

RAND Study on Hospital Pricing



Background

The Kansas Hospital Association and the American Hospital Association have a number of concerns about the report released on May 9, 2019 by RAND Corp. Most notably the authors themselves point out that the study's key limitation is its small sample size – less than 5 percent of all covered persons in about half of all states, and just 2 percent of the 181 million Americans with employer-sponsored insurance nationally. In Kansas, 40 (of a possible 125) hospitals were included in the study, and only 10 of those (out of a possible 82) were Critical Access Hospitals.

Talking Points

- Medicare payment rates, which reimburse below the cost of care, should not be held as a standard benchmark for hospital prices.
- In 2017, hospitals received payment of only 87 cents for every dollar spent caring for Medicare patients. Simply shifting to prices based on artificially low Medicare payment rates would strip vital resources from already strapped communities, seriously impeding access to care.
- Hospitals would not have the resources needed to keep our doors open, innovate to adapt to a rapidly changing field and maintain the services communities need and expect.
- Recent data from the National Health Expenditure report released by the Centers for Medicare and Medicaid Services in December 2018 show that that price growth for hospital services was just 1.7 percent in 2017.
- A report from the Altarum Center for Value in Health Care found hospital-spending growth in 2018 was lower than all other categories of services, including physician and clinical services and prescription drugs.
- The Kansas Hospital Association and the American Hospital Association are committed to improving patients' access to information on the price of their care.
- It's important that individuals understand how much they will need to pay for their care, specifically their out-of-pocket costs.
- Hospitals, health systems and other providers do not always have access to detailed data on health plan benefit and beneficiary cost-sharing amounts; rather, insurers hold this information.
- We are encouraged by the growing ability for providers and insurers to work together to develop tools that they can use to help respond to patient pricing inquiries.
- Federal law requires that hospitals charge the same prices to all patients as a condition of participation in the federal Medicare program. Hospital across the nation charge the same amount for any particular service regardless of the source of payment.

- Government payers, like 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 pre-determined 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 covers the cost of their care.
- Hospitals provide financial counseling to patients about their bills and make the availability of such counseling widely known. Hospitals respond promptly to patients' questions about their bills and to requests for financial assistance.
- Hospitals help patients qualify for financial assistance. Under the ACA, 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.

