>
<td>$8,631.96</td>
<td>$8,631.96</td>
<td>$8,631.96</td>
</tr>
<tr>
<td>ALLEGANCE HEALTH, Jackson</td>
<td>$17,828.55</td>
<td>$17,828.55</td>
<td>$17,828.55</td>
<td>$17,828.55</td>
<td>$17,828.55</td>
</tr>
</tbody>
</table>

**HEART ATTACK**

**CHEST PAIN**

| MID-MICHIGAN MEDICAL CENTER TAWAS  |                           |                               | $8,250.00 | $8,250.00 | $8,250.00 |
| TAWS HOSPITAL Tawas              | $8,750.00 | $8,940.00 | $8,630.00 | $7,490.00 | $6,836.00 |
| LAKESIDE HOSPITAL, St. Joseph    | $8,250.00 | $8,250.00 | $8,500.00 | $7,950.00 | $7,390.00 |
| MCLAREN FLINT                    | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 |
| ALLEGANCE HEALTH, Jackson        | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 |

**PNEUMONIA**

| MID-MICHIGAN MEDICAL CENTER TAWAS  |                           |                               | $8,250.00 | $8,250.00 | $8,250.00 |
| TAWS HOSPITAL Tawas              | $8,750.00 | $8,940.00 | $8,630.00 | $7,490.00 | $6,836.00 |
| LAKESIDE HOSPITAL, St. Joseph    | $8,250.00 | $8,250.00 | $8,500.00 | $7,950.00 | $7,390.00 |
| MCLAREN FLINT                    | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 |
| ALLEGANCE HEALTH, Jackson        | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 |

**HIP REPLACEMENT**

| MID-MICHIGAN MEDICAL CENTER TAWAS  |                           |                               | $8,250.00 | $8,250.00 | $8,250.00 |
| TAWS HOSPITAL Tawas              | $8,750.00 | $8,940.00 | $8,630.00 | $7,490.00 | $6,836.00 |
| LAKESIDE HOSPITAL, St. Joseph    | $8,250.00 | $8,250.00 | $8,500.00 | $7,950.00 | $7,390.00 |
| MCLAREN FLINT                    | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 |
| ALLEGANCE HEALTH, Jackson        | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 |

**HEART FAILURE**

| MID-MICHIGAN MEDICAL CENTER TAWAS  |                           |                               | $8,250.00 | $8,250.00 | $8,250.00 |
| TAWS HOSPITAL Tawas              | $8,750.00 | $8,940.00 | $8,630.00 | $7,490.00 | $6,836.00 |
| LAKESIDE HOSPITAL, St. Joseph    | $8,250.00 | $8,250.00 | $8,500.00 | $7,950.00 | $7,390.00 |
| MCLAREN FLINT                    | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 | $8,631.96 |
| ALLEGANCE HEALTH, Jackson        | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 | $17,828.55 |

**REVIEW**

Michigan has a long way to go when it comes to price transparency. In fact, the state got an "F" for its overall legislative effort in the "2013 Report Card ..."

The University of Michigan and Blue Cross say, "That's actually quite a bit of concern right now at the national level regarding how to make this data more useful." That's why, according to plans, the Institute of Medicine, CMS, the National Quality Forum, and Consumers Union are trying to work out a system so that when patients start checking into cost and quality, they can actually understand what they see online.

**SOME SIGNS OF SUCCESS**

Michigan has a long way to go when it comes to the price transparency Hosptial talk about. In fact, the state got an "F" for its overall legislative effort in the "2013 Report Card on Price Transparency," an evaluation by the Coalition for Payment Reform, a nationwide nonprofit coalition of large employers, public payers, and the Health Care Innovative Improvement Institute based in Newtown, Conn.

"Americans consumers deserve to have as much information about the quality and price of their health care as they do about automobiles, cars, and household appliances," according to an executive letter in the report.

Some individual hospitals are taking matters into their own hands, through web-based, when it comes to price transparency. Spectrum Health and Mates Health Hospital, on the west side of Michigan, post some prices. So does Oakwood Hospital in Dearborn, which also lists its quality information.

The Oakwood model is proving to be popular. The Web portal for price and quality information got about 3,000 hits in the first half of this year — about twice that for the same period last year, says Dr. Malcolm Henrich, chief financial officer. "I think the fundamental notion is that having that information side by side is how you make a decision," Henrich says. "You can't consider either separately."
Life & Death

Two doctors find common ground in their work and in their marriage.

> IT DOESN'T MATTER

If it's a random call from a law enforcement agency eager to get his opinion on a homicide or a defense attorney from Detroit looking to see if he'll review an autopsy report that could be potentially damaging to a client facing criminal charges, Dr. Ljubisa "LJ" Dragovic's response will invariably be about one thing: the truth.

With more than 20 years as head of the Oakland County Medical Examiner's office, the longtime chief forensic pathologist is more than happy to discuss the finer aspects of death. Spend enough time with him and you'll quickly come to know that while there may be more truth in life, there's even more in death. "There's only one truth, only one truth," Dragovic says about what he's seen in his daily investigations into death. "And no matter who says what, there's still only one truth."

Whenever he's not working, he spends time with his wife, Dr. Jacqueline Dragovic, a radiation oncologist and senior staff physician at Henry Ford's Josephine Center Institute in Detroit. The marital union between the two high-profile medical professionals — where one is dedicated to saving lives and the other specializes in finding the cause of death — not only has a way of "creating new waves of enthusiasm," but it's also a grounding source for the duo.

"After almost 40 years of marriage, seven children, and six grandchildren, so far, I can conclude that I don't know anything better to fall back on (than family) when things get tough," he says.

His wife, meanwhile, welcomes the challenge of new cases and her husband's busy schedule. "We're always busy," she says. "It's not about the cases, but about the people. We're here to help them through their hardest times."

Family time notwithstanding, the medical examiner entertains 150 or so requests for his expertise that annually come in from around the country. He says he regrets not being able to work on every request. "It's difficult because I look at a lot of cases and I say, 'I can't help,'" he says.

The extra work he voluntarily takes on involves reviewing cases and, like the autopsy reports of other doctors, and, most importantly, pictures. "Needless to say, my findings aren't always popular."

Even during instances where the media and the opinions of other medical professionals suggest that a criminal case is unraveling for conviction, he has no qualms about being seen as a "lone voice of disassociation."

"Unfortunately, in forensic pathology, the conclusions are not based on popular opinion," Dragovic says. "It's not a democratic process."