

CHA Key Messages

Hospitals Complying with Federal Price Transparency Mandate Despite Ongoing Concerns, Potential Pitfalls

- 1) Amid the COVID-19 pandemic, hospitals are working diligently to comply with a new federal mandate on price transparency.**
 - Even as COVID-19 variants begin to spread throughout California, on the heels of the unprecedented winter surge in cases, and as hospitals prioritize patient care and vaccination, hospitals are working hard to make sure they comply with new federal requirements that they share information about prices for services.
 - A limited number of vendors can support the two components of the new regulation — a machine-readable file of all negotiated rates for services and a consumer-friendly price estimator tool. That means some hospitals are still in the process of posting this information.
 - Hospitals are attempting to comply with the requirements despite needing additional clarification from the Centers for Medicare & Medicaid Services on technical issues related to specific data posting requirements.

- 2) As more hospitals post pricing information online, it's important to note that concerns with the new requirements have not been addressed.**
 - While hospitals fully support the consumer price estimator tool, there is concern that the negative impacts of posting a standard file of negotiated rates with health plans outweigh any potential benefits. The concerns include:
 - Increased confusion for the public, which has limited information about the underlying factors (complex patient needs, uninsured population, high reliance on Medi-Cal, geographic variables, and more) contributing to price differentiation
 - A “thumb on the scale” during contract negotiations for large, commercial health plans, resulting in fewer health care options for patients and disincentivizing value-based care models
 - Increased costs due to removal of discounts for insurers with large numbers of patients ([Source: FTC](#))
 - The new requirements fail to address the core driver of price differentiation: Increased prices for commercial insurers due to the fact that Medicare and Med-Cal pay roughly 80% of the actual cost of services in California (a [recent study](#) showed that states with higher Medicaid rates had lower commercial insurance rates).

- 3) The likelihood for confusion is because variations in negotiated rates with commercial insurers are the result of a complex health care system. Factors include:**
 - The fact that Medicare Advantage and Medi-Cal managed care plans pay less than the cost to deliver care, as rates are set by the federal government and therefore operate very differently than commercial plans

- Agreed-upon payment rates between providers and insurers that are built on decades of negotiations and positioning in a fee-for-service world with variable market dynamics
- Similar to other areas of the economy, hospitals often offer discounts to health plans when larger numbers of individuals need care, as administrative processes can be simplified

4) California's hospitals have a long track record of cost transparency.

- The new consumer price estimator tool is aligned with years of commitment by California's hospitals to make the cost of care understandable and accessible to the public.
- California's hospitals, in accordance with state law, already provide patients with good faith estimates of their expected out-of-pockets costs for any planned health care service. Few states have such a requirement.