



# Quest Physician Update

December 2010



Gail Amundson, MD, FACP  
CEO, Quality Quest for Health of Illinois

## Transforming Healthcare-Together.

Dear Colleagues,

Recently, a visitor to Quest's website asked why the charge for an MRI test (Magnetic Resonance Image) would be different from center to center. The question offers an opportunity to take a 10,000 foot view of healthcare charges.

"I'm curious why there is such a big difference in the cost of an MRI. I had one done recently billed at \$4500.00. That is almost double what most other places charge. Aren't these costs regulated? I wouldn't think that one machine would be better than everyone else's."

The writer's hunch was correct, the difference in price isn't because one machine is better than another.

Medicare and Medicaid charges are regulated while others are not. The Centers for Medicaid and Medicare Services (CMS) establishes a payment rate (fee schedule) for services provided to Medicare patients. States set their own Medicaid payment rates. It is common for these to be a percentage of what Medicare would pay. Illinois Medicaid pays about forty percent less than Medicare. Healthcare charges for other patients are not regulated. The charges can, and do, vary widely. Here's why.

Insurance companies negotiate contracts with healthcare providers to provide care for their enrollees. Contracts are re-negotiated annually or every few years. Contracted providers are referred to as 'in-network' providers. Contracts set the payment for each individual service.

Providers have a 'list price' fee schedule. List prices are often set up as a multiple of what Medicare pays. For example, a fee schedule might be set at 300% (three times) Medicare. Insurers negotiate for a discount off the 'list price' fee schedule.

Success for a provider means keeping their discount low. Success for insurers means getting deeper discounts. As a general rule, bigger healthcare providers can negotiate higher prices and bigger insurance companies can negotiate deeper discounts. The process inflates fees and discounts. Two recent reports discuss some of the implications of the current process.

[http://www.mass.gov/Cago/docs/ourorganization/fy07\\_annual\\_report\\_final.pdf](http://www.mass.gov/Cago/docs/ourorganization/fy07_annual_report_final.pdf)

[http://www.prescriptionforchange.org/pdf/prescriptionforchange.org-surplus\\_report.pdf](http://www.prescriptionforchange.org/pdf/prescriptionforchange.org-surplus_report.pdf)

The news is bad for patients who pay their own bills. Self-pay patients are often charged list price. That's more than anyone else. For your patients who are paying their own bills, you can help them by encouraging them to ask for a discount, and tell them not to be shy. Thank you for all you do to make patient care better and safer. Together, we are transforming healthcare.

Respectfully,

Gail M. Amundson, MD, FACP