

# The Latest 411 on Pricing Transparency

A Whitepaper by Patricia Kloehn, CEO





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## President Trump *Signs an Executive Order on Improving Price and Quality Transparency in Healthcare*

Pricing Transparency remains a fast-paced topic with rapid changes taking place on a weekly basis. In January of this year (2019), the Centers for Medicare & Medicaid Services (CMS) mandated posting prices electronically on hospital websites. The mandate left many providers shell-shocked, many patients confused and many twitter accounts blowing up. Seema Verma, CMS Administrator, urged patients to peruse their hospital websites to determine if pricing information is posted electronically. If it is not, a tweet with hashtag #WheresThePrice should be sent. This forced hospitals to release a list of standard charges online and to update the information at least once a year. The information provided in raw charge masters was very confusing for consumers.

Advancing the ball even further, on June 24th 2019, President Donald Trump issued an Executive Order which stated, “My Administration seeks to **enhance the ability of patients to choose the healthcare that is best for them.** To make fully informed decisions about their healthcare, **patients must know the price and quality of a good or service in advance.** With the predominant role that third-party payers and Government programs play in the American healthcare system, however, patients often lack both access to useful price and quality information and the incentives to find low-cost, high-quality care. **Opaque pricing structures may benefit powerful special interest groups, such as large hospital systems and insurance companies, but they generally leave patients and taxpayers worse off than would a more transparent system.”**

A new proposed rule is now out whereby hospitals would have to make their “real, negotiated prices known to patients.” Starting January 1 2020, the rule stipulates hospitals will have to publish price information organized in a standard way so patients will be able to do apples-to-apples comparison on the price of a procedure across hospitals.

Additionally, hospitals would also be required to post all their payer specific negotiated rates, which are the prices actually paid by insurers, to give patients more useful pricing information.

The new rule stipulates essentially all hospitals operating within the US (Inpatient Rehab, Critical Access Hospitals, Sole Community Hospitals,) post their prices online in a computer readable format (xl or csv). This includes drugs and biologicals and any charge or service provided by the hospital even if the services are not reflected in the chargemaster. DRGs are also included.

- Under the proposed rule, hospitals would make public their standard charges for gross and payer-specific negotiated charges for all items and services.
- Pricing information would have to be “consumer friendly”, with payer-specific negotiated charges for common shoppable services such as imaging, outpatient visits, and lab tests.
- CMS indicates the enhanced rules on price disclosure are not just for Medicare patients but for the entire healthcare system at large.

*“What we are proposing is that the hospitals would be required to post this on the Internet in a searchable format, and they would be required to post their negotiated rates by payer and by plan.”*

### **CMS Administrator Seema Verma**

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“Consumer-friendly means the hospital charge information must be made public in a prominent location online (or in written form upon request) that it is easily accessible, without barriers, and searchable,” CMS said in a media release.

“It also means the service descriptions are in ‘plain language’ and the shoppable service charges are displayed and grouped with charges for any ancillary services the hospital customarily provides with the primary shoppable service,” CMS said.

### **Current State of Pricing Transparency**

Since the mandates are quite new, it is not known if this will be carried out to this extreme. However, we can see some positive movement whereby hospitals are lowering prices in response to pressure led by CMS. For example, among Wyoming hospitals, observation hourly charges (HCPCS G0378) decreased by an average of 2.5%. This is a major reversal from the year-over-year price increases we typically see.

We are also seeing an increase across the board in patient premiums. The average patient financial responsibility increased 12 percent from 2017 to 2018 according to a TransUnion Study.

Additionally, a troubling number of adults with high deductible health plans (HDHPs) and a deductible of \$3,000 or more reported difficulties receiving needed care because the cost of doing so was prohibitive. Also because of cost, **23% reported that they did not fill a prescription, 30% did not see a physician or visit a clinic for a medical problem, and 47% had at least one access problem** (Commonwealth Fund Study, 2017).

We believe patients do want pricing transparency, and to know what their out of pocket expenses will be. 82% of voters (patients) want the right to know the cost of non-emergency healthcare treatment ahead of time according to FGA (Foundation for Government Accountability) Survey 2017. We are also seeing a surge in HDHPs. Among adults ages 18-64 with employment-based coverage, CDC statistics state the percentage enrolled in a traditional plan decreased from 85.1% in 2007 to 56.6% in 2017. Over the same period, **the percentage enrolled in an HDHP (high deductible health plans) increased from 14.8% to 43.4%.**



## Comprehensive Strategy is Needed

Regardless of what occurs with the new mandates scheduled for early 2020, the pricing transparency train has left the station. Even if some of the proposed pieces hit the cutting room floor, it is imperative that a comprehensive strategy be designed and deployed. A comprehensive patient payment strategy includes the following elements:

- Estimates provided at the time of scheduling
- Robust pre-registration strategies in place
- Financial counseling available pre-service, in-house and post-service
- Payment plans and bank financing available and known to patients
- Extensive customer service options and open communication
- Marketing materials to explain data to patients
- Patient friendly billing and collection tactics in place

The debate is in full swing regarding the breadth of CMS mandates on pricing transparency. We don't want our patients caught in the middle of the mandates, confused and unclear. Now is the time to bolster your patient experience teams to handle pricing transparency and maintain their roles as patient advocates.



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Patricia Kloehn is a dynamic leader as well as an accomplished consulting veteran, having helped over 400-hospitals and physician practices nationwide. She has an exceptional track record in developing and implementing product lines structured around patient experience, education, and process improvement, yielding optimal financial returns. She is an industry thought leader responsible for dissecting “Best Practices” into actionable tactics and playbooks for healthcare organizations. She is also the author and trainer of more than 20 Revenue Cycle Training Manuals and e-learning products. She is a nationally recognized author and speaker for HFMA, ANI, AHAM, World Congress Leadership Summit, and Health Leaders. Pattie has written several whitepapers for healthcare and co-authored “Cash is Still King: Maximize the Margin to Protect the Mission.” Kloehn has founded two software platforms, The Patient Happiness System™ and The Student Happiness System™.

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