BY GREGORY KASPER, MD

Over my last 25 years in the healthcare industry, medical pricing has been a mystical process. When I was in residency, a surgeon’s fees were an analytical exercise of trying to collect approximately 75% of charges. If you priced services below this rate you were leaving money on the table. If priced above, you would encounter growing accounts receivable and bloated overhead from increased collection activity. Goods and services in mature industries achieve market price when there is a balance between supply and consumer demand. While the healthcare industry is mature, it does not subscribe to traditional economic principles surrounding pricing.

Surprise medical billing has made headlines over the last year. There are many stories detailing patients left with thousands of dollars of medical bills after receiving medical care they thought was covered by their insurance. An analysis of large employer plans revealed that 18% of all emergency visits and 16% of in-network hospital stays resulted in at least one out-of-network bill. This increase is reflective of the prevalence of narrow networks since the passage of the Affordable Care Act. It’s estimated that narrow network plans account for more than 70% of the healthcare exchange market. The payor benefits from a narrow network in the form of better cost control. It is unclear if these savings are passed on to the consumer. It is established that narrow network plans limit access and choice.

Not all specialties contribute equally to this phenomenon. Surprise billing most commonly involves anesthesiologists, pathologists, emergency medicine physicians and radiologists, but surgeons are not excluded.

A recent Washington Post article bore the headline, “The health-care industry is letting surgeons behave like muggers.” While I do have a colleague who has been mugged by a former patient, I don’t think performing life-saving surgery in the middle of the night is a congruent comparison. The article references a general surgeon, but vascular surgeons also perform a large number of urgent cases.

When markets fail, we often enact legislative policies. Fair market value is defined as the price for a service or product on which the consumer and seller agree. Surprise billing occurs because payor rates are fair to one side. Congress needs to address this problem with a comprehensive solution—one that must avoid the long-term consequences of setting payment benchmarks, provides a fair and accessible independent dispute resolution process, increases insurance plan transparency and addresses network adequacy to level the playing field between physicians and insurers.

Americans’ belief that healthcare is a right doesn’t allow acceptance that essential health services may not be available or affordable because health plans and suppliers couldn’t agree on a price. Americans also object to the lack of choice in selecting providers or hospitals. This lies at the heart of the controversy over surprise billing. Receiving a
surprise bill without warning for an out-of-network essential service just adds insult to this injury.

**Gregory Kasper** is a member of the SVS Government Relations Committee. Committee chair Megan Tracci, MD, also contributed to this report.

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