

HEALTHCARE

SHORT- AND LONG-TERM IMPACT OF CMS' PRICE TRANSPARENCY RULE

KEY TAKEAWAYS:

- Hospital charges must be posted online as of Jan. 1, 2019.
- Due to charges' limited impact on most reimbursement, Navigant Consulting, Inc. expects actual impact on cost of care to be minimal.
- This regulation may create additional risks of patients misunderstanding and making clinical choices based on charges, and not actual patient responsibility or necessity of care.
- Hospitals should prepare for patient, competitor, and media scrutiny of charges despite their limited connection to reimbursement and costs.

In August, the Centers for Medicare & Medicaid Services (CMS) approved [a final rule](#)¹ requiring hospitals to make available a list of their current standard charges via the internet in a machine-readable format. The rule, set to go into effect on Jan. 1, 2019, also requires hospitals to update this information at least annually, or more often as appropriate.

The policy will affect all acute-care hospitals, with the stated intention to improve price transparency, empower patient choice, and lower the costs of healthcare. Although CMS has provided little information about the rollout, oversight, and consequences of not meeting this regulation, it creates a critical opportunity for hospitals to own their public approach to describing their charges.

Additional factors of the statute are vague, leaving it up to providers to interpret how much detail to post in terms of their charges, and where. While the rule encourages providers to proactively educate patients about charges and post more vs. less information, it seems to indicate that minimal compliance would be the posting of a charge description master (CDM) or a different summary of service-level charges.

Short-Term Impact on Hospitals and Patients

In the short term, we expect hospitals to find ways to be compliant with the rule, and with minimal fanfare. Hospital charges have been publicly available for years through CMS' availability of MedPAR data and other online pricing tools, but the disconnect between charges and actual reimbursement has traditionally driven uncertainty regarding the value of this information for competitive or consumer purposes.

However, the rule reduces the barriers to this pricing knowledge, and hospitals could be at risk of being blindsided by competitors, traditional media, or patients/advocates in competitive or high-priced markets. Hospitals should be prepared to communicate with a single, cohesive voice around their defensible approach to charges and their approaches to insurance and charity care. Education on how charges fit into the broader healthcare financial ecosystem will be an important tool to combat criticism of high charges.

1. HHS, Strengthening Quality, Affordable Healthcare for All Americans, <https://www.hhs.gov/sites/default/files/i-amendments.pdf>

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Long-Term Impact on Industry

While it may nominally slow the trend of increasing charges due to the significant disconnect between charges and reimbursement, the new rule is unlikely to alone provide the level of price transparency long sought by advocates of consumerism in healthcare. However, to the extent that this rule (or others) force providers to invest in such consumerism-specific aspects as price-checking software that interfaces with payers and patient education about how care is priced and paid for, it could gradually yet significantly increase consumerism in highly competitive markets.

Navigant recommends the following steps for hospitals to prepare for the Jan. 1, 2019, price transparency date:

- 1. Evaluate your strategy and chart a simple and achievable path to compliance:** The new year is less than three months away, and compliance is not optional. Providers should ensure that they have a plan to post charges and demonstrate compliance to regulators, hospital leadership, and their communities.
- 2. Review your CDM strategy:** How are your prices set? Are they currently defensible? Since pricing can be set relative to different reference points, ensure that your logic is sound, and that pricing methodology is consistent and easily explained.
- 3. Evaluate your CDM to ensure it is comprehensive, compliant, and in line with Medicare guidelines:** Clean and compliant CDMs should have unique charge codes with an associated and up-to-date current procedure terminology, revenue code, and price.
- 4. Review CDM for consistency across similar facilities and services:** By reducing these inconsistencies, providers can avoid easily scrutinized issues or errors that can't be explained. It is common for providers to have a single Current Procedural Terminology (CPT) with varying prices across hospital departments. When providers uphold a single price per CPT, they have an easier time maintaining price defensibility. This promotes consistency within your organization, and to your patient population.
- 5. Establish/strengthen your CDM and charge-capture committees:** To best capture all charges and charge code changes, it is important for staff to be held accountable. Whether it be properly coding in an electronic health record system or adding/updating charge codes as service offerings alter, all staff should be up to date and aware of these changes, including new price transparency policies and procedures.
- 6. Develop a clear public relations/marketing strategy complete with patient education materials for pricing:** Ensure your team is ready to answer all patient and media questions that may come from posting your chargemaster online. Not only is internal communication key, but a hospital's external communication about billing procedures and charge defensibility will be central to a smooth CDM transparency rollout. Healthcare pricing is confusing, and patients are bound to have questions and concerns. Proactive providers should have an external patient education team tasked with creating and distributing all necessary pricing and billing educational materials.
- 7. Ensure your payer strategy is aligned with your pricing strategy:** Patients and media aren't the only ones with access to CDMs — insurance companies have it as well. While this likely won't impact contracts, payment policies, or reimbursement in the short term, it is an important time to ensure that your contracting strategy and your CDM are consonant.

Now is the time for providers to be proactive and strategically position themselves as price transparency leaders in their markets. Keeping patients informed about prices empowers them to seek out and trust such transparent providers.

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