

# Hospital price transparency laws in California fall short, study finds

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Uninsured patients in California are unable to successfully obtain information about the cost of medical care at hospitals despite recent state legislation intended to improve price transparency, according to a new study.

Posing as low-income uninsured patients, researchers received price estimates from less than one-third of the hospitals they approached and the estimates received often were much higher than those allowed under California law, according to the findings published online by the [Journal of General Internal Medicine](#).

To make it easier for patients to shop for care and to prevent price gouging of the uninsured, more than 30 states have enacted price transparency legislation. Under California law, an uninsured patient has the right to contact hospitals and receive a price estimate. The law also states that if a patient is low-income the price estimate cannot exceed what the hospital is paid for the procedure by Medicare or Medi-Cal (California's version of Medicaid).

The research team included staff from the RAND Corporation, the University of Pittsburgh, the California HealthCare Foundation and Brown University.

"Our findings raise questions about the effectiveness of California laws that are designed to help [uninsured patients](#) shop for medical care and protect themselves from being charged excessive [prices](#)," said senior

author Dr. Ateev Mehrotra, a professor at the University of Pittsburgh School of Medicine and a researcher at RAND, a nonprofit research organization.

Researchers sent letters to 353 California acute-care hospitals from a fictional uninsured patient requesting an estimate for one of three common elective procedures: laparoscopic removal of the gallbladder, a hysterectomy and a routine screening colonoscopy.

Just 28 percent of the hospitals responded as required by state law and the responses varied widely in content and price. Most included a price quote for hospital services only, the remainder included both hospital and physician costs or did not specify what was covered.

While California law says the uninsured cannot be charged more than a hospital is paid by a government health plan, two-thirds of the price quotes exceeded the median price that Medicare reimburses hospitals for each of the procedures in California. The finding suggests most hospitals provided estimates higher than what they are allowed to charge under state law.

The individual prices for procedures varied widely. For example, estimates for a hysterectomy ranged from \$5,569 to \$15,950, while the estimates for a colonoscopy varied from \$216 to \$1,748. Many hospitals also offered discounts for actions such as payment in full at the time of care.

"Few of the estimates we did receive allowed us to make an 'apples to apples' comparison between different hospitals," said Dr. Kate Farrell, the study's lead author and a physician at the University of Pittsburgh School of Medicine. "Our findings show there is still much to be done to improve the ability of patients in [California](#) to effectively shop for hospital care."

One improvement recently made by state officials is creation of a Web-based contact list that includes an individual at each hospital who is responsible for providing price quotes. Researchers say officials also should consider creating a standard price-request form and develop standards for what services should be included in any estimate. One additional measure to consider is imposing financial penalties on hospitals that fail to comply with transparency rules.

Some patient advocates have suggested that instead of having patients shop for care by contacting the [hospital](#) themselves, states should mandate that hospitals list their prices online. Researchers say additional work will be needed to examine whether this strategy is more effective than California's approach.

Source: RAND Corporation

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