



Price Transparency: The need of the hour?



Background

Being aware of the prices and comparing them to get the best cost is prevalent among consumers, irrespective of the industry and healthcare is no exception to this rule. Price transparency is critical now more than ever as healthcare organizations aim at being patient-centric and shift focus onto patient engagement. However, this is not achievable if healthcare organizations lack in providing consumers with the ability to effectively research and compare healthcare costs along with quality. The inability to provide these details is creating a barrier to achieving high health literacy and cost reduction and is leading to low patient engagement.

On the other hand, having information on the price of healthcare services readily available helps define the value of those services which enables patients to identify, compare, and choose providers that offer the desired level of value.

Let's dive a little deeper into understanding Price Transparency

Patients mostly reach out to a healthcare organization at the time of crisis. In order to be patient-centric, healthcare organizations need to not just ensure that their pricing is affordable but also straight-forward and easily accessible.

In the U.S., more than half of the consumers do not understand the healthcare system well enough to effectively navigate their healthcare benefit choices and services utilization. As the cost of healthcare and the portion paid by patients increases by nearly 10% a year, consumers demand better access to reliable information in order to make personal decisions. To achieve this, they would need information that will allow them to make informed healthcare decisions.



Charges, Price, and Cost are the three main aspects of price transparency within healthcare. Charges are the amount set by the provider for services rendered before discounts and it is usually different than the actual amount paid by the consumers, whereas Price is the amount expected by the healthcare providers to receive from payers and patients, and Cost has a different meaning for entities that are incurring expenses (patient, provider, payer, employer) as shown below:



Fig1: Price Transparency would help patients to improve their understanding of costs, preventing surprise medical bills etc.

There is also *OOPE (or Out-of-pocket expenditure). An expenditure borne directly by a patient where insurance does not cover the full cost of the health good or service.

Pricing in healthcare can be complicated and instead of making consumers feel more informed, prepared, and involved; it can lead to confusion. Hence, healthcare organizations need to ensure it becomes a gateway to consumers autonomy that aims to give them more control through information, tools, and data access.

Price Transparency can bring a seismic change of healthcare focus from utilization to prices. Compliance and adherence to regulations is mandatory. Let's dive deeper into understanding these norms.

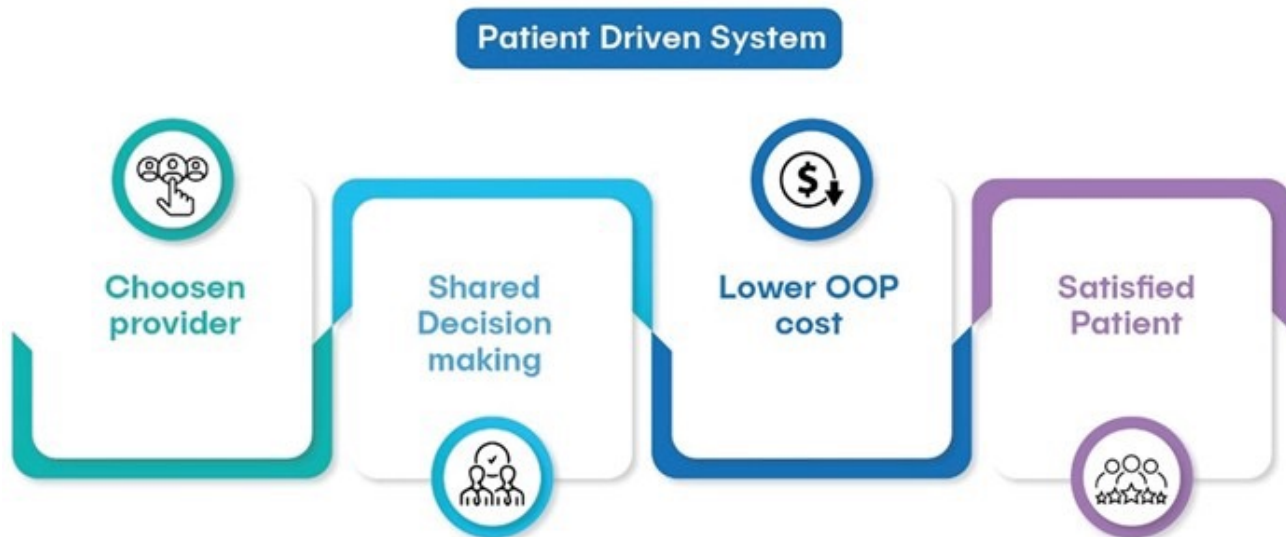


Fig 2: If appropriate Price transparency is not available below are the factors which would effect the consumers



Fig 3: Summarizes the current pressures consumers face and the need for more healthcare price transparency.

Price Transparency Compliances: Understanding CMS

The Centers for Medicare & Medicaid Services (CMS) has been at the forefront since 2017 with their efforts to promote price transparency and ramp up compliance. To help consumers improve their understanding of costs, the Centers for Medicare and Medicaid Services (CMS) issued two final rules – hospital price transparency and transparency in coverage. The first rule helps consumers be aware of the cost of an item or service offered by the hospital before accepting it. Transparency in coverage helps consumers know the cost coverage by the provider for the item or service before accepting it.

Under the federal Hospital Price Transparency Rule, starting Jan. 1, 2021, hospitals are required to publicly post via machine-readable files five different “standard charges”: gross charges; payer-specific negotiated rates; de-identified minimum and maximum negotiated rates; and discounted cash prices. The rule also requires hospitals to provide patients with an out-of-pocket cost estimator tool or payer-specific negotiated rates for at least 300 shoppable services.

In 2022, CMS found that 70% of hospitals complied with both components of the Hospital Price Transparency Rule, including the consumer-friendly display of shoppable services information, as well as the machine readable file requirements. This is an increase from 27% in 2021. Moreover, when looking at each individual component of the rule, 82% of hospitals met the consumer-friendly display of shoppable services information requirement in 2022 (up from 66% in 2021) and 82% met the machine readable file requirement (up from 30% in 2021).



CMS also shared information regarding how it has interacted with hospitals to support compliance and the issuance of penalties: “As of January 2023, CMS had issued nearly 500 warning notices and over 230 requests for corrective action plans since the initial implementing regulation went into effect in 2021. Nearly 300 hospitals have addressed problems and have become compliant with the regulations, leading to closure of their cases. While it was necessary to issue penalties to two hospitals in 2022 for noncompliance (posted on the CMS website), every other hospital that was reviewed has corrected its deficiencies.”



Explaining treatment cost estimator tools

These tools generate personalized estimates, including OOP expenses (expenditure incurred directly by the patient), based on an individual’s plan, deductible, benefits, providers, network, and service location. These tools can also consolidate health plans and costs covered by the providers. This clarifies the expected costs for creating single and bundled services, as well as sets financial expectations with consumers.

Compliance to Price Transparency as of 2022

A total of 2000 US hospitals were reviewed by patientrightsadvocate.org in August 2022, and it showed gradual improvement on the compliance levels of price transparency regulations from the survey done in February 2022. As per the report:



- Only 16% (319) of the surveyed hospitals were in compliance with the price transparency rules, which was somewhat better than that of the previous survey (14.3%) done in February 2022.
- 1% of the participants did not provide any pricing details and were in complete non-compliance.
- 7% (793) of the participants posted some of their charges around payers and plans, but among them, 51.3% (417) were unable to comply as most of their pricing data was not complete.
- Most of the hospitals' pricing files were incomplete.
- Noncompliant hospitals failed to show the different prices for the same services by all insurers and plans accepted, nor cash prices.

The survey also highlighted the current situation of the country's three largest hospital systems, viz HCA Healthcare, Ascension and CommonSpirit Health. CommonSpirit Health owns 111 hospitals and among them, 45 are complying with the regulations, but Ascension and HCA Healthcare are still in zero compliance state.



[Another June 2022 study](#) with 6214 US hospitals showed regional variations in price transparency compliance rates. As per this report, hospitals in the Southern and Western regions are less compliant compared to those in other regions. Also, smaller hospitals showed lower compliance rates than the larger ones.

CMS is now taking actions against hospitals in non-compliance, including sending notices after CMS audits and requesting that providers share an action plan in a specified format within 90 days. There have been two instances of enforcement actions, including civil monetary penalty (CMP) notices issued by CMS for hospitals failing to meet the requirements, totaling penalties nearly \$1.1M.

Imperatives for Providers

As part of their short-term compliance and long-term business and engagement strategies, provider organizations can make use of a machine-readable file and price transparency solutions in other strategic areas as shown in the figure below.

Short Term Strategy	Long Term Strategy	
Compliance facilitation <ul style="list-style-type: none"> • Price inquiry and estimator tools • Machine readable files for procedures and prices • Patient Price estimator tool (300 shoppable services) • Advanced patient price estimator with real time eligibility, referral and authorization information 	Compliance facilitation <ul style="list-style-type: none"> • Health services price strategy <ul style="list-style-type: none"> - Competitor analysis and procedure utilization analytics • Assessing population-service mix <ul style="list-style-type: none"> - Combine patient distribution and behavior, market analysis with service listing • Analytic Insights <ul style="list-style-type: none"> - Shoppable procedure inquiry trends 	Stakeholder Engagement <ul style="list-style-type: none"> • Patient financial engagement <ul style="list-style-type: none"> - Identify patients in need of preventative care and socialize shoppable services - Customer service facilitation by providing patient-focused alerts and reminders, understanding patient financing position - Personalize engagement strategy • Payer engagement <ul style="list-style-type: none"> - Shoppable service Vs payer uptake analysis • Provider -payer collaboration: <ul style="list-style-type: none"> - Provider-patient-Payer Loyalty programs

Fig 4: Components of a provider organization's short-term and long-term price transparency strategy.

Technology plays a crucial role in helping healthcare reach its full potential in terms of price transparency. Interoperability and secure flow of information between healthcare providers and payers will be critical so that when a patient "shops" for services, the healthcare provider can access medical records and insurance records. Secondly, it can help consumers better understand their out-of-pocket costs and schedule the right bundle of services, so they get the care they want at the location of their choice. Additionally, tools such as price schedules and healthcare cost estimators can help healthcare providers and patients navigate the healthcare system with the same pricing information.

By pairing "high-tech" solutions with a "high-touch" approach to consumer engagement, healthcare providers and payers can make a lot of progress toward complying with the new rules.

Value Beyond Regulatory Compliance

Beyond achieving compliance and improving the consumer experience, we see this movement as an opportunity. By pairing high-tech solutions with a high-touch, high-transparency approach to consumer engagement, healthcare providers and payers can make significant progress towards complying with the new price transparency rules, building greater rapport and loyalty with consumers, and standing out in their markets. Here are some more benefits to payer and provider organizations who prioritize price transparency:



- Accelerates implementation of personalized cost estimator tool integrating quality and cost metrics.
- Enables analytics on competitive and market prices, as well as resulting adjustments to existing negotiated rates.
- Accelerates value-based payment models, encouraging higher quality care and lower healthcare costs.
- Differentiates with value-add services beyond rate and pay equity for providers.

Conclusion

In the healthcare industry, price transparency has emerged as an essential requirement for organizations. It goes beyond mere compliance and holds the potential to offer value-added services while fostering increased patient engagement. By embracing price transparency, healthcare organizations can effectively communicate the costs associated with treatments and services, empowering patients to make informed decisions about their healthcare. This transparency not only enhances trust and satisfaction but also enables organizations to deliver personalized and patient-centric care, ultimately improving the overall healthcare experience.

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Reference:

[aha-letter-to-e-and-c-leaders-on-efforts-to-comply-with-hospital-price-transparency-rule-letter-3-9-23.pdf](#)

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