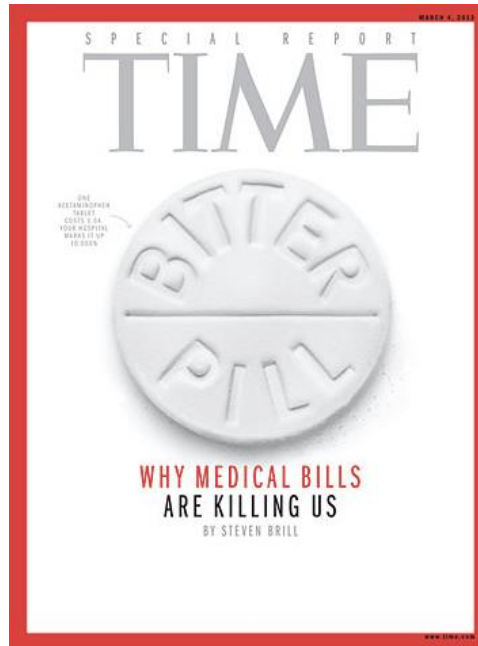# Are you getting overcharged by your hospital? Time to become a Smart patient

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[Matt Marshall](#)

An article by [Steve Brill in Time magazine](#) has provoked debate about whether some patients — specifically the uninsured — are getting overcharged by hospitals.

This comes at a good time, because the nation is in the middle of making some huge changes to how patients get insured.

First, President Obama's [Affordable Care Act in 2010](#) calls for patients to get more power over the health insurance they get, and it's about time, because some insurers are offer a whole lot better pricing than others. Many of the Act's provisions come into effect later this year, and in 2014 – including the arrival health insurance exchanges that help patients shop for health insurance, compare plan prices and possibly qualify for federal government tax subsidies.

Indeed, at our [HealthBeat event in May](#), we'll be discussing the emergence of the "Smart Patient" and what it means to the industry. In a session led by Missy Krasner, former Google Health founding member, and now an investor for Morgenthaler Ventures, we'll discuss the latest companies and technologies that are helping engage the patient and provide transparency in health care. Other people participating in our discussion are the following:

- Kristin Baker Spohn, Director, Strategy, Business Development, [Castlight Health](#)
- Tomer Shoval, CEO & Founder, [Simplee.com](#)
- Sterling Lanier, CEO & Founder, [Tonic Health](#)

- Eric Peacock, CEO & Founder, My Health Teams
- Paul Tang, M.D., VP, Chief Innovation & Technology Officer, Palo Alto Medical Foundation (PAMF Online)
- Chini Krishan, CEO & Founder, GetInsured.com

"Patients still are relatively in the dark when it comes to managing their health care dollars," Krasner tells me. "Even helping consumers shop and find insurance, like with GetInsured.com, will be a relatively new thing for consumers at large." She said a number of companies are breaking new ground in this area. Castlight Health helps consumers shop for procedures or tests by looking at the prices listed, and Simplee.com helps consumers pay their health care bills. "The key is getting consumers to be more accountable about their health care and owning and stewarding all of their own data."

Even with all these new technologies entering the market to make patients smarter, challenges still remain. One big reason different patients get charged differing amounts for the same service stems from the relative clout of their insurance companies. If you're a patient represented by Medicare or Medicaid, you're well served because these programs have significant market muscle: They negotiate prices below what it costs to treat patients. Unfortunately, Brill's Time article is behind a paywall. However Princeton Professor Uwe Reinhardt provides a good summary of the debate.

Reinhardt explains:

With few exceptions, private insurers tend to be relatively weak when bargaining with hospitals, so that hospitals can extract from them prices substantially in excess of the full cost of treating privately insured patients, with profit margins sometimes in excess of 20 percent.

Finally, uninsured patients — also called "self-pay" patients — have effectively no market power at all vis-à-vis hospitals, especially when they are seriously ill and in acute need of care. Therefore, in principle, they can be charged the highly inflated list prices in the hospitals' chargemasters, an industry term for the large list of all charges for services and materials. These prices tend to be more than twice as high as those paid by private insurers.

However, as Reinhardt explains, the designers of the Affordable Care Act did not include provisions that would address these sorts of disparities in the health care pricing system. That's why transparency and new technology to help the patient make better decisions is so important.

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