

PERSPECTIVES

New law will awaken employers to health care's 'transparency gap'

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It has become increasingly apparent that our health care system is suffering from a severe case of “transparency gap.” There is a lack of transparency at every level of care in the system. Whether it is the hidden rebate/fee kickbacks from drug manufacturers to pharmacy benefit managers (PBMs), or the variability in pricing of imaging and procedures based on site of care, the need for transparency has become acute. The health insurance sector seems to specialize in opaqueness. The vertical integration of the three largest insurance companies with the three largest PBMs seems to have trapped the flow of money and services in one big black box. It can be difficult to decide if this transparency gap is a case of missing information, misinformation, or a deliberate hiding of information ... or maybe a combination of all three.

Recently, I testified before a Wisconsin State Senate committee about the consequences and potential harm to patients and physician offices caused by mandated “white bagging,” which refers to the process whereby provider-administered drugs are shipped to the provider by a specialty pharmacy, as opposed to the provider buying the drug and billing the insurance company. I was very surprised to hear the large employers testifying against our position.



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As I listened to the employer groups, it was clear that their protestations were predominantly focused on hospital billing, where markups on the administered medications can be 500% and upward. It made sense that if a business has a “self-funded” health plan, where the employer pays for the cost of care of the employees, those very high markups on the hospital administered medications would eventually become unsustainable. In addition to paying for the care of employees, employers also pay the health insurance company/PBMs to administer the plan. It is obvious that self-funded businesses are being overwhelmed by all these rising costs. What is not so clear is how much information employers get from their plan administrators on their policies and pricing.

An [Employee Benefit Research Institute \(ERBI\) study](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_525_siteoftreatment-18feb21.pdf?sfvrsn=fc973a2f_8)

[<https://www.ebri.org/docs/default-source/ebri-issue-](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_525_siteoftreatment-18feb21.pdf?sfvrsn=fc973a2f_8)

[brief/ebri_ib_525_siteoftreatment-18feb21.pdf?sfvrsn=fc973a2f_8](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_525_siteoftreatment-18feb21.pdf?sfvrsn=fc973a2f_8)> examined the difference in prices of health care procedures, labs, and imaging based on site of care. It clearly shows that physicians’ offices are the least expensive overall for infusion therapy, even when compared with home infusion in most cases.

Here is where the missing information and the white-bagging issue intersect. When insurance administrators tell employers that letting the provider “buy and

would pay with white bagging. In addition, the possible harm to patients and to the physicians' practices are never mentioned to the employer. Here is a list of some of the problems associated with white bagging:

- Delays in patient care when dosages or treatment plans are modified during the patient visit.
- Significant waste of drugs when patients' treatments change or appointments are rescheduled.
- Unnecessary administrative burden for both the patient and physician, including inventory nightmares.

We see the transparency gap again when formularies are created with higher-priced, branded drugs in place of lower-priced generics and alternatives. How can a PBM explain that a formulary that prefers a \$10,000 prostate cancer drug but excludes the \$400 generic of that drug actually saves money? If the employer doesn't know about the generic, no explanation is needed.

When physician offices attempt to override some of these harmful policies, the PBM or insurance company often points the finger at the employer as the culprit responsible for the policy. Often, the employers have no idea of the ramifications of the contracts that they have signed. As health care costs continue to rise, it is important that employers are educated on how they can save money and improve patient care by directly contracting with independent physician practices.

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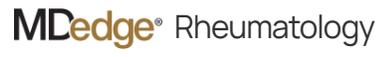
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“seeks to enforce good value from providers and vendors, and forbids hidden contracting terms that disfavor employers and their employees.” This year and next, the employers will become responsible for transparency reporting and demonstrating cost effectiveness of therapies for their employees. In theory, this should uncover many of the hidden policies that favor only the health plans and not the patients or their employers. Many employers are unaware of the CAA, and vendors are in no hurry to inform them of it.

Not only will the CAA help to eliminate much of the transparency gap in the system, but it may encourage employers to work directly with independent physicians' offices to provide more cost effective and transparent services for their patients. The [Coalition of State Rheumatology Organizations](#) [<https://csro.info/>](https://csro.info/) is working on a framework to enable practicing rheumatologists to do exactly this.

In the meantime, we must continue educating employers on white bagging and other policies that harm both their patients and their “bottom line.” This education is just one of the steps needed to rid the health care system of the transparency gap that leads to higher prices and poorer care for all patients.

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