A controversial federal regulation, the Hospital Price Transparency Rule, which requires hospitals to inform consumers about the prices they charge, went into effect at the beginning of this year. For the first time, hospitals must post negotiated rates as well as list prices for their services. This information is intended to promote competition and smarter shopping in the health care market, but it misses the mark. The Transparency in Coverage rule, which requires insurers to report detailed prices starting in 2023, is a better starting point—particularly if the Biden administration takes steps to make price and quality information available to patients and their physicians.

The Hospital Price Transparency Rule expands on the Affordable Care Act’s requirement that hospitals make public their standard charges for all services. Hospitals complied with the Affordable Care Act provision by publishing their chargemasters, which list thousands of billing codes and undiscounted prices that bear little resemblance to what consumers or insurers pay. The new rule requires hospitals to display their list prices plus discounted cash prices, payer-specific negotiated charges, and deidentified minimum and maximum negotiated prices.

Unfortunately, the new reporting requirement fails to tell consumers what they most want to know: What will I have to pay out-of-pocket if I need health care? Is there a lower-cost alternative to hospital care that will meet my needs?

Reliance on chargemasters reduces reporting burden on hospitals but leaves consumers in the dark. Services are identified using obscure abbreviations and terminology that is unclear even to physicians. Since hospital care is delivered as a combination of services that is not always predictable in advance, it is not a simple matter to identify what the hospital might bill or what an insurer might cover.

These problems can be eased if hospitals and other developers create tools that combine chargemaster prices with an individual’s insurance information. A more immediate alternative included in the regulation requires hospitals to provide package pricing for up to 300 shoppable services (such as imaging and laboratory services, elective medical and surgical procedures, and outpatient clinic visits) that consumers can schedule in advance.

Package pricing eliminates the need for the average person to become an expert at deciphering billing codes. Ideally, price information for shoppable services would allow an apples-to-apples comparison of prices and out-of-pocket costs across all service providers. That is not possible under the Hospital Price Transparency Rule for 2 reasons.

First, hospitals may not know the full price of their shoppable services. In addition to the main procedure (for example, major joint replacement), ancillary services (such as laboratory services, radiology, or charges for professional services) are often billed separately. Physicians who are not employed by the hospital set their own charges without informing the hospital. Hospitals are not required to include prices for ancillary services they do not provide themselves. As a result, the package price of shoppable services may not include additional charges that could be sizeable.

Federal guidance to hospitals illustrates the problem. An example of a colonoscopy with a standard charge totaling $3019 includes $897 for in-house physician and pathology services. A hospital with the same price structure but relying on contracted physician services might report a $2100 price (30% lower), only because information on nonhospital services is not available. Large differences in reported prices that do not reflect the actual cost of the full bundle of services defeat the purpose of price transparency.
Second, the Hospital Price Transparency Rule does not extend to ambulatory surgery centers, freestanding imaging centers, and other sites of service that may charge less. If we hope to slow the growth of health care spending, we need to do a better job of providing information that allows consumers and their physicians to choose from the full range of efficient, high-value service providers appropriate to their health needs.

Insurers are better positioned to present consumers with a more complete menu of service providers and prices in the market. Insurers have an incentive to steer their enrollees to lower-cost providers, and they can more precisely determine what an enrollee would pay out-of-pocket for health services.

Under the Transparency in Coverage Rule, insurers must provide enrollees with personalized out-of-pocket cost information and the underlying negotiated rates for all service providers, not only hospitals.6 Rather than having to search multiple websites for price information, enrollees can use the insurer’s pricing tool to compare costs across different types of service providers. Moreover, that information is to be available on demand, making it possible for enrollees to know the cost when deciding where to seek care, rather than after the fact.

Price reporting by insurers will be improved, thanks to the December passage of the No Surprises Act. That legislation patients from so-called surprise bills from out-of-network clinicians when the patient has no ability to choose.7 In that case, the clinician is not permitted to bill more than the in-network cost sharing amount. By placing a ceiling on the charge, insurers should be able to include in their online price transparency tools accurate cost-sharing information for services that may include care from out-of-network clinicians, as well as for services delivered entirely in network.

The Biden administration can build on these regulatory and legislative actions to better inform patient decisions about their health care. Standardized bundles of services that more fully represent a course of treatment for major services, such as joint replacement, should be defined. This goes beyond the narrower definition of shoppable services and would give consumers a clearer understanding of the cost of all services in an episode of care.

Other changes are needed to broaden the focus from price to value. Quality measures and performance indicators could be added to reporting for major services. The role of physicians as trusted advisers can be enhanced by giving them access to improved pricing tools specific to their patients.

Effective consumer-driven health care can become a reality, but only if consumers are well-informed about the cost and value of their therapeutic options. Price transparency initiatives are an important first step in promoting more efficient and effective health care.

ARTICLE INFORMATION
Corresponding author: Joseph Antos, PhD, American Enterprise Institute, 1789 Massachusetts Ave NW, Washington, DC 20036 (jantos@aei.org).

Author Affiliations: American Enterprise Institute, Washington, DC (Antos); Division of General Internal Medicine and Geriatrics, Sinai Health System and University Health Network, Toronto, Ontario, Canada (Cram); Faculty of Medicine, University of Toronto, Toronto, Ontario, Canada (Cram).

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REFERENCES


