

MarketWatch

Why you have no idea how much a surgery really costs before you get it

By [Kari Paul](#)

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President Trump is calling for a stop to surprise medical bills — that's harder than it sounds



Getty Images

"I don't think there is any other place besides the health-care industry where you spend money and don't know what it will cost you until you come out the other side."

Republican and Democratic senators and President Donald Trump have found one issue they can unite behind: putting a stop to the unexpected medical bills overwhelming many Americans.

Senators from both parties [sent letters Tuesday](#) to a number of insurance providers asking for more information on billing and payment procedures to stop "costly surprise bills" — exorbitant fees charged after a procedure [due to discrepancies](#) in insurance coverage and other issues. The Trump administration has also promised to address the issue, meeting with patients in January to discuss it.

President Trump said in his State of the Union address this week that his upcoming priorities include lowering the [cost of health care and prescription drugs](#). "We should also require drug companies, insurance companies, and hospitals to disclose real prices to foster competition and bring costs way down," Trump said.

The Trump administration [has already made some moves](#) in this direction. It required hospitals to begin publicly posting prices as of Jan. 1.

One in four Americans has had to refuse medical care because they can't afford it.

This comes as health care costs have been on the rise in recent years. In 2016, the average worker paid \$1,478 out of pocket before reaching their deductible — after which insurance begins to cover costs — up from \$1,077 in 2015, according to a report from the Kaiser Family Foundation.

One in four Americans [has had to refuse medical care](#) because they can't afford it, one 2017 study found. Some 28% of Americans are now considered "underinsured," up from 17% in 2010, [meaning that despite paying for insurance](#), their out-of-pocket costs make up a substantial share of their income.

But doctors, patient advocates, and insurance companies say there are a number of roadblocks when it comes to making medical costs transparent and predictable.

Why do people get 'surprise' bills?

"If you are put under anesthesia to have your arm reset, and you don't know if the anesthesiologist is in your network, you can get slapped with a huge out-of-network bill. But you're sedated and on a gurney — you aren't going to shop around for the best price."

— Marni Jameson Carey, executive director of the Association of Independent Doctors

Surprise medical bills can refer to any unexpected costs incurred by a patient after medical care, said Marni Jameson Carey, executive director of the Association of Independent Doctors, a trade association representing doctors who practice independently of hospitals.

These costs generally come as a result of three categories of fees: out-of-network charges, unexpected facility fees and other charges, and "balance bills."

"Balance bills" occur when patients are expected to cover the difference between what a doctor charges and what an insurance company covers. Other times, a patient is charged for out-of-network fees they never even consented to, Jameson Carey said.

"If you are put under anesthesia to have your arm reset, and you don't know if the anesthesiologist is in your network, you can get slapped with a huge out-of-network bill," she said. "But you're sedated and on a gurney — you aren't going to shop around for the best price."

A patient can also be charged for costs that aren't initially factored into an estimated bill. There are three main charges for a procedure: The charge for the actual procedure or the "surgeon's fee," which includes all follow up care for 90 days; the "facility fee" a hospital charges for hosting the procedure; and the "anesthesia fee" paid to the anesthesiologist.

Sometimes, a patient is not aware of all of these fees and can get a "surprise bill" for one of them. And often, the doctor is not even aware of these fees in advance, said Kristyn Brandi, assistant professor at Rutgers Medical School in New Jersey and a family planning doctor.

"A lot of health care providers are not involved in any of these decisions" she said. "They have no control over how much their clinic is billing for certain things. Even doctors who work in the system every day do not know how to navigate these systems for our own health, let alone educate patients on what they need."

Hospitals are now required to post costs publicly — but it's 'useless'

Starting Jan. 1, the Trump administration began to require all hospitals to publicly list base charges for various procedures online. "Chargemasters" are essentially long lists of hospital prices by procedure. They are now listed by hospitals online, usually in a hospital website's "insurance and billing" category.

But because many patients pay for these procedures with insurance, the price listings are largely "useless," Jameson Carey said. "We encourage transparency, but these chargemaster prices are prices nobody pays unless they do not have insurance — and if you don't have insurance you likely can't afford these rates anyway," she said.

Ken Majkowski, chief pharmacy officer at drug price comparison site FamilyWize, said prices vary between hospitals for a number of reasons, from different levels of aftercare to specialty treatment units and contracts with insurers. The online price lists don't show consumers how much of their costs will be covered by insurance, so they do little to help people understand how much they'll be paying out-of-pocket.

"This is a first step," he said. "If the government continues to push hospitals and providers to make it easier to understand, the consumer will be better off in the long run."

Many doctors do not post costs publicly

It would be more useful if doctors publicly posted costs that factor in insurance, Jameson Carey said, but doing so is difficult and sometimes prohibited.

If a doctor wants to be a part of an insurance network, he or she must agree to the fees the network negotiates for different procedures. Most insurance contracts prevent doctors from sharing insurance rates publicly or among themselves, which can also prevent them from posting true costs online. This measure is meant to prevent doctors from comparing rates and negotiating for better coverage, Jameson Carey said.

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"If two gastroenterologists work a block apart, they are not allowed to ask one another what an insurance company pays them for a colonoscopy," she said. "It shows how much insurance companies want to keep prices hidden and consumers in the dark."

A spokeswoman from America's Health Insurance Plans, a lobbying group for the insurance industry, told MarketWatch that doctors being unable to share insurance rates online is "absolutely not related" to the topic of surprise billing.

"To the issue of surprise medical bills, health-insurance providers develop networks to negotiate better value and lower costs for the consumers they serve," she said. "When doctors, hospitals, or care specialists choose not to participate in a plan network — or if they do not meet the high standards for inclusion — they charge whatever rates they like. The consequence is millions of patients receiving surprise, unexpected medical bills that can often break the bank."

More than half of Americans (53%) [say they've been surprised](#) by a doctor bill they thought was covered by insurance. States including California, Colorado and New York have passed laws to protect consumers from this practice.

Doctors, hospitals and patients lose money

The lack of transparency is frustrating to patients, but can hurt doctors and hospitals as well when patients cannot or will not pay bills. In 2016, [hospitals reported](#) nearly \$40 billion in uncompensated costs or unpaid medical bills, up from \$22 billion in 2002, according to the American Hospital Association.

Doctors in private practice cited [inability to get patients to pay bills](#) as their biggest concern for staying in business, according to a 2015 study.

Insurance companies say if balance billing were banned and doctors were forced to accept the rates insurance companies set, consumers would not get these surprise bills. A spokeswoman from insurance company Blue Cross Blue Shield said it has recommended to Congress measures like prohibiting balance billing and requiring medical facilities to provide patients with written documentation of their rights regarding balance bills.

"We believe that no one should receive surprise bills, and that those who have done everything they can to stay in-network should be protected from receiving an unexpected out-of-network bill," she said. "We're working with Congress and the administration to protect consumers from these surprises, while ensuring they receive the care they need."

But in many parts of the country, doctors claim they cannot afford to pay overhead costs like rent if they accept insurance rates, which are becoming less competitive as insurance firms consolidate, Jameson Carey said. Meanwhile, [balance billing complaints](#) have been on the rise. In November 2018, [the American Medical Association warned](#) that consolidation in health insurance markets threatens to "harm patients and the physicians who care for them."

"The prospect of future mergers involving health insurance companies should raise serious antitrust concerns," the AMA said. "There is already too little competition among insurers, to the detriment of patients. Networks are already too narrow, and premiums are already too high."

This squeeze in the insurance market is contributing to the growing doctor shortage in the U.S., Jameson Carey said. She added that a major factor driving patients' inability to pay is that they often don't know what the cost is in advance of a procedure.

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Marni Jameson Carey, executive director of the Association of Independent Doctors

"You go get an appendix removal and you don't know how much it costs until you get the bill," she said. "I don't think there is any other place besides the health-care industry where you spend money and don't know what it will cost you until you come out the other side."

Caitlin Donovan, director at the Outreach & Public Affairs National Patient Advocate Foundation in Washington, D.C., confirmed that the only way to see the true cost of a procedure covered by insurance is to check the insurance company's "explanation of benefits" — the document sent to patients after the insurer processes a procedure, often weeks later. Sometimes insurance websites can give patients an estimate beforehand, but those prices are subject to change.

"Our health care system is built on patients not being able to find prices ahead of time," she said. "A lot of places will give you an estimate but providers are reluctant to give concrete prices."

Patients can research costs — if they have the time and money

The spokeswoman from America's Health Insurance Plans added that patients can always contact an insurance provider to determine how much a procedure would cost ahead of time.

Because doctors do not generally share rates with non-patients, this would require a patient to schedule an appointment with a doctor, ask for the procedure's insurance code, then call the insurance company to check the rates given to that doctor and how much is covered by their plan, said Donovan.

Rates may differ by doctor's office, so to find the best price, a patient would have to make multiple appointments, sometimes paying multiple copays.

"The problem is this system relies on patients to comparison shop every time they look for healthcare," she said. "This does not comport with reality — most people do not have the time to comparison shop when it comes to health problems."

Worse yet, many patients are unaware that medical prices vary by facility or provider, and only 1% actually take the step of using billing codes to find the best price, according to research by Harvard, Yale and Columbia universities.

Some doctors bypass insurance completely

Unlike hospitals, doctors in private practice are not required to share non-insurance prices online, but Jameson Carey said they should. Plastic surgeons, who provide cosmetic procedures often not covered by insurance, often post prices online. She said this allows patients to weigh various factors and decide what they want to pay for when it comes to their own health.

"If there were cash pricing, then our healthcare market could work like any other free market, where patients know the price and shop for value," she said.

Some patients, rather than be blindsided by a potential unexpected bill, would rather pay for an entire procedure out-of-pocket with no surprises.

One hospital in Oklahoma has done just that. The Surgery Center of Oklahoma advertises itself the "free market-loving, price-displaying, state-of-the-art, AAAHC (Accreditation Association for Ambulatory Health Care Company) accredited, doctor owned, multispecialty surgical facility." It lists the cash price for all procedures in advance and does not accept insurance.

"Bureaucracy at the insurance and hospital levels, cost shifting and the absence of free-market principles are among the culprits for what has caused surgical care in the United States to be cost prohibitive," the Surgery Center says on its website. "Transparent, direct, package pricing means the patient knows exactly what the cost of the service will be upfront."

Patients without insurance have reported the surgery center has prices lower than out-of-pocket fees in their own states. One man [flew from California](#) to get knee surgery that would have cost \$30,000 in his home state. At the Surgery Center it cost \$5,700.

Gall bladder surgery is \$5,865, according to the hospital's website. Getting a bunion removed is \$6,000. A hip replacement is \$15,499. Jameson Carey noted that some patients, rather than be blindsided by a potential unexpected bill, would rather pay for an entire procedure out-of-pocket with no surprises.

"Otherwise, you are just a victim of the system," she said. "It's really not right."

Congress seeks solutions

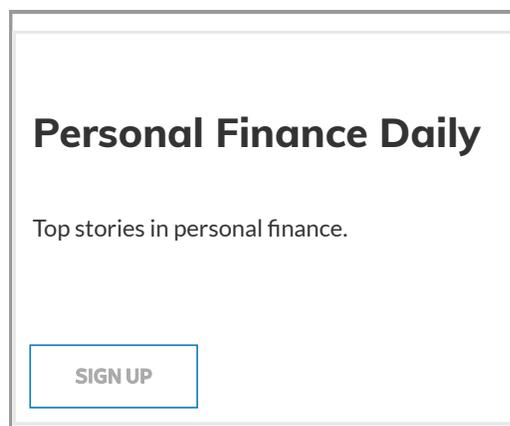
Solutions posed by Congress have included a draft bill proposed by Senator Bill Cassidy, a Republican and gastroenterologist from Louisiana, which would put a cap on what patients pay for a procedure. It would also ban "balance billing," or requiring a patient to pay the difference between what a medical provider charges and what insurance covers.

Another bill proposed by Lloyd Doggett, a Democratic Senator from Texas, would require hospitals to notify patients whether the doctor, anesthesiologist, and other providers treating them are in-network, meaning that they're covered by the patient's insurance.

Without consent from the patient, hospitals would be unable to charge a patient more than in-network costs. This would prevent "surprise bills" for patients who were put to sleep for a procedure by someone they didn't realize was out of network, for example.

President Donald Trump has vowed to take on the issue of surprise bills, and [met with patients](#) at a roundtable last week. "We're going to stop all of it, and it's very important to me," he said.

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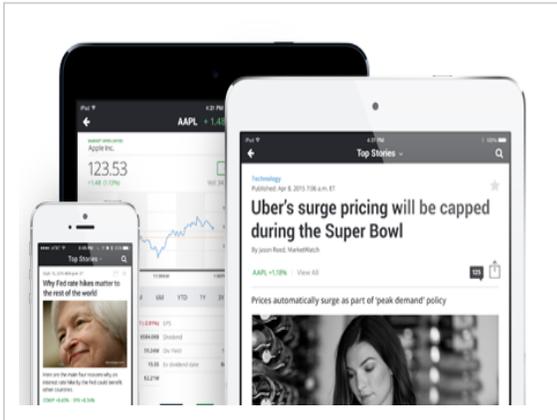
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