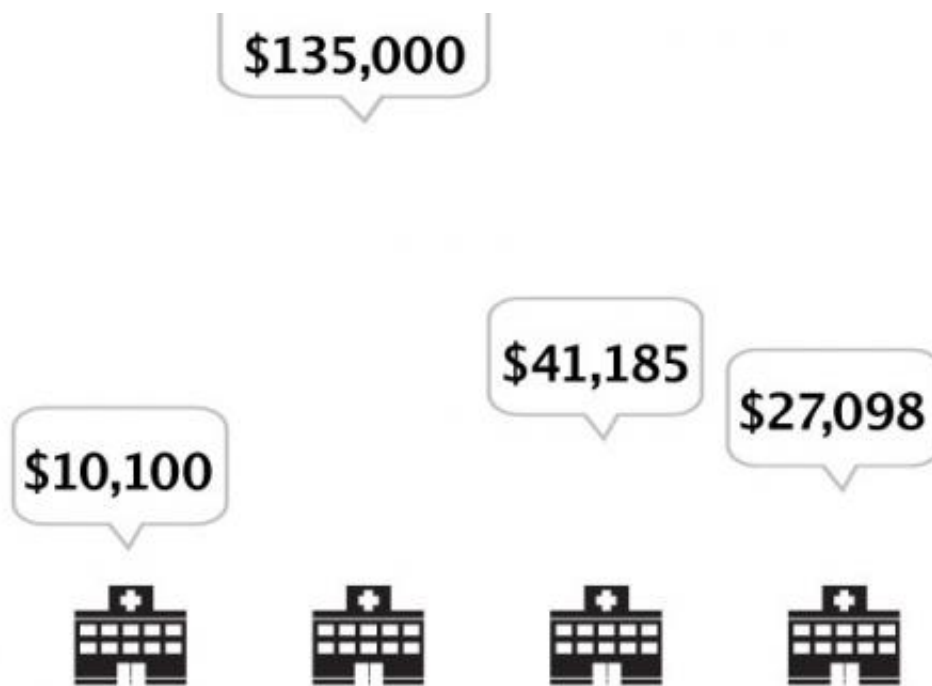


Surgery prices are elusive: 13-fold price difference among US hospitals for prostate cancer surgery

June 9 2014, by Richard C. Lewis



A University of Iowa study shows a wide range in the prices that US hospitals charge for prostate-cancer surgery, varying by region and by academic or nonacademic centers. Credit: Sondra Cue, University of Iowa

Let's say you're buying a car. You have a wealth of data at your fingertips, from safety information to performance, to guide your decision.

The same is not as true in health care, especially if you're pricing procedures. A new study from the University of Iowa compared the cost of prostate cancer surgery at 100 hospitals throughout the United States. The quote for the procedure, the researchers found, varied from \$10,100 to \$135,000, a 13-fold range. (The average price was nearly \$35,000, more than double the Medicare reimbursement.)

Only 10 of the hospitals that provided cost information divulged anesthesia and surgeon costs, key criteria to consider when pricing a surgical procedure. Moreover, just three hospitals provided a hard copy of the charges, further complicating a patient's ability to compare costs, the study found.

"Such variability in pricing can produce significant confusion for consumers who are accustomed to the rules of free-market economics, which equate higher fees with higher quality," write the UI researchers, in the journal *Urology*. "Unfortunately, in health care, this has not been found to be true."

Prostate disease is a major health concern in the U.S. It accounts for 28 percent of all new cancer diagnoses in men and nearly \$12 billion in treatment costs, according to the American Cancer Society. About 138,000 prostate cancer surgeries are performed yearly, according to government figures. Yet despite the commonness of the disease and the frequency of surgeries, getting a reliable, accurate quote is hard to come by.

Part of that is due to the system itself. What hospitals charge for a procedure don't reflect the actual costs, says Bradley Erickson, assistant professor in urology at the UI and corresponding author on the study. Think of the hospital's quote as the opening salvo in a negotiation—a give-and-take primarily with the health insurance provider over how much the hospital gets reimbursed. In that scenario, the higher the quote,

the more room there is to negotiate, and thus arguably the more the hospital could get reimbursed.

"These (hospital) charges don't mean anything," Erickson notes. "There's no weight behind them."

What that all means is the consumer is working with inflated figures, at best, which puts them "at a significant disadvantage," Erickson says. Even more, the researchers learned there is precious little information about how well hospitals perform [prostate cancer](#) surgeries, as they report outcome data mostly only to government agencies.

That lack of transparency is "a huge problem," Erickson says. "It doesn't really incentivize any place to improve outcomes, because no one is holding us individually accountable for it."

That could be worrisome to [health-care](#) consumers who may face higher deductibles under the Affordable Care Act, Erickson notes.

"We're not ready for it (pricing transparency), because most hospitals can't tell you how much they charge," he says. "And the ones that do aren't based on reality."

Among the study's other findings:

- 70 of the 100 hospitals surveyed provided some pricing
- Of that number, nearly half (33) said they'd discount the procedure, to as much as 80 percent, for pre-pay or promptly paying patients
- Academic medical centers charged 52 percent more, on average, than nonacademic centers (The UI's estimate was \$31,000, below the mean in the survey; the UI also offered a 25 percent discount for pre-paying patients.)

- Hospitals in the northeast U.S. charged most (at \$40,802 on average), while hospitals in the South charged the least (\$30,305 on average)
- Hospitals in the Midwest were the most likely to provide estimates and to offer discounts
- There was little price difference at centers either when city population is factored or rankings as compiled by U.S. News and World Report

The [prostate-cancer surgery](#) costs survey follows a UI study, published last year in *JAMA Internal Medicine*, which found hip replacement costs at hospitals nationwide ranged more than ten-fold, from \$11,100 to \$125,798. The reason, those researchers found, are largely due to the lack of transparency and knowledge how hospitals set their prices.

It also corroborates findings from the Centers for Medicare and Medicaid Services, which reported wide price differences for a variety of medical procedures across the U.S.

In a separate editorial comment in the journal, the authors, from the University of Montreal and Harvard Medical School, write: "The discrepancy in pricing highlights the substantial incongruity between the actual costs of a [surgical procedure](#) and the [hospital charges](#). It would be highly implausible that the exact same procedure is 13 times more expensive to deliver at one [hospital](#) relative to another."

Provided by University of Iowa

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