

OPERATOR INSIGHTS

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Just The Facts: Key Information About Price Transparency

The Executive Order entitled *Improving Price and Quality Transparency in American Healthcare to Put Patients First* went into effect on January 1, 2021. The Executive Order is now commonly referred to as “Price Transparency.” At a glance, it is a mandate for doctors and hospitals to post prices and allow patients to shop for outpatient services to find the best deal.

Patients should understand the different aspects of Price Transparency. Below, we provide information to help patients understand the key facts of Price Transparency, as well as how the rule will impact the healthcare industry. The Executive Order is lengthy and may seem confusing, but we’ve distilled the information to four key elements:

1 How it started

Price Transparency is not a new idea. The concept began with a push for transparency in the cost of prescription drugs for consumers to have an accurate view of the costs of their prescription medications. The current Executive Order on Price Transparency focuses on outpatient services (such as x-rays, MRIs, and outpatient surgeries) and what may be owed before scheduling an appointment or procedure. As out-of-pocket expenses increase every year, patients may have a harder time meeting their financial responsibility. Having upfront knowledge of costs gives patients more time to prepare for these costs and to make informed decisions on where and when a patient may want to have their procedure. Price transparency also equips patients with information to reduce the risk of surprise medical billing.

91% OF CONSUMERS WERE SURPRISED BY A MEDICAL BILL IN 2019†



2 Why is it important?

Providing price transparency gives patients the option to shop for different providers. The goal is to empower patients with the information to knowingly choose the doctors and hospitals that work best for their health and their wallets. In turn, patients should recognize they have much more input in their own healthcare decisions, can be more involved in their care, and ultimately make themselves healthier. Patients will know, upfront, what they owe, and which provider they owe. Price and quality are not equivalent, and the hope is this will pave the way for consumers to access the best prices for the best quality of care.

70% OF CONSUMERS ARE CONFUSED BY THEIR MEDICAL BILLS†

3 Who is responsible?

Insurance companies, doctors, and hospitals need to prepare for the change in healthcare culture and prepare for the new competition that will result from Price Transparency. Hospitals will soon be required to post their contracted pricing between them and insurance companies in a way that is easy

to understand. This will be posted on the hospital's website in an obvious and accessible way. Hospitals must also post commonly scheduled, or "shoppable" services for consumers to make adequate price comparisons.

85% OF CONSUMERS WANT A WEBSITE THAT ESTIMATES BALANCES BEFORE A VISIT[†]



4 What are the requirements?

Since the signing of this order, the Center for Medicare and Medicaid Services (CMS) stipulated a minimum of 300 services must be posted for consumer use. Patients will not be required to log in, to register, or to pay for this service. In addition, CMS has provided definitions of what qualifies as "items and services," and what composes "standard charges." Understanding these terms helps the patient form the most accurate estimate for care and make more informed choices for their care, and we have provided a summary below.

Items and Services: 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.

Standard Charges:

- **Gross charge** (the charge for an individual item or service that is reflected on a hospital's chargemaster, absent any discounts),
- **Discounted cash price** (the charge that applies to an individual who pays cash, or cash equivalent, for a hospital item or service),
- **Payer-specific negotiated charge** (the charge that a hospital has negotiated with a third-party payer for an item or service),
- **De-identified minimum negotiated charges** (the lowest charge that a hospital has negotiated with all third-party payers for an item or service).
- **De-identified maximum negotiated charges** (the highest charge that a hospital has negotiated with all third-party payers for an item or service).

According to Kaiser Family Foundation's Health Benefits Survey, in 2020, average annual premiums increased by 55% since 2010. Given this massive increase, patients want to know they are getting the best care for the best value. The wheels are already in motion to make Price Transparency a reality, and patients will soon receive long-awaited shoppable healthcare options. As informed consumers, patients should soon expect to have the option of creating their cost estimates and have better-informed conversations about their financial responsibilities.

[†]InstaMed (2020). Trends in Healthcare Payments Tenth Annual Report: 2019. www.instamed.com/white-papers/trends-in-healthcare-payments-annual-report/



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