

# Price Transparency



## ***Background***

The Kansas Hospital Association has been working with other states, the American Hospital Association and the Centers for Medicare & Medicaid Services to develop resources to assist our members in complying with the updated federal guidelines outlined in the final 2020 Outpatient Prospective Payment System rule and 2021 Inpatient Prospective Payment System rule regarding price transparency. The rule requires that by Jan. 1, 2021, all hospitals operating in the United States must make available a list of their current standard charges via the Internet in a machine-readable format (CSV, XML or JSON format) at least annually, along with a list of 300 consumer-friendly “shoppable” services, of which CMS identifies 230.

## ***Talking Points***

- Federal law requires hospitals charge the same prices to all patients as a condition of participation in the federal Medicare program. As a result, hospitals across the nation charge the same amount for any particular service regardless of the payment source.
- Kansas hospitals have always provided cost estimates to patients upon request for services provided. The exception would be for emergency services, in which patients do not have advance notice to seek an estimate. The new price transparency rules merely provide patients with thousands of lines of data they must search through to develop their own comparison.
- The most recent price transparency rules made changes to the definition of standard charges. Instead of requiring hospitals to provide one charge, the definition of standard charge now includes gross charges, the discounted cash price, payer-specific negotiated charges for each 3<sup>rd</sup> party payer the hospital works with, and de-identified minimum and maximum charges negotiated with 3<sup>rd</sup> party payers. This expansion of the definition created a significant amount of work for hospitals.
- The new price transparency rules place a significant burden on hospitals while they are still recovering from the impacts of the COVID-19 pandemic, delaying compliance with the rules.
- Compliance with the new rules is costly. Kansas hospitals are spending tens of thousands of dollars each year to comply with the new rules. Those expenses increase the cost of providing care.
- Non-governmental or private (commercial) health plans pay rates negotiated between the payer and the hospital through contracts. Therefore, patients with insurance will likely see an adjustment reflecting the difference in the hospital's charges and the amount the insurance company has negotiated for services rendered.
- Government payers such as Medicare and Medicaid pay the lowest rates and tell hospitals the amount they will be paid for services, which usually does not cover the cost of the service. Medicare rates are predetermined and are non-negotiable. Medicaid pays a predetermined fixed amount for services based on a patients' diagnoses and treatments. Payments are not guaranteed to cover costs.

- The amount uninsured and underinsured patients are requested to pay often does not cover the cost of their care.
- Sharing meaningful information with patients can be challenging because hospital care is specifically tailored to the needs of each patient. For example, a gall bladder operation for one patient may be relatively simple; however, for another patient, it could be fraught with unforeseen complications, making meaningful up-front pricing difficult and, perhaps, confusing for patients. Moreover, hospital prices do not include physician and other professionals' costs or, most importantly, how much of the cost a patient's insurance company may cover.
- Hospitals provide financial counseling to patients about their bills and make the availability of such counseling widely known. In addition, hospitals respond promptly to patients' questions about their bills and requests for financial assistance.
- Hospitals help patients qualify for financial assistance. Under the Affordable Care Act, non-profit hospitals must have a written financial assistance policy that includes eligibility criteria, the basis for calculating charges, and the method for applying for financial assistance. Hospitals also have written policies to help patients determine if they qualify for public assistance programs or hospital-based assistance programs.

