

The New Price Transparency Laws And Turquoise Health

Are we actually moving to a healthcare shopping experience?

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Jul 17, 2022

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TL:DR

[Turquoise](#) is starting by building the most comprehensive and structured database of negotiated prices between providers and payers, something that's been secret until now. On top of that, they're building a set of tools for analyzing price data and using it to power their contracting platform, which makes it simple for anyone to contract with health insurance. If they achieve their goal, they'll drastically simplify how everyone gets paid and make it easy to shop for cost-effective care. However, they'll encounter obstacles with enforcement of the regulations that make this data available, competition, and entrenched incumbents who don't want simple contr

Also they built [a sandbox with some of the payer](#) data to play with :).

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Company Name - Turquoise Health

[Turquoise Health](#) is building a database, tools, and col live on top of price transparency data. The name comes from Turquoise, which is not transparent; it's actually very c



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No, wait, I got it, is it because Turquoise is the only color left for a healthcare startup since the others used every other shade of blue?

It was founded by Chris Severn and Adam Geitgey and has raised \$25M+ from Andreessen Horowitz, Bessemer Venture Partners, Boxgroup, and me! Turquoise was actually my very first healthcare investment when Chris over eagerly filled out my cold pitch [Airtable form](#) as soon as I announced it. It's been very fun to watch their journey over the years and I'm excited I get a chance to talk about them today because I think the problem they're solving is very meaningful.

[Very cutely, Turquoise is named after the street where Chris met his wife. In which case Hinge Health...🤔]

What pain points do they solve?

Why is it so hard to figure out the prices for anything are two core reasons: hospitals don't want to reveal to them charge more and contracts are so convoluted that they actually know the answer.

Because of this reality, a few things end up happening

- Hospitals and payers end up having to pay a lot to that approximate the costs of different services to they should be charging or reimbursing. Imagine to if you have no idea what your competitors are charging know that averages don't really make sense since wide as 10x.
- The contracts themselves are stored somewhere in a password protected computer running on Windows



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disorganized mess of CSVs, PDFs, and random files that track how much they're supposed to get paid or pay out. As the contracts themselves get more complicated (e.g. value-based care contracts), the storage and tracking of these contracts becomes even more important.

- Contracting and the management of contracts itself becomes a specialized skill, so if you're an employer or small hospital that wants to set up your own contracts you basically have to set up your own team or hire the above consultants.
- Patients have no idea how much they'll end up getting charged and "estimation" tools become useless because they're based on guesses or proxies instead of the actual contracted rates.



patient

What did it cost?

hospital

No idea lmao

✕

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This is rapidly changing thanks to a few different rules that have been passed in the last few years.

- [CMS Price Transparency Rules for Hospitals](#) - As of January 2021, hospitals are required by law to publish their contracted prices with every insurer for all items and services in a machine-readable file. This is not an excel file. As a point of reference, a single Mayo Clinic location in Rochester, Minnesota has over 3.5M distinct rates. My computer fan started blowing just typing that sentence out.
- [CMS Price Transparency Rules for Payers](#) - Despite being delayed, this month payer transparency rules go into effect. This includes in-network rates with all the providers, the schedules at which they're paid, and the amounts they pay for out-of-network providers. IMO, this is where the good shit is, and you can actually see the different fields required by payers in [this github schema](#).

Negotiated Price Object			
The negotiated price object contains negotiated pricing information that the type of negotiatio			
Field	Name	Type	Defini
negotiated_type	Negotiated Type	String	There are a few ways in which ne Allowed values: "negotiated", "de "percentage", and "per diem". Se
negotiated_rate	Negotiated Rate	Number	The dollar or percentage amount negotiation_type
expiration_date	Expiration Date	String	The date in which the agreement based on the negotiated_type 8601 format (i.e. YYYY-MM-DD).
service_code	Place of Service Code	An array of two-digit strings	The CMS-maintained two-digit c professional claim to indicate the provided. When attribute of bill "professional", service_code is
billing_class	Billing Class	String	Allowed values: "professional", "i
billing_code_modifier	Billing Code Modifier	Array	An array of strings. There are cer allow for modifiers (e.g. The CPT modifiers). If a negotiated rate fo dependent on a modifier for the r an additional negotiated price ob represent the difference.

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- [The No Surprises Act](#) - Starting in January 2022, the only surprises you'll get are when you look at your 401(k) . Surprise bills will hopefully be a thing of the past (which we talked about [here](#)). Instead, if you go out-of-network, your payer and the provider will need to agree on an amount covered.

When you bring all of these together, you have a perfect storm. New pricing data is being unlocked, new processes have to be built (e.g. payer and provider arbitration in the No Surprise Act), and new providers are going at-risk who need to guide patients to more cost effective care.

This is where Turquoise steps in.

What does the company do?

Turquoise is building a new platform for healthcare contracting powered by the price transparency data.

It's worth talking about Turquoise in phases.

Phase 1 - Healthcare Price Data

Today, Turquoise has built a database of all the available data that hospitals have put out. In early 2021, there was so much noncompliance as hospitals remained in denial. Like, in the payer was, just saying "Payer 1", "Payer 2".

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A		B	C
Hospital Name			
Prices Posted and Effective		1/1/2021	
Charge Display		Inpatient Payer Specific Charge	
Payer		Payer 2	

So you wanna be cute?

MS-DRG	Description	Payer Specific Negotiated Charge
001	Heart Transplant Or Implant Of Heart	1532494
003	Ecmo Or Tracheostomy With Mv >96	440923
005	Liver Transplant With Mcc Or Intestinal	215891
006	Liver Transplant Without Mcc	128646
011	Tracheostomy For Face, Mouth And Neck	109495
012	Tracheostomy For Face, Mouth And Neck	80611
020	Intracranial Vascular Procedures With	140958
023	Craniotomy With Major Device Implant Or	110140
025	Craniotomy And Endovascular Intracranial	91427

Inpatient Maximum	IP Payer Specific Charge 1	IP Payer Specific Charge 2	IP Payer Specific Charge 3	+
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This is some teenage level passive aggressiveness to the rule

In general, Turquoise retrieves machine-readable files from hospital websites through scraping/digging around, harmonizing that data into a common ontology, running quality checks, and then filling data gaps using machine learning (for example, filling omitted codes based on context and confidence).

And now, Turquoise is ingesting the payer data that's been added to the common ontology. This data is far more comprehensive than previous datasets as it covers all provider types (not just hospitals) and includes data from Anthem (I refuse to call them Elevance), each file is 2GB. While they're releasing this sweet, sweet data later this year, you can already have a sample dataset [available here](#) you can query.

But having clean, queryable places for all available pricing data is just the beginning.

Phase 2 - Contract Negotiation and Management

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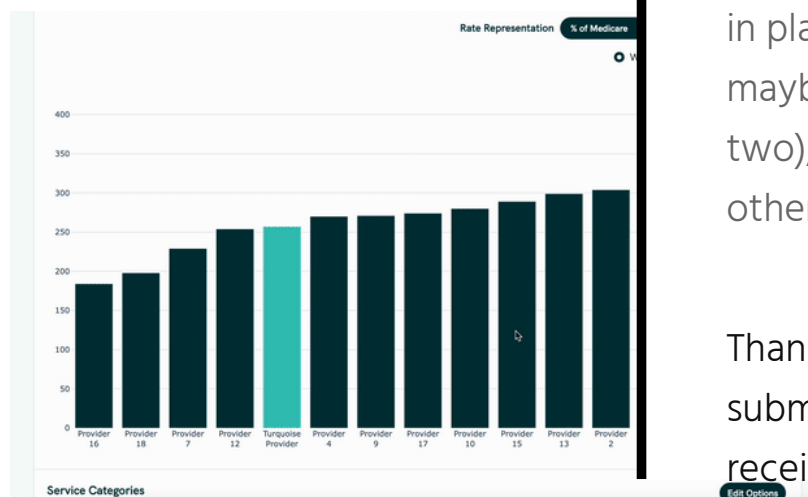
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Once the data is in one place, you can start doing some more interesting stuff. Specifically, Turquoise is building a contract creation and management tool for payers and providers. If price transparency data is being used to help figure out how much a hospital should charge, why not just make the contracting process itself easier?

Turquoise has a [Clear Contracts](#) product with a few features:

- It uses the price transparency data to show benchmarks within the contract of how other hospitals charge for a given service, which can be sliced by hospital size, geography, payer mix, etc.
- It creates boilerplate contracts that can be easily amended which is useful for both more complex contracts but also one-off on the fly ones that might need to be created if you want to add a provider to your network or negotiate an out-of-network charge.
- Collaboration tools allow all parties to redline, track changes, add comments, etc. within the platform instead of sending PDFs back and forth labeled "FINAL FINAL 06.22.2020".
- It allows payers or providers to combine a bunch of services to create their own bundles. You wanna throw in a little total knee arthroplasty to get the combo for only \$100k up here.



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They're launching with two contract types (and one more on the way).

1. Single case agreements, which are one-off contracts for a specific patient, such as when a narrow network payer deals with a member in a sparsely covered region who basically HAVE to go to an out-of-network provider.
2. Retrospective batch out-of-network agreements, which are basically reconciling a bunch of out-of-network visits at a given provider. With the No Surprises Act, payers and providers have to come to an agreement or go into arbitration, so it's much easier to just batch settle at a fair market rate.
3. Group health agreements, which are the traditional "negotiate costs and payment schedule for a suite of services" kind of contract. This is coming soon.

What's the business model and who is the end user?

Let's once again break this down into phases to understand

Phase 1 - Healthcare Price Data

For access to the healthcare pricing data platform, Tufts will charge a one-time fee + recurring annual subscription fee. Straightforward

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BENCHMARKS / RESULTS

108 Results For 'coffee'

Unlimited Credits

Export Report

Export Data

Filter Results

Reset

Turquoise Filters +

State -

Search...

CA (108)

AK (72)

AL (11)

AR (29)

AZ (4)

CO (6)

CT (3)

FL (285)

Geography (CBSA)+

Q coffee

Search

State (1) X

Search

Benchmarks

Unit Price Benchmarks

Commercial Price	List Price	Cash Price
\$5.23	\$22.43	\$8.24
Average from 3 providers	Average from 7 providers	Average from 6 providers
Minimum \$1.60 ⓘ	Minimum \$4.00 ⓘ	Minimum \$3.00 ⓘ
Median \$5.22	Median \$12.00	Median \$8.61
Maximum \$14.10	Maximum \$108.00	Maximum \$12.00

Still cheaper than Blue Bottle

Yes, this is real. Whichever provider is charging \$14 for coffee should be in jail.

There are lots of use cases for this data:

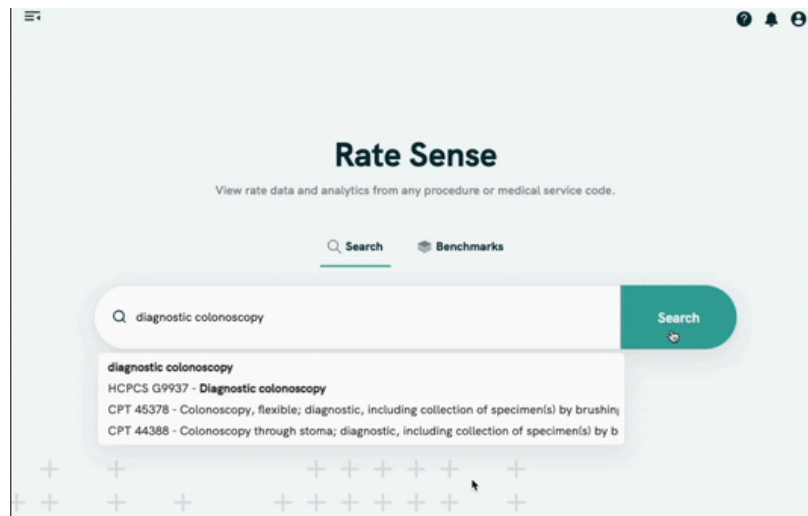
- Patients** - Patients can use Turquoise [search tools](#) to find the best price for a given procedure in their plan. There are limitations to this tool. See the [FAQ section](#).
- Providers** - If you're a hospital with a managed care contract with different payers, access to this data can help you negotiate the data will make it much easier to figure out how much you're charging for services.
- Payers** - Payers can design smarter networks by understanding how much hospitals are charging their competitors plus how much they're paying for quality metrics, and then set up incentives for patients to use the most cost effective sites.
- Pharma/Med Device** - When negotiating how much to pay for a drug or device at hospitals, it's important to know how much they're charging other payers to figure out how much wiggle room they have.

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- **Care Navigators** - Any company whose job is navigating patients to the most cost effective place to get care, images, etc. can pipe this data into their application to help make those decisions. [Ribbon Health](#) and [Turquoise announced](#) a partnership to combine provider directory data with their prices to make this much easier.



Phase 2 - Contract Creation + Management

Turquoise charges a recurring annual fee based on the contracts you create and manage on the platform. The insurance company or any company that gets reimbursed

Some examples of companies that might use this:

- **Health insurance carriers** - Many new health insurance carriers are building a network of contracts from third-parties so that they can reach every individual provider in an area and set their own rates. Clear Contracts platform that should be much easier to use than similar size payers, since it's all public.
- **Employer** - If you're a self-insured employer (primarily large employers) you probably rely on a third-party administrator or a health plan to handle claims, physician network contracting, etc.

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With Clear Contracts, your benefits team can set up one-off contracts quickly and easily.

- **Existing providers** - Large providers need to manage tons of different contracts, some of which can be very complex (e.g., buy one get the next one half off). Plus, with the No Surprises Act, they can more easily get paid as an out-of-network provider with some of the Turquoise Contracts.
- **New and smaller providers** - New startups or practices can get set up quicker by using contract templates and benchmark data. This is actually an opportunity for providers that deliver good care for cheaper (but maybe don't have the brand name) to show data to payers or employers that they're a good deal.

CLEAR CONTRACTS / CONTRACT

AICD Insertion - 539

CONTRACT TYPE: Single Case Agreement PROVIDER: Example Health System PAYER: Sample Payer 2 Negotiating Edited 2022-07-10

Cover Sheet Language **Rates** Collaborators Review & Send

Provider Information

Enter the provider information for this agreement.

PROVIDER LEGAL NAME: Example Health System PROVIDER TAX ID: 948843823

PROVIDER FACILITY NAME: Example Health City Center

Member Information

Enter the member information for this case.

Save & Exit Next



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Job Openings

[Enterprise Customer Success Manager](#)

[Senior Data Solutions Engineer, Enterprise](#)

[Marketing Manager, Provider and Payer Strategy](#)

Check out their other roles [here](#).

Out-Of-Pocket Take

I'm obviously bullish on this company considering my entire retirement plan is now dependent on them succeeding (the original crypto plan has not been going well). If they don't, I'm going to be living with 3 other roommates for the rest of my life. Please Turquoise, I can't keep timing my showers like this.

More seriously, I think the price transparency rules represent a paradigm shift in the industry and Turquoise is one of the companies planning to take advantage of this. Here are some of the things I like about Turquoise.

The simplification of contracting - I think complex contracts are one of the roots of all evil in healthcare, along with hospital food. I've spent managing the contracts and whether payments are made. They're used to box out new entrants - I've been on/had other contracts with competitors will stop a new contract something like a most favored nation clause or the doc threaten to pull out of a network if they continue. The tolerate that, it's Scarface style negotiating.

I'm hopeful that Turquoise's easy to use contracting tool new companies to move from competing because the bullying, to competing by actually serving customers. easier to understand, they empower smaller companies asymmetry that usually forces them to take shitty deals

Simple contracts can make it much easier for new small to start in healthcare, which would be awesome. It can also meaningfully reduce

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admin spend by reducing revenue cycle management to fewer steps.



A path to actual healthcare shopping - If there's one healthcare love doing, it's talking about how you can't "one is price shopping in the ambulance" they'll quip, but in their arsenal they took from a viral LinkedIn post.

This feels myopic. It's true that to date shopping in healthcare is an endeavor, but a big part of that is because you couldn't access to the actual pricing data. If you booked a flight, the ticket range is between \$200-\$1200 but you'll find out that an actual shopping experience? The opportunity for a shopping experience and Turquoise can potentially get

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With transparent prices and easier contracting tools, providers now have the ability to actually give price guarantees up front if they feel confident about their quality and the price variance of the given visit. I talked about [this years ago](#). Plus now physicians can actually see the cost of the things they're asking patients to do. Today, if you ask a provider how much the MRI they ordered is going to cost, they'll ask what the word "cost" means, as if they've never heard it before. But now they'll be able to shop on behalf of patients for the most cost-effective option, which is especially useful if they're financially at-risk for the patient's total cost of care.

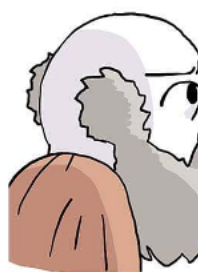
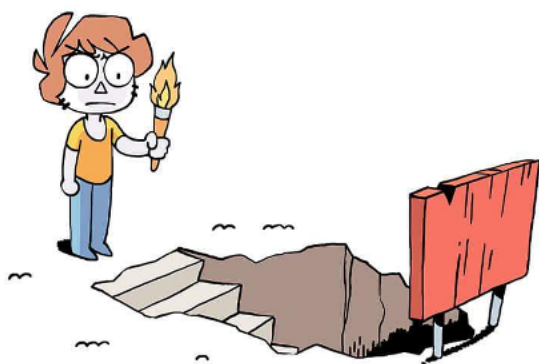
Will everything be shoppable? No - you won't be shopping for the cheapest emergency room when you hit your head against a wall New Year's Eve 2016 because you somersaulted into it out of excitement and your head starts bleeding (I still went out too). But there are many other areas of healthcare where shopping around is definitely viable, either as a patient or doctor.



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SHEN COMIX ☺

The productization of consultants - I think healthcare consultants of any industry. In many cases, the consultants use and proprietary data as a way to justify their spend and are dependent on them for their services. Managed care is used to help payers/providers price their services- is a way that Turquoise is taking data that's now public to build tools and services to either demand more of the consultants than they can just do it themselves.

I have a general investing thesis around the productization of healthcare consultants, so if you're doing something interesting here let me know :).

—

As with any company, there are a lot of things that stand between Turquoise and its goal.

Regulation and enforcement - Turquoise is dependent on the contracted prices actually becoming public and the No Surprises Act actually being enforced. So far compliance from hospitals has been mixed, but a recent increase in fines for non-compliance has led to [meaningful compliance by two-thirds of hospitals](#). The reality is that the original penalty of ~\$100K a year wasn't enough for hospitals to actually care about this, it basically amounted to canning one digital health startup pilot which they were probably going to do anyway. However, the penalties have now been upped to ~\$2M a year and the first penalty [has officially gone](#) out for a cool milli so C is enforcing it.

The payer side has more of the interesting data and the hospitals are supposedly \$100 per member per day. At that level a hospital would go bankrupt in a couple of months (and I hope I get a letter to them along with the penalty, just for irony's sake). In the last two weeks the five largest payers have been mostly covered.



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Price transparency fines:



The fight against transparent contracts and standards

Despite making it easy to spin up simple contracts, the incumbent healthcare organizations have benefitted from extremely custom contracts. So, convincing organizations that transparent contracting is going to be super difficult because frankly it's not in their interest



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Not in their interest

for a lot of them. The future of the company and therefore the future of my unborn children is betting that eventually they'll start using software to create and manage these contracts.

But I'm bullish on the smaller companies being first adopters here anyway: small employers who want specific providers in-network for their employees, smaller care delivery startups that want to get contracts setup as quickly as possible. Smaller practices that realize they can get more patients by selling their own bundles and spend less time on admin using simple contracts. New insurers that want to build better networks. Over time, larger enterprises will realize that they'll save more on admin spend with these simpler contracts.

The commoditization of data + competition - Because this data is slowly becoming more public, eventually it'll be commoditized. Turquoise has a head start because no one thought the rule was going to be real + they built some nifty tooling to grab, organize, and slice the data. But it likely won't be their long-term competitive advantage. However, they always knew why the pricing data is really the fuel that feeds into the contracting.

This then begs the question: can existing contract management firms that create and manage contracts use the same technology to ingest pricing data faster than Turquoise can on top of their pricing data?

Nothing...changes - Turquoise could just end up being a company that replaces some of the existing consultants, and call it a day. But honestly, I think price transparency will be a catalyst that meaningfully change how they approach pricing and contracting. And that the large brand names have so much leverage that they can ensure that their prices are transparent and operate business as usual for healthcare companies to lean into transparency as

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used to their advantage, but the sluggishness of the industry and their entrenchment might end up with another well-meaning regulation that doesn't move the needle.

Conclusion

While most people were dismissive, the [Turquoise](#) team has believed these price transparency rules are going to be a massive deal since 2019. In 2020 they convinced me of that, too. Sure, it's still a massive bet that some things are going to go right, but I think if it does go right we might actually see healthcare radically change how it prices.

We've talked about the first two phases of the company, but when you're this close to the transaction between payers and providers, phase 3 gets more interesting. That's for another day :).

Thinkboi out,

Nikhil aka. "chartreuse health"

Twitter: [@nikillinit](#)

IG: [@outofpockethealth](#)

Other posts: [outofpocket.health/posts](#)

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