Hospital price transparency

So close, yet so far

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“The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.”

— Fredrich von Hayek, Economist

Outline

01 **Background**
Difference from Transparency in Coverage Rule and history

02 **The Rule**
Requirements, the comprehensive file, and the shoppable file

03 **Impact**
Considerations for providers and payers, and potential effect on prices

04 **Next Steps**
Non-compliance, gaming, and data mining

On November 1, 2019, the **Centers for Medicare and Medicaid Services (CMS)** released a final rule establishing requirements for **hospitals operating in the United States** to establish, update, and make public a list of their **standard charges** for the items and services they provide.

The provisions of the final rule went into effect on **January 1, 2021**.

Two rules

Hospital price transparency

Establishes requirements for **hospitals** operating in the United States to establish, update, and make public a list of their **standard charges** for the **items and services** that they provide.

84 FR 65524

Transparency in coverage

Sets forth requirements for **group health plans** to disclose **cost-sharing information**, including an estimate of an individual's cost-sharing liability for **covered items or services** furnished by a particular provider.

85 FR 72158

History

ACA

March 23, 2010

Section 2718(e) of the Public Health Service Act amended to **require** hospitals operating within the United States to **establish**, **update**, and **make public** a **list of the hospitals' standard charges for items and services provided**.

CMS Final Rule

August 22, 2014

Final rule **encouraging** hospitals to comply with requirements of **Section 2718(e)**.

CMS Final Rule

August 17, 2018

Final rule **requiring** hospitals to publish list of standard services in a **machine-readable format** effective **January 1, 2019**.

Executive Order

June 24, 2019

Executive Order issued by President Trump directing Health and Human Services (HHS) to propose regulations **requiring** hospitals to publicly post standard charge information, including **charges based on negotiated rates**.

CMS Final Rule

November 15, 2019

Centers for Medicare and Medicaid Services (CMS) released a final rule **requiring** hospitals to make public a list of their standard charges for the items and services they provide. The final rule went into effect on **January 1, 2021**.

Standard charges

The regulations in the final rule require hospitals to publish standard charges for items and services. CMS defines “items and services” as “all items and services, including individual items and services and service packages that could be provided by a hospital to a patient in connection with an inpatient admission or an outpatient department visit for which the hospital has established a standard charge.

Gross charge

The charge for an individual item or service that is reflected on a hospital’s chargemaster, absent any discounts. This would not include any standard charges for service packages.

Negotiated charge

The charge that a hospital has negotiated with a third-party payer for an item or service. This excludes Medicaid or Medicare fee-for-service (FFS) rates, as they are not negotiated payments.

Cash price

The charge that applies to an individual who pays cash (or cash equivalent) for a hospital item or service. Hospitals that do not offer cash discounts must instead display the hospital’s undiscounted gross charges.

Minimum negotiated charge

The lowest charge that a hospital has negotiated with all third-party payers for an item or service.

Maximum negotiated charge

The highest charge that a hospital has negotiated with all third-party payers for an item or service.

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Two files

The CMS Final Rule **requires** hospitals to publish their **standard charges** in **two ways**

Comprehensive file

Machine-readable file that makes public **all standard charge information** for **all hospital items and services**.

Shoppable file

Consumer-friendly display of **common shoppable services** derived from the machine-readable file.

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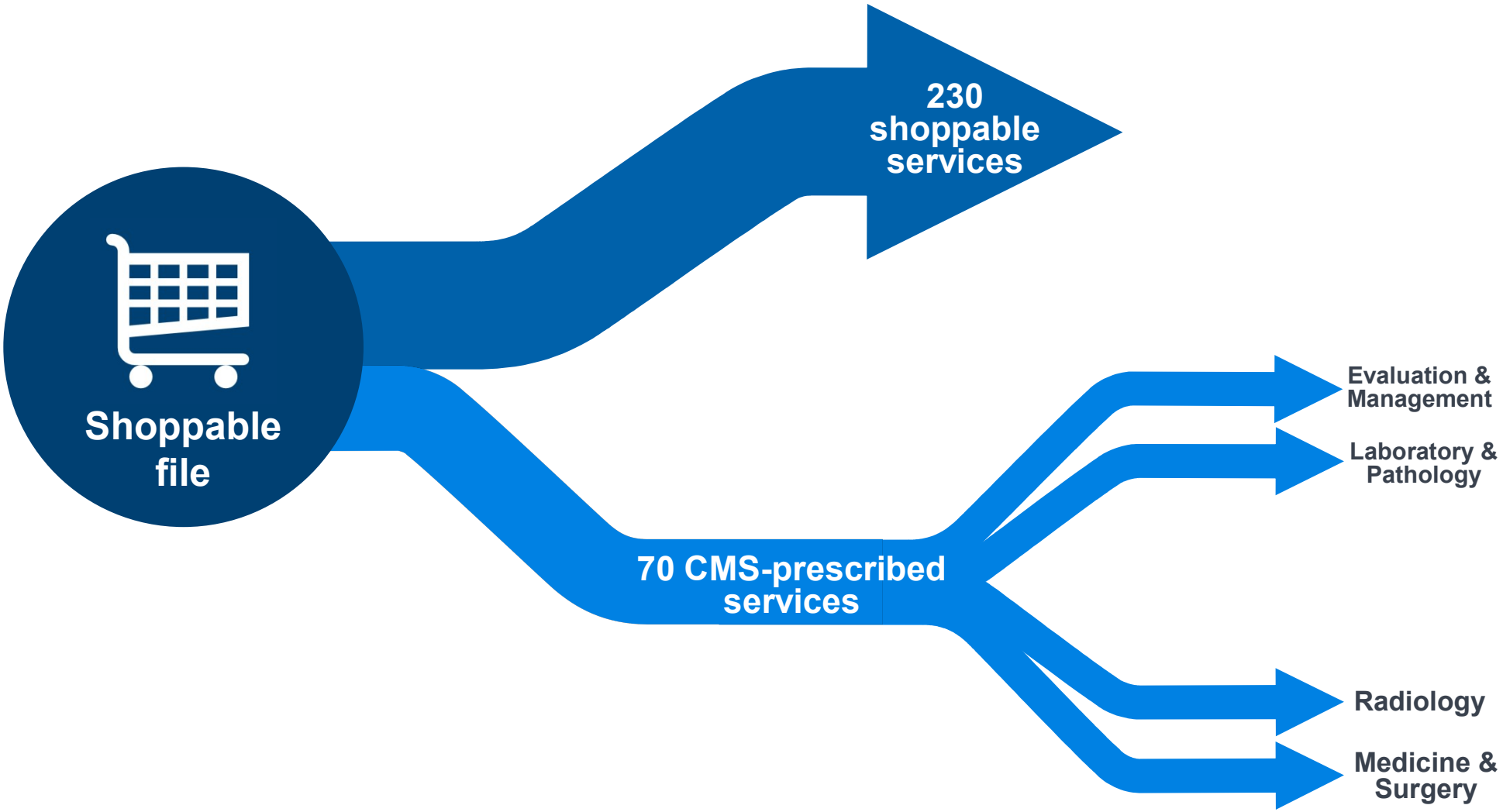
230
shoppable
services
Shoppable
file
70 CMS-prescribed
services
Evaluation &
Management
Laboratory &
Pathology
Radiology
Medicine &
Surgery

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Considerations

Inability to shop

Healthcare consumers cannot always shop between hospitals or between payers.

Ease of use

Not all files will be easy to use as the comprehensive file only needs to be machine-readable.

Willingness to travel

Consumers may be unwilling or unable to travel for care. This will vary by type of service and potential savings.

Benefit design

Plan design elements such as flat copays eliminate the incentive for consumers to shop for care.

Physician referrals

Consumers may be dissuaded from using lower-cost facilities if their physician referred them to a specific facility.

Impact on other facilities

Free-standing facilities may publish their own prices to attract consumers from hospitals.

Hospital/payer negotiations

Prices for shoppable services may flatten, which would could lead hospitals to increase prices on other services.

Quality

The rule does not account for quality of care. Cheaper does not always mean better.

230 shoppable services

Hospitals may strategically choose what services to include in the shoppable file based on what services their competitors are including.

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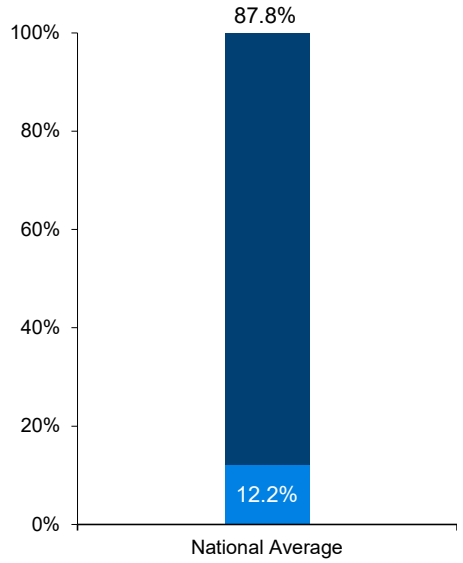
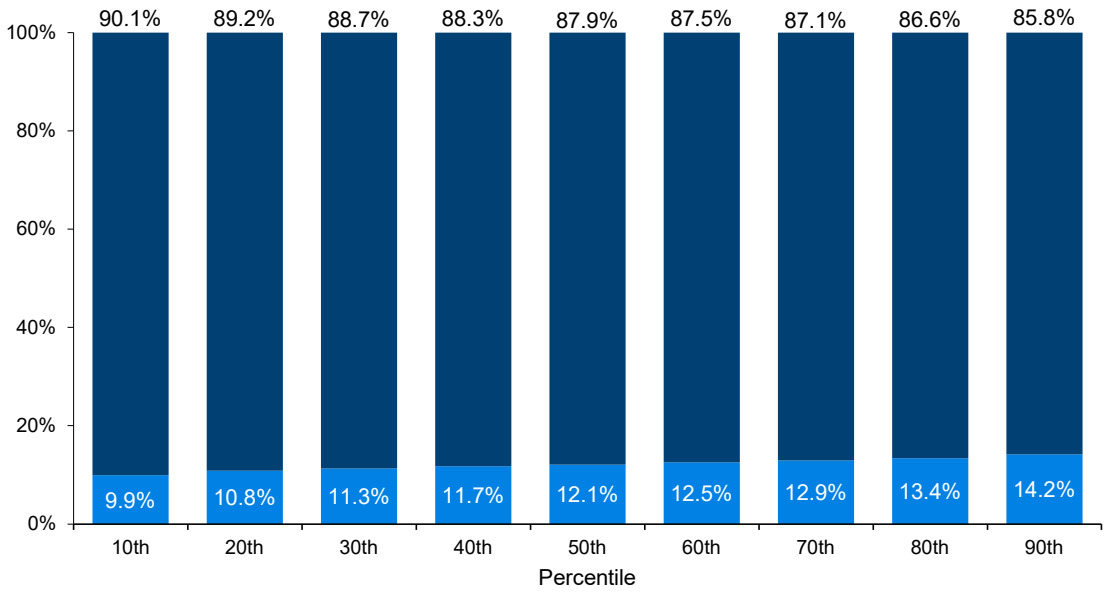
Shoppable services[1]

% of total allowed (nationwide)



% of total allowed (MSA distribution)



[1]Shoppable services represent the 70 services prescribed by CMS

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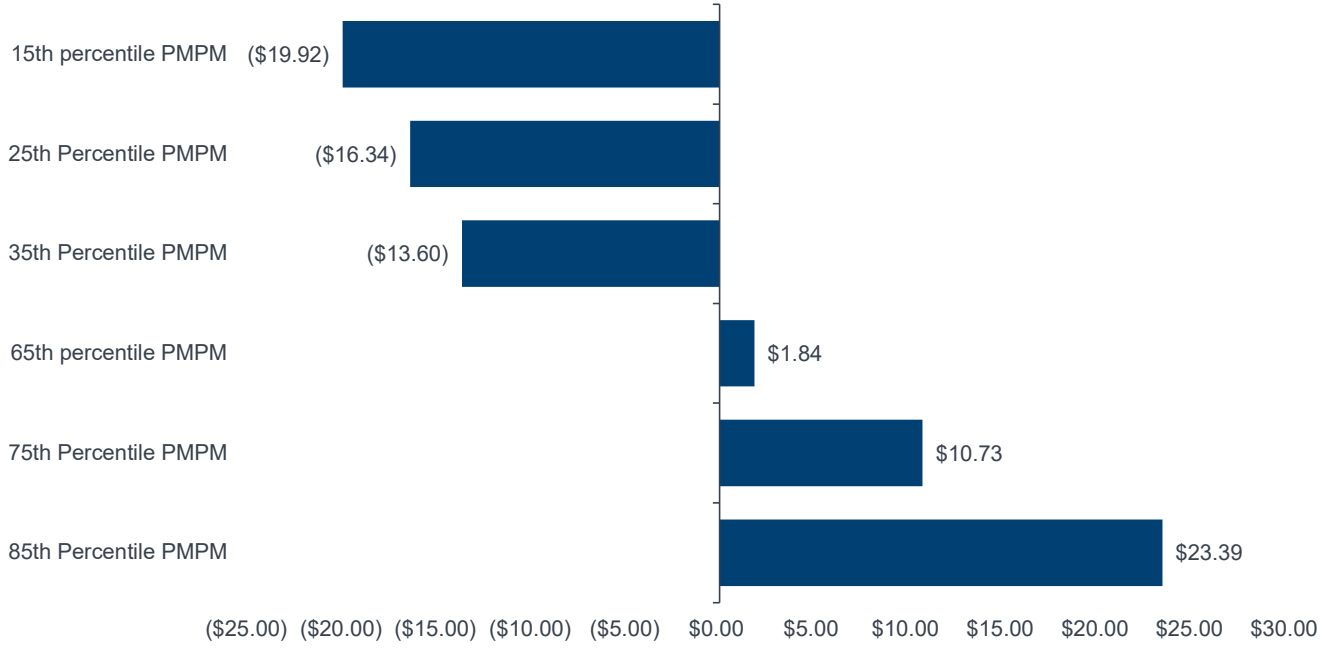
Potential savings[1]

Overall PMPM savings compared to the average cost by percentile



[1]Savings estimated by comparing the average allowed PMPM cost to the *n*th percentile allowed PMPM cost

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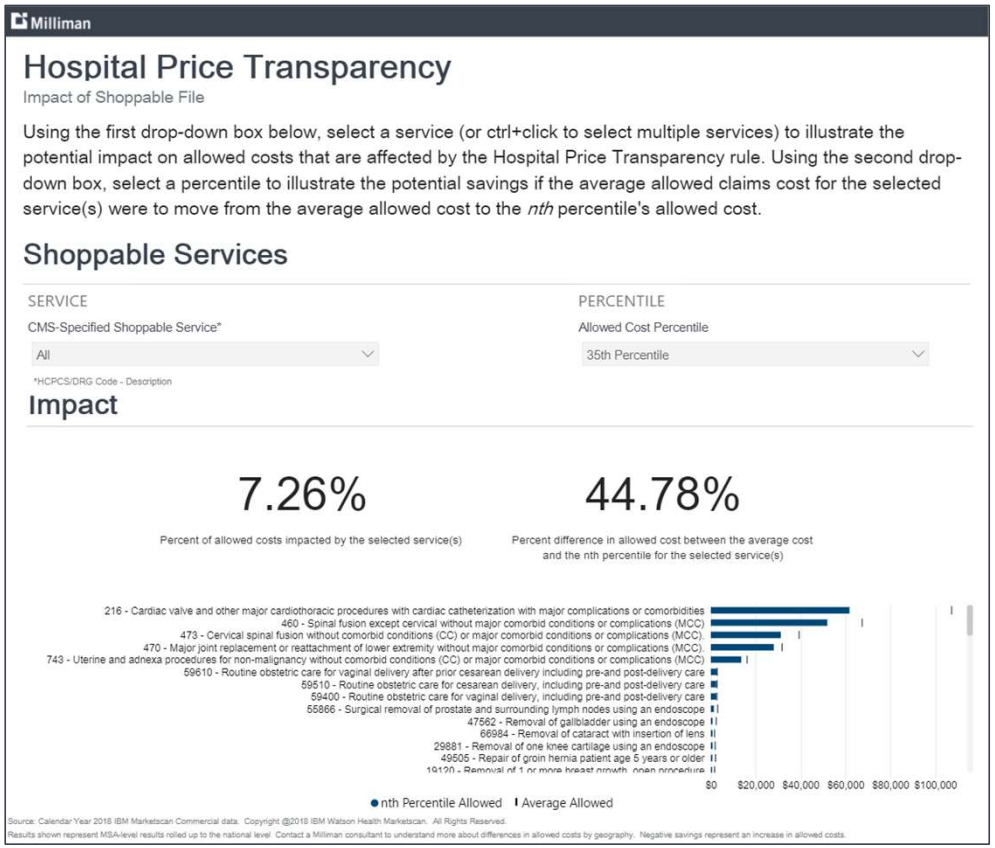
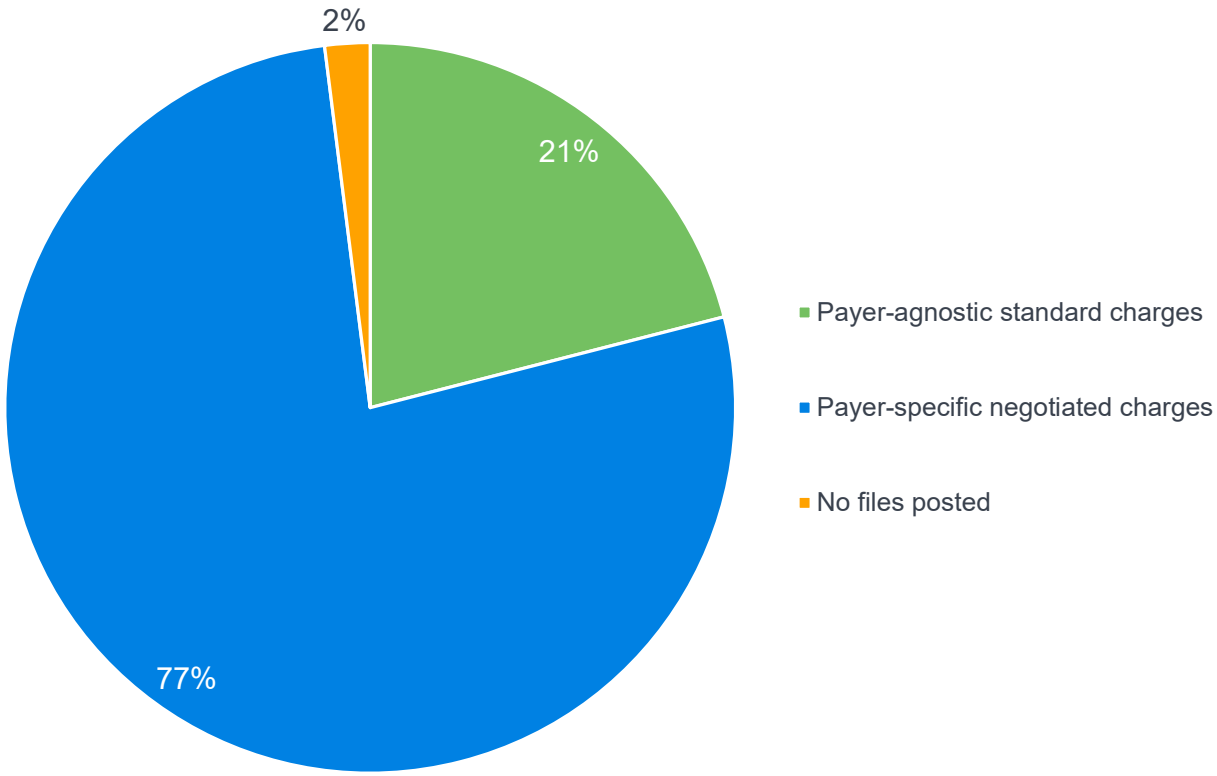
Dig deeper

Use our interactive tool to explore the potential impact of the hospital price transparency rule by each of the 70 CMS-prescribed shoppable services.

https://www.milliman.com/en/insight/hospital-price-transparency-impact-of-the-shoppable-file



Compliance[1]



[1]Compliance rates based on Milliman review of 55 health systems (representing more than 600 hospitals) between January and March 2021. See: https://www.milliman.com/en/insight/hospital-price-transparency-march-2021-update

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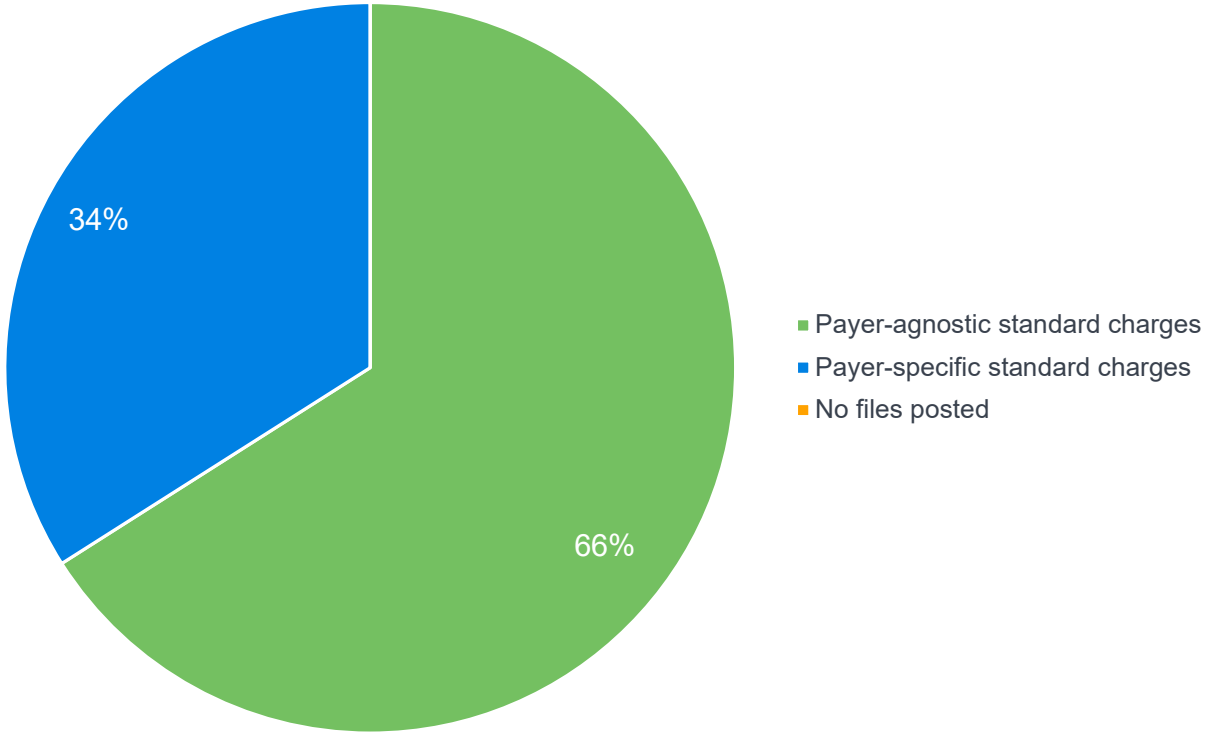
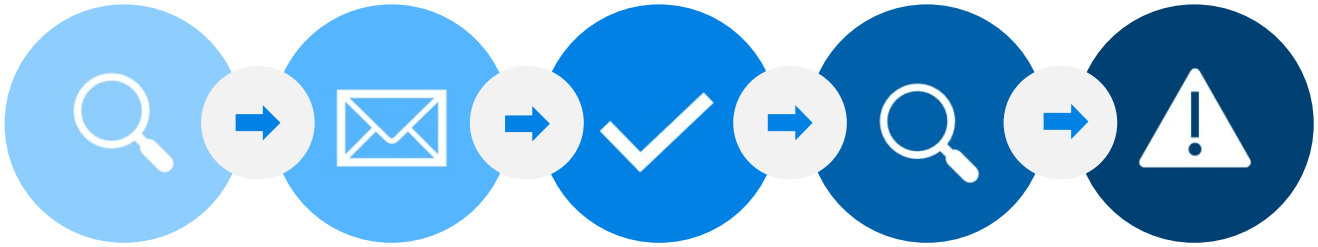
Compliance[1]



[1]Compliance rates based on Kaiser Family Foundation of two largest hospitals in each state and D.C. See: https://www.healthsystemtracker.org/brief/early-results-from-federal-price-transparency-rule-show-difficultly-in-estimating-the-cost-of-care/

Enforcement



Audit

CMS audits hospital website and reviews complaints

Warning

CMS issues noncompliance warning letter(s)

Correction

Hospital have 90 days to address findings in noncompliance letter from CMS

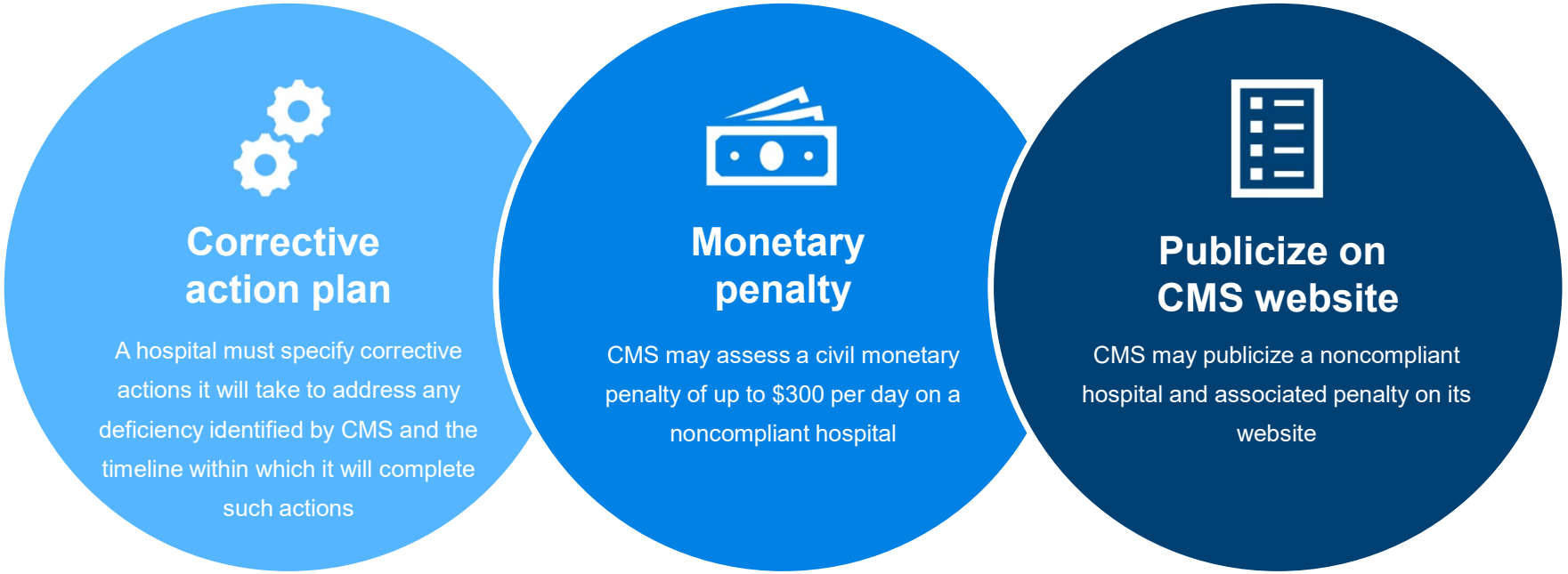
Re-review

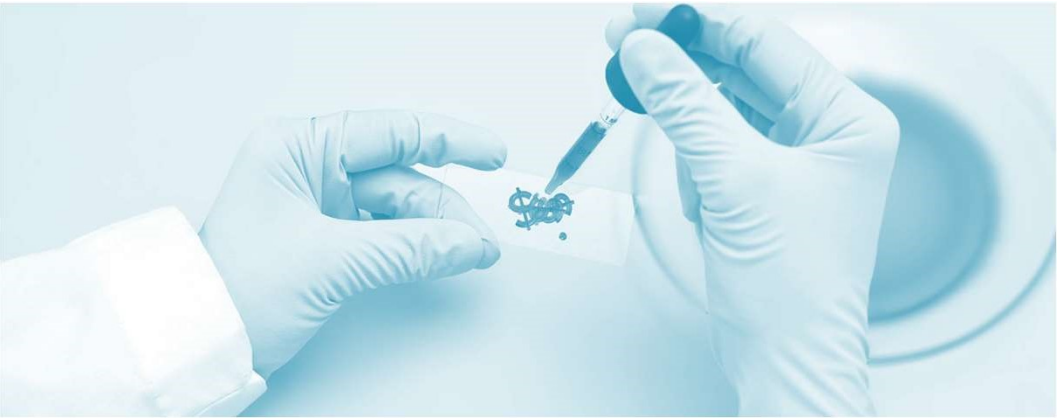
CMS re-reviews upon expiration of 90-day window

Action

If the hospital is still noncompliant, CMS may issue a second letter or begin enforcement

Enforcement





Final thoughts

Healthcare doesn’t always follow standard economic theory

Increased transparency may help consumers make better decisions

The hospital price transparency rule is a small step in this direction

Questions

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Thank you

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