

## High Deductible Health Insurance

By David Belk MD

A few years ago I saw a patient who I thought needed a CT scan of his head. In the another section (see diagnostic tests) I showed that head CTs go for \$300-\$350 if you're an insurance company. This patient had insurance so it shouldn't have been a problem. My receptionist called his insurance to get the proper authorization and I even spoke with them myself to make sure it went through; it did. The next day, the patient called my office to say that he couldn't get the test because he couldn't afford it. The radiology department wanted \$500 up front and then said that they would bill him for the remaining \$700. That's \$1,200! He has insurance, they approved the procedure, and still, he has to pay \$1,200.

My receptionist called around to ask how much the private imaging companies would charge a patient without insurance for a head CT. She was quoted \$690 by Nor-Cal imaging (a perfectly good imaging company that takes very good X-rays) but if the patient paid cash up front so they didn't have to bill him, it was \$414. It would cost him \$1,200 if he used his insurance.

Stories like this are getting more common. In 2012, the Los Angeles Times featured an article about a woman who was charged \$2,336 for a CT scan. She had a high deductible policy, so she had to pay for the scan herself, but her insurance got her a 65% discount off the \$6,707 billing charge. When she called the same hospital and asked them what the cash price was for that very same CT scan, they told her it would only cost \$1,054! It cost her more than \$1,000 extra because she used her insurance!

The Wall Street Journal featured a story in February 2016 stating much the same thing. They found multiple examples of hospitals that offered cash discounts for patients that were better the the prices insurance companies got patients who had high deductible policies for the same procedures at the same hospitals. The table on the next page summarizes what the Wall Street Journal found (next page):

## The Cash Advantage

Patients who pay cash upfront for medical services can sometimes make out better than they would by using their insurance, especially if they have high-deductible plans and pay the insured rate in full. Some examples:

PROCEDURE	FACILITY   CITY	SELF-PAY RATE	INSURANCE RATE	INSURANCE COMPANY
MRI of the foot	Regional Medical Imaging   Flint, Mich.	\$379	\$445	Aetna
Tonsillectomy	Banner Desert Medical Center   Mesa, Ariz.	\$2,858*	\$5,442	Arizona Blue Cross Blue Shield
MRI of the knee	Boulder Community Hospital   Boulder, Colo.	\$600	\$1,100	Arizona Blue Cross Blue Shield

Note: Insurers' rates may vary by plan. \*Not including physicians' fees, typically \$1,000 to \$1,400.

Sources: the providers; insurers' cost-estimator tools

THE WALL STREET JOURNAL.

**Figure 1:** Table from linked WSJ article showing cash discounts at certain hospitals are better than discount obtained by major insurance companies at the same hospitals for the same services.

In another case, a patient of mine had routine blood work done before an appointment. I ordered a lipid panel, a metabolic panel, a blood count and a thyroid test. If you check the reimbursement rates given in the section on diagnostic tests, this should have been about \$75 worth of tests. A local lab even offers these same tests to cash patients for \$95 without a doctor's order next page).



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Figure 2: Cash price for blood tests at Best Choice Labs.

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Page 1 Of 2

Explanation of Benefits  
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Date: 04/14/11  
 Subscriber Name: [REDACTED]  
 Patient Name: [REDACTED]  
 Member ID: [REDACTED]  
 Group Name: ORLAUDAN FRAGRANCES CORP.  
 Group #: [REDACTED]  
 Claim Number: 028747004001

Physician/ Provider	Total Provider Charges	Medical Plan Paid	Participating Provider Discount	Other Insurance Paid	Paid By Consumer Account	Amount You Owe
[REDACTED]	\$782.44	\$0.00	\$367.75	\$0.00	\$0.00	\$414.69

Figure 3: Bill from hospital for same blood tests as above, but with insurance discount.

You can imagine how shocked she was (as was I) when she received the above bill. As you can see from the bottom line of numbers, the lab billed her \$782.44 or about ten times the expected payment (not unusual for a hospital lab). The discount is only \$367.45 leaving her with a \$414.69 bill for about \$95 worth of labs.

## **So what's going on?**

We always assume that insurance companies will get us the lowest possible price for any medical service we receive. In previous sections I showed this clearly wasn't the case if you use your insurance to buy generic medications. The above examples show that the same is true for medical tests and procedures.

A health insurance company has millions of members and billions of dollars in premium revenue. Clearly, they should have more leverage when negotiating the price of a medical service than someone who just makes a phone call would have. But, insurance companies have no real interest in offering the best price for a medical service when they're not spending their own money (when, for example, the patient has a high deductible).

1. It's less work for them. No hospital or other health care facility will complain about being overpaid.
2. It prevents patients from finding out how much (little) medical services really cost. Patients with high deductibles pay for most of their own medical care. The insurance companies make sure that these patients see a much higher price than the "real" price they could pay. Since the insurance companies, not the providers are free to set the price of everything, they can inflate everyone's out of pocket costs to make their insurance appear far more necessary than it really is.

I've mentioned in other sections that health insurance companies have rather specific contracts with hospitals for most inpatient services. The contracted fees insurance companies have for outpatient services with hospitals are far more nebulous, though. A major hospital will offer roughly 10,000 individually billable outpatient services. It wouldn't be possible for each hospital to negotiate a separate contracted fee with each insurance company for each of those 10,000 services. This leaves insurance companies with a lot of room to choose their own payments for most of the outpatient medical services provided.

What this means is that insurance companies have enormous control over medical industry pricing. They set all rates of reimbursement for all medical services no matter how trivial. These rates vary greatly from policy to policy even for the same service from the same provider. The confusion they create though such a chaotic pricing system encourages the sort of run away over billing we see in health care. This over billing gives the insurance companies even more power, because people will depend on them more if prices are higher and almost no one really understands how much these services should really cost.

The health insurance companies have managed to rig the game in a way that allows them to win each time they make things worse for us.

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