

Health care transparency needed in N.M.

Health care pricing has been likened by Princeton economist Uwe Reinhardt to shopping blindfolded in a department store, and then months later receiving an indecipherable statement with a framed box at the bottom that says: pay this amount.

Indeed, here in New Mexico it is easier to find the price and quality of a

toaster than it is of a common medical procedure. Because information about price and quality is essential to almost every market transaction, this lack of transparency means that health care is more expensive than it would otherwise be.



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Commentary

The high cost of health care has devastating consequences. Over 62 percent of personal bankruptcies in the U.S. are attributable to illness and health care debt, up from 8 percent in 1981. Many of these medical debtors are middle-class homeowners, and more than three-quarters of them had health insurance.

Health insurance costs are also a major driver of the national trend toward part-time employment, as they make employers less willing and able to hire full-time workers with benefits at a time when we urgently need to create good private sector jobs for New Mexicans.

Finally, health care costs are a heavy burden on state taxpayers, with over 27 percent of New Mexico's annual budget going to health care. As health care spending outpaces the growth of the rest of the economy, it threatens to crowd out spending on priorities like public schools and higher education.

How did we get to this point? A century ago, patients paid directly for their

health care and knew exactly what it cost. Over the ensuing decades, the rise of private health insurance, Medicare, and Medicaid disconnected patients from the cost of their care.

That situation is predicted to change with the recent trend toward higher deductibles and growing out-of-pocket costs. For example, Bronze health insurance plans under the Affordable Care Act have average deductibles of more than \$5,000 for an individual and \$10,000 for a family.

Economists believe that these higher out-of-pocket costs will cause patients to be more sensitive to prices, which will help contain overall costs. However, this ignores one crucial detail: the lack of transparency makes it impossible for patients to comparison shop for the highest quality, most affordable care.

That is why Think New Mexico has proposed the creation of a user-friendly website where New Mexicans can find the price and quality of the 100 most common medical procedures. This is not a new idea: a total of 14 states, including Arizona, Colorado, and Utah, have already established similar websites, and another five states are actively working to create them.

These websites are already making a difference. A 2013 study by researchers at the University of Chicago found that the price of common elective procedures dropped by an average of 7 percent in states with transparency websites. For example, hip transplants averaged \$2,800 less in states that had the websites.

Making quality data, such as rates of avoidable errors and readmissions, transparent is just as important as price. If quality information is not provided, many patients will assume that higher-priced care is higher quality. After all, in most markets, "you get what you pay for."

However, numerous studies have found that, when it comes to health care, cost

and quality are not correlated. In fact, if anything there is a slight negative correlation because avoidable errors, infections, and readmissions make the health care costs spike. (It is important that quality metrics be "risk-adjusted," taking patient populations into account so that they do not disincentivize hospitals from treating the sickest patients.)

Making risk-adjusted quality data transparent incentivizes health care providers to compete to improve it. As the old saying goes, "what gets measured gets done." For example, when Pennsylvania began publishing hospital-acquired infection rates in 2006, the statewide infection rate fell by 7.8 percent within a year. This not only improved the quality of care and saved many lives, but it also lowered costs since the average cost of hospitalization in that state was \$53,915 when an infection occurred, and only \$8,311 when it did not.

A health care price and quality transparency website in New Mexico will similarly save both lives and dollars by making health care more patient-centered and more of a free market. That is why leading doctors like Dr. Barry Ramo have endorsed our proposal, along with statewide and national organizations like the League of Women Voters New Mexico and Costs of Care.

I encourage you to join this effort by contacting your legislators and Governor Martinez and urging them to support legislation to make health care prices and quality metrics transparent. You can learn more and email your legislators and the governor directly from Think New Mexico's website at: www.thinknewmexico.org.

Fred Nathan is the founder and executive director of Think New Mexico, a state think tank used to improve the quality of life in New Mexico. For more information, visit www.thinknewmexico.org.