Cleverley + Associates

SPRING SUMMIT: ADDRESSING PRICE TRANSPARENCY'S KEY QUESTIONS

Session One:
How are hospitals complying?

Spring Summit Agenda

Addressing Price Transparency's Key Questions:

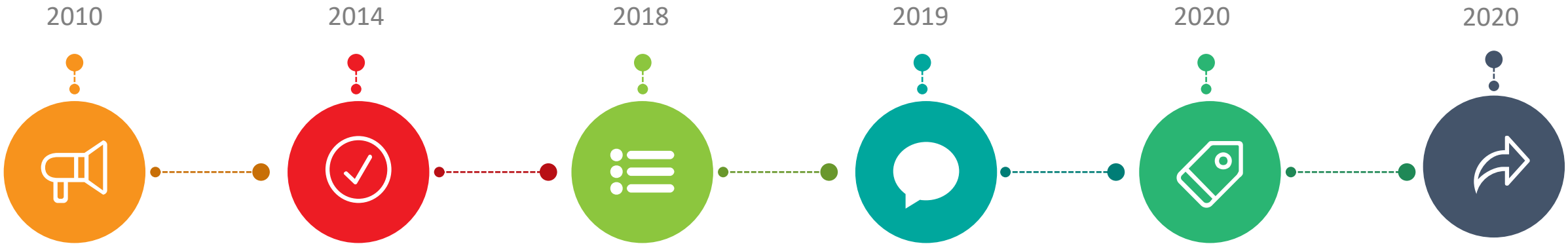
1) **How are hospitals complying?**
2) How is the disclosed data being used?
3) How can hospitals defend their position?
4) How can hospitals prepare for the future?

Session One Overview: The Final Rule on Hospital Price Transparency (CMS-1717-F2) set extensive requirements for hospitals to post standard charges for all items and services effective January 1, 2021. In the months leading up to effective date, many hospitals struggled to fully understand how to disclose the required information and/or how their approach might differ from peers. This session will focus on the different ways hospitals have complied with the rule supported by our research of thousands of hospital disclosures. Learn which elements of standard charge, items, services, and service packages are being disclosed and in what formats.

How are hospitals complying?

Understanding the requirements

Setting the stage: the transparency timeline



2010

ACA

Original calls for pricing transparency included in landmark legislation.

2014

FY15 Proposed Rule

Reminder in the FY15 IPPS proposed rule called for hospitals to either make pricing available to the public by posting CDM information – or – by providing a means for the public to gain access to it.

2018

FY19 Final Rule/ Responses to FAQs

Effective January 1, 2019, requirement for hospitals to make available a list of their current standard charges via the Internet in a machine readable format and to update this information at least annually.

2019

CY20 Final Rule

The CY20 OPPS Final Rule calls for significant updates for pricing AND payment disclosures. These are to be included in an expanded machine readable file, as well as, a separate consumer shoppable posting (or patient estimation tool to satisfy the latter).

2020

FY21 Final Rule

Requirement for Medicare cost reports to include the median health plan-specific negotiated rates for inpatient services by MS-DRG for Medicare Advantage plans.

2020

Transparency in Coverage

Requirements for payers to provide member OOP tools and three separate machine-readable files to disclose negotiated rates with in-network providers, historical payments to out-of-network providers, and in-network pricing for drugs.

The CY20 Final Rule is about Definitions

Section 2718(e) STANDARD HOSPITAL CHARGES —Each **hospital** operating within the United States shall for each year establish (and update) and make public (in accordance with guidelines developed by the Secretary) a list of the hospital's standard charges for **items and services** provided by the hospital, including for diagnosis-related groups established under section 1886(d)(4) of the Social Security Act.

FY19 IPPS FINAL RULE – As one step to further improve the public accessibility of charge information, effective January 1, 2019, we announced the update to our guidelines to require hospitals to make available a list of their current **standard charges** via the Internet in a machine readable **format** and to update this information at least annually, or more often as appropriate. This could be in the form of the chargemaster itself or another form of the hospital's choice, as long as the information is in machine readable format."

Two forms of disclosure

Comprehensive Machine-Readable File

1) **WHEN:** updates at least once per year
2) **FORMAT:** A single machine-readable file
3) **DATA ELEMENTS:**
    a) Description of each item or service
    b) All five standard charge types
    c) Accounting/Billing codes
4) **LOCATION/ACCESSIBILITY:**
    a) Prominently displayed on the web without barriers for patients to access
    b) Document must have CMS naming convention

Consumer Friendly Shoppable Services (File or Web Tool)

1) **WHO/WHEN:** updates at least once per year
2) **QUANTITY/SELECTION:** CMS is requiring 300 items and services be provided (including 70 CMS-specified and 230 hospital-selected). A 'shoppable service' is a service that can be scheduled by a health care consumer in advance. The hospital should select services that are commonly provided to its patients.
3) **FILE DATA ELEMENTS:** A hospital can disclose in a static file with primary code, plain-language descriptions, ancillary services, location setting, and all five standard charges (except gross charge)
4) **WEB ALTERNATIVE REQUIREMENTS:** CMS will deem a hospital as having met the requirements if the hospital maintains an internet-based price estimator tool that meets the following requirements:
    i. There are still at least 300 services provided (including the CMS 70)
    ii. Provides an **estimate** of the amount the patient will be obligated to pay for
    iii. Is prominently displayed on the hospital's website and accessible to the public without charge and without having to register or establish a user account or password

Cleverley + Associates Comment For Different Worksheets Within the Single Comprehensive Machine-Readable File

		DEFINITION OF ITEMS & SERVICES		
		HOSPITAL/TECHNICAL		PROFESSIONAL
		Services	**Service Packages**	**Services**
		Per Unit (Examples: CDM, HCPCS)	**Aggregation of individual items and services into a single service with a single charge (Examples: Per Diems, MSDRGs)**	**Per Unit (Examples: CDM, HCPCS**
DEFINITION OF STANDARD CHARGES	**Gross Charges**	✓**WORKSHEET ONE** We envision this being one of the worksheets in the machine-readable disclosure. This would follow the current FY19 IPPS Disclosure but with the added data elements (billing codes).	✗ Gross charges are not typically established and stored for this definition element.	✓ **WORKSHEET THREE+** Since many professional CDM and payer fee schedules are at the per unit (HCPCS) level, there would be the potential to provide all five definitions of standard charges in one worksheet. Still, the hospital has the flexibility to create multiple worksheets for each element and for each payer, if desired. An argument could be made that a patient could more easily locate information if on one separate worksheet for their payer.
	Discounted Cash Price	✓ **WORKSHEET TWO** There is a potential that discounted cash prices could exist at a per unit, service level and could be combined with the gross charge disclosure worksheet. However, discounted cash prices could also be defined at a service package level. As such, it may make most sense to disclose discounted cash prices as the hospital has defined them on a separate worksheet.		
	Payer-Specific Negotiated Charges	✗ Specific rates at a service, per unit level, do not exist for most contracts unless the entire contract is based on a discount of charges. In addition, when certain fee schedules are used at a HCPCS level, there still could be other payment logic in the contract that could be misleading to the patient to list fee schedule rates next to CDM lines. As such, it's likely best in all circumstances to not include payment information next to CDM line information. By not displaying together, it could also help communicate to the patient that payment is ALWAYS at the claim (or encounter, visit) level.	✓**WORKSHEET FOUR+** Because of the complexity and unique service definitions within many payer contracts, it is likely that each payer will require its own disclosure worksheet within the file.	
	De-identified minimum negotiated charges		✓**WORKSHEET FIVE & SIX** It could be possible to have these two definition elements side-by-side in one worksheet. However, two challenges emerge: 1) Because many contracts do not contain the exact same definitions for service packages it is likely that the minimum and maximum could be exactly the same 2) A side-by-side presentation could show larger payment disparities that might lead some to conclude minimums are always profitable – whereas these rates could have been established as loss leaders within the negotiation. For both reasons, a hospital might conclude it should separate these into separate worksheets.	
	De-identified maximum negotiated charges			

How are hospitals complying?

What have hospitals disclosed to date?

National Research Results

137 Health Systems
(10+ Hospitals)

3,358 Hospitals

Cleverley + Associates has been researching compliance with the transparency requirements through a robust assessment involving thousands of US hospitals

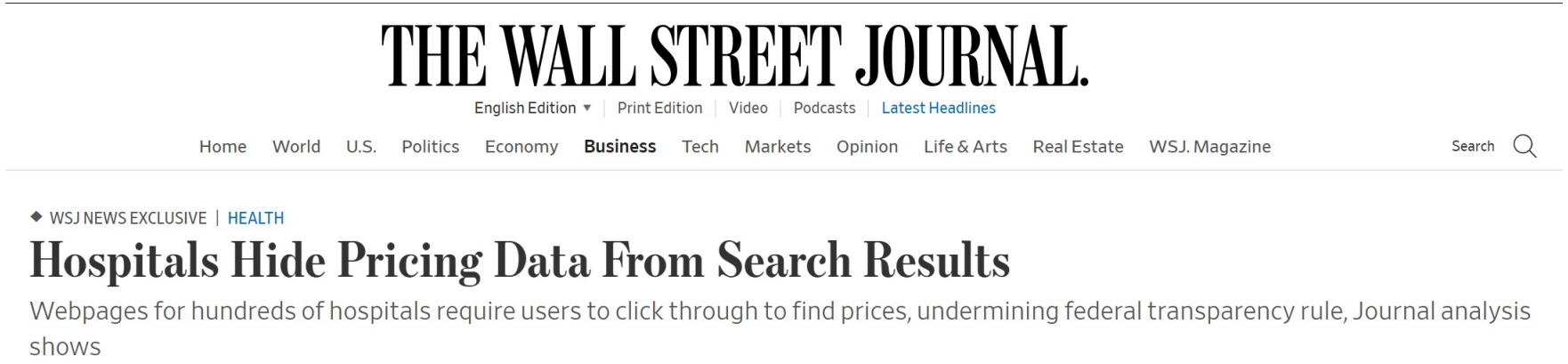
National Research Results – Machine-Readable

Insights from finding the data

- Very few health systems and hospitals had machine readable files easily locatable from their home page (within 2-clicks). In order to find most of the machine-readable files, searches had to be conducted using the search bar on the website. Key words: machine readable, pricing transparency, pricing, standard charges, charges.
- Some health systems did have dedicated pricing transparency pages to provide a landing spot for information.
- If there was a link to pricing information, it was more common for it to direct the user to a pricing tool (consumer shoppable) than to the machine-readable files. Some advertised that they had a machine-readable file available but it wasn't within the tool they promoted.

"We also are concerned that some hospitals disclosing their listed prices are making it difficult for consumers to access the price information." – U.S. Congress, Committee on Energy & Commerce

April 13th, 2021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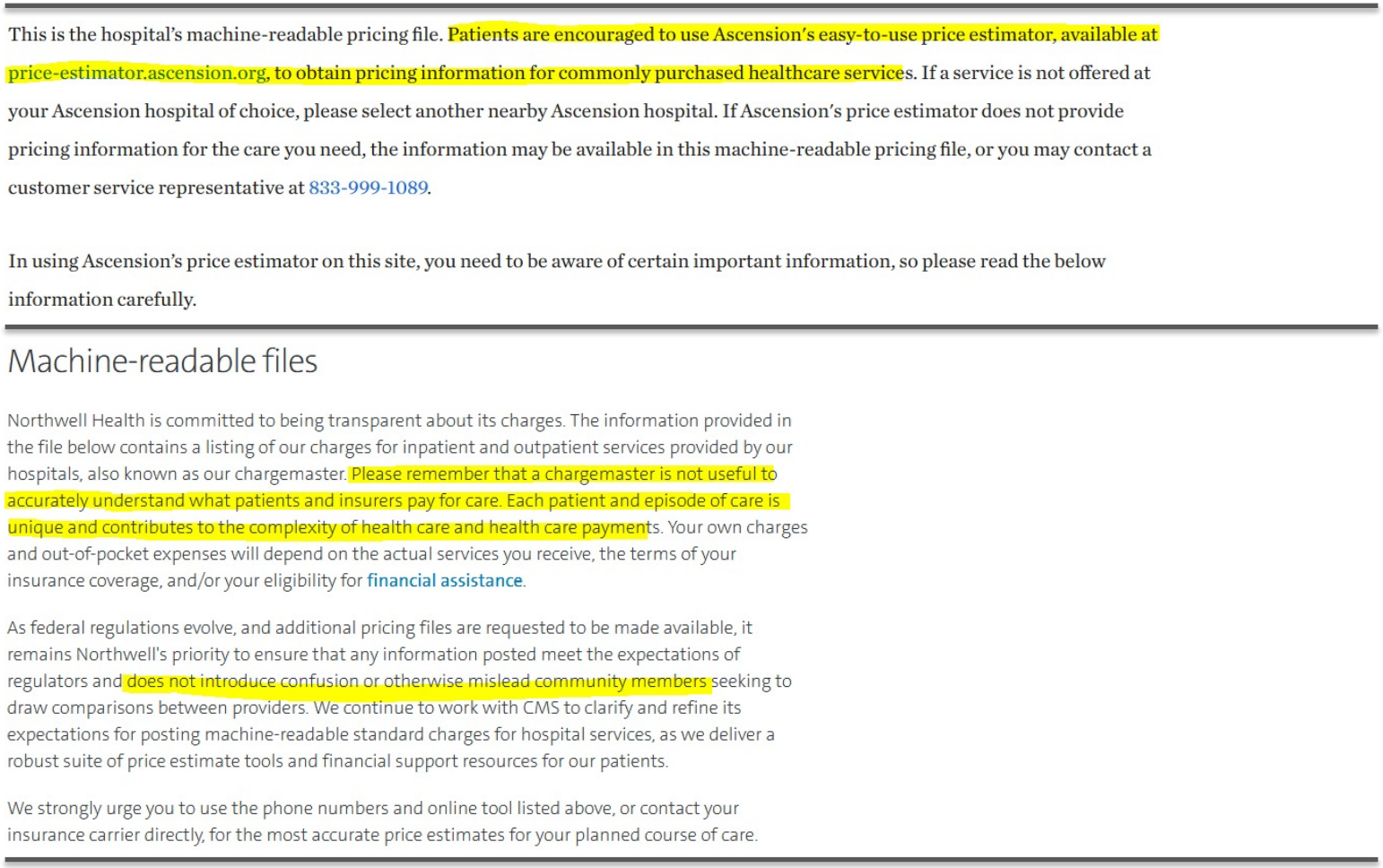
Hospitals Hide Pricing Data From Search Results

Webpages for hundreds of hospitals require users to click through to find prices, undermining federal transparency rule, Journal analysis shows

National Research Results – Machine-Readable

Language regarding the files

- About half of the files examined included some form of disclosure agreement prior to viewing the file.
- One system required individuals to watch a video explaining what the CDM is and how pricing works prior to viewing file.
- Most hospitals offered some other form of price estimates for the potential patient. In addition, many hospitals used disclaimers to "discourage" the use of machine-readable information and instead to directing patients to contact the hospital or use the consumer shoppable pricing tool. This aligns with CMS's intent for the files.



This is the hospital's machine-readable pricing file. Patients are encouraged to use Ascension's easy-to-use price estimator, available at price-estimator.ascension.org, to obtain pricing information for commonly purchased healthcare services. If a service is not offered at your Ascension hospital of choice, please select another nearby Ascension hospital. If Ascension's price estimator does not provide pricing information for the care you need, the information may be available in this machine-readable pricing file, or you may contact a customer service representative at 833-999-1089.

In using Ascension's price estimator on this site, you need to be aware of certain important information, so please read the below information carefully.

Machine-readable files

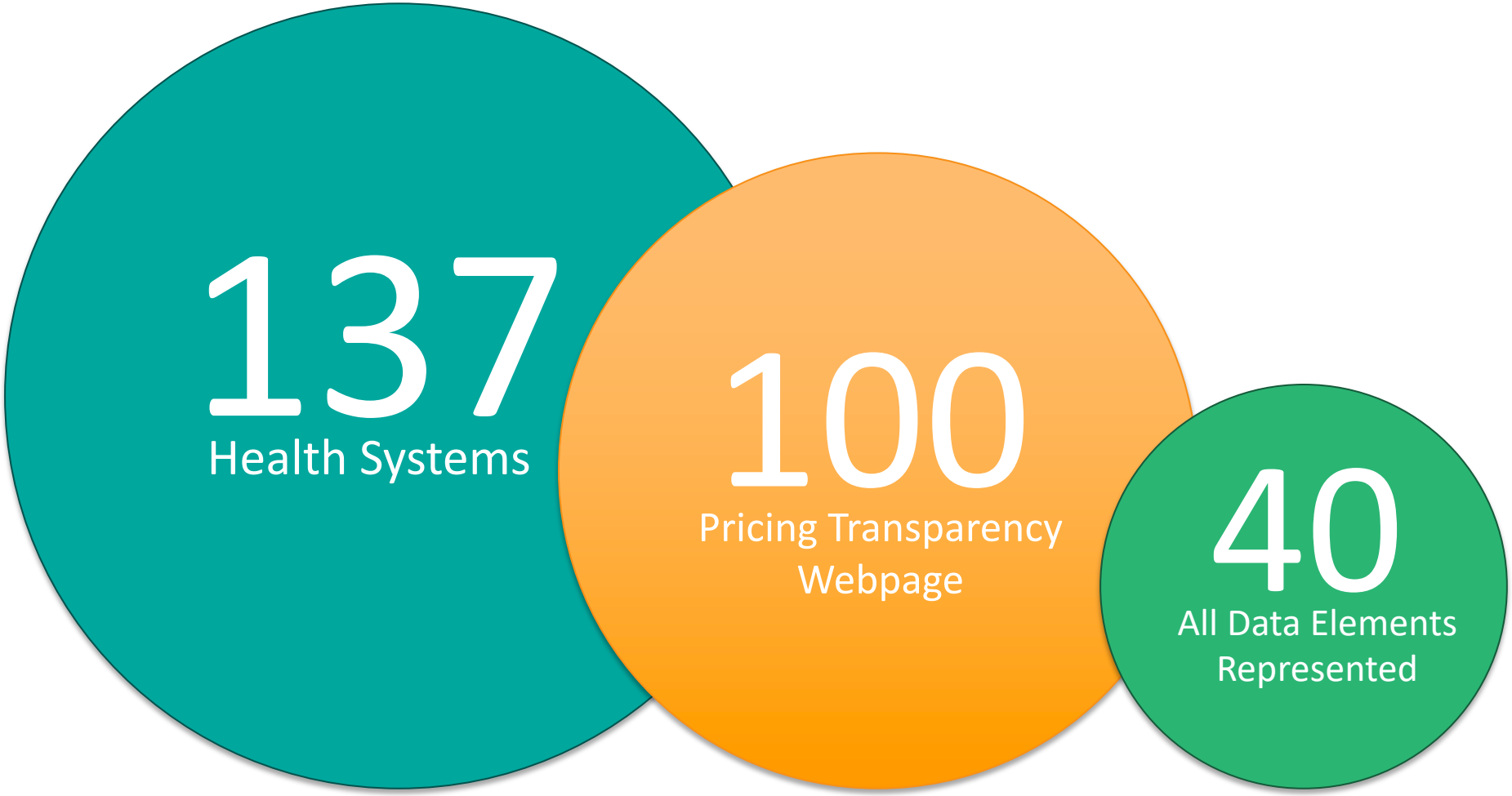
Northwell Health is committed to being transparent about its charges. The information provided in the file below contains a listing of our charges for inpatient and outpatient services provided by our hospitals, also known as our chargemaster. Please remember that a chargemaster is not useful to accurately understand what patients and insurers pay for care. Each patient and episode of care is unique and contributes to the complexity of health care and health care payments. Your own charges and out-of-pocket expenses will depend on the actual services you receive, the terms of your insurance coverage, and/or your eligibility for financial assistance.

As federal regulations evolve, and additional pricing files are requested to be made available, it remains Northwell's priority to ensure that any information posted meet the expectations of regulators and does not introduce confusion or otherwise mislead community members seeking to draw comparisons between providers. We continue to work with CMS to clarify and refine its expectations for posting machine-readable standard charges for hospital services, as we deliver a robust suite of price estimate tools and financial support resources for our patients.

We strongly urge you to use the phone numbers and online tool listed above, or contact your insurance carrier directly, for the most accurate price estimates for your planned course of care.

National Research Results – Machine-Readable

Components being disclosed within the files

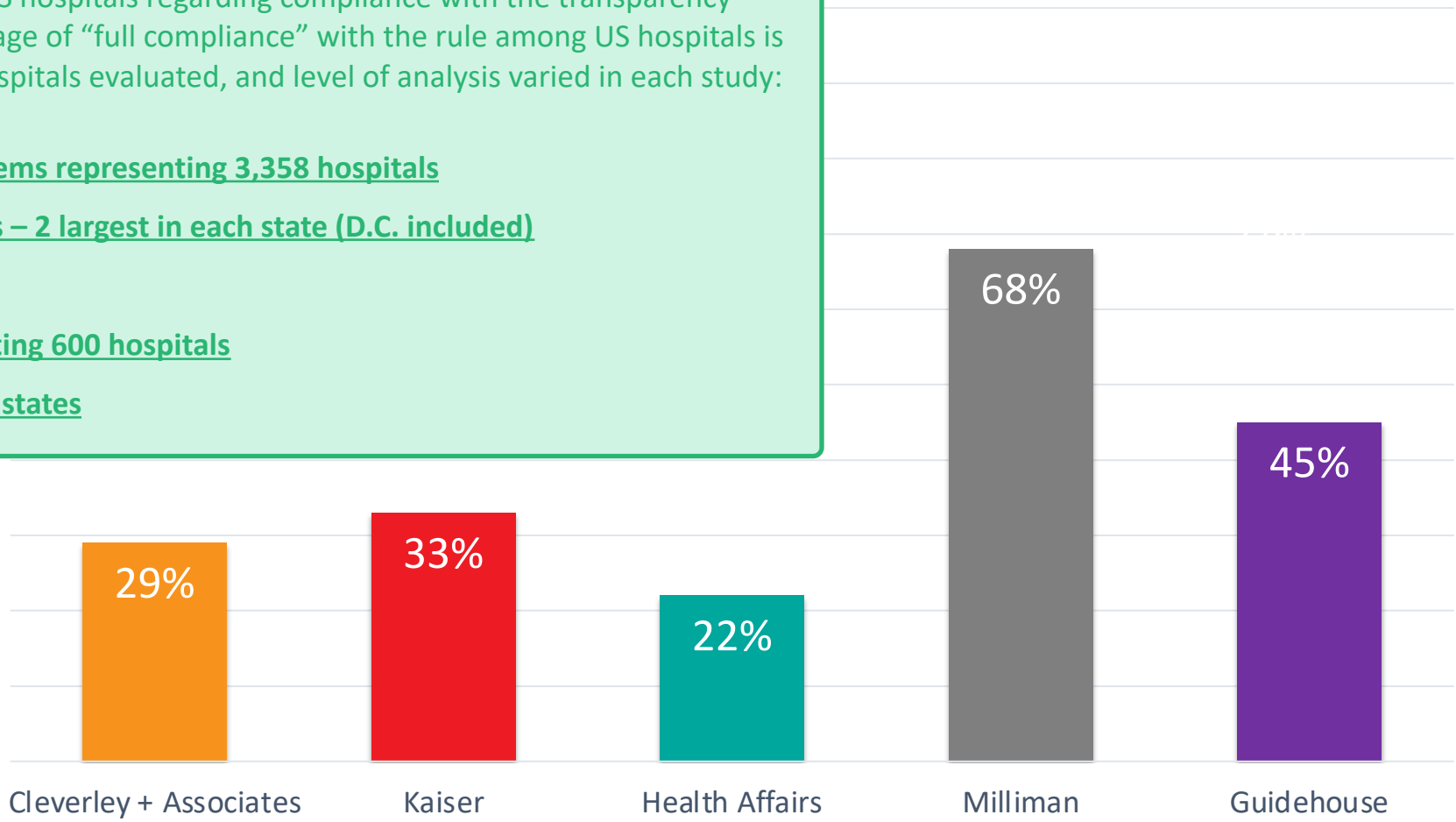


Research in Price Transparency Compliance Comparison

FINDINGS OF "FULL COMPLIANCE" AMONG US HOSPITALS

Different research groups have evaluated US hospitals regarding compliance with the transparency requirements. At right, the overall percentage of "full compliance" with the rule among US hospitals is shown. Data representation, number of hospitals evaluated, and level of analysis varied in each study:

- Cleverley + Associates: **137 Health Systems representing 3,358 hospitals**
- Kaiser Family Foundation: **102 hospitals – 2 largest in each state (D.C. included)**
- Health Affairs: **100 largest hospitals**
- Milliman: **55 Health Systems representing 600 hospitals**
- Guidehouse: **1,000 providers across 27 states**

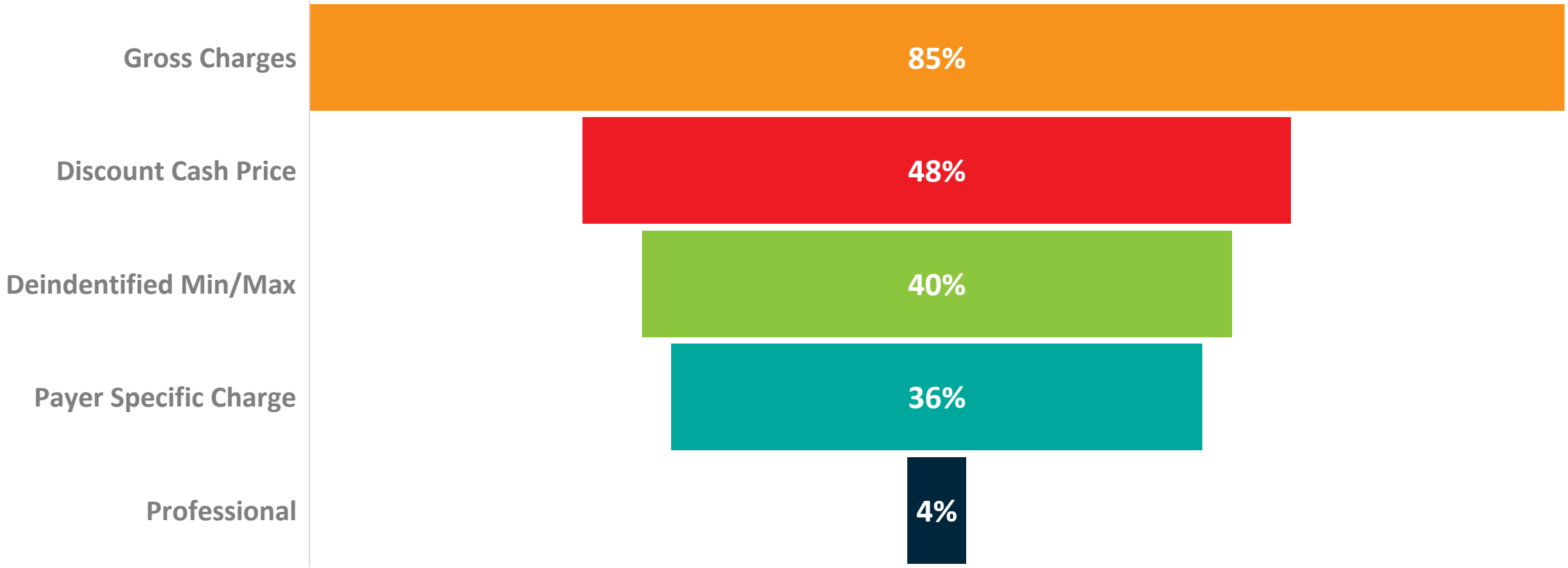


Source: https://www.hfma.org/topics/news/2021/04/congress-seeks-stepped-up-price-transparency-enforcement-as-comp.html
https://us.milliman.com/-/media/milliman/pdfs/2021-articles/4-5-21-hospital_price_transparency.ashx
https://guidehouse.com/insights/healthcare/2021/blog/hospitals-meeting-price-transparency

National Research Results – Machine-Readable

Components being disclosed within the files

Of all 3,358 hospitals, we found the following providing the required elements of "standard charge" – note, the low professional percentage could be driven by the absence of a clear "employed" definition within the rule



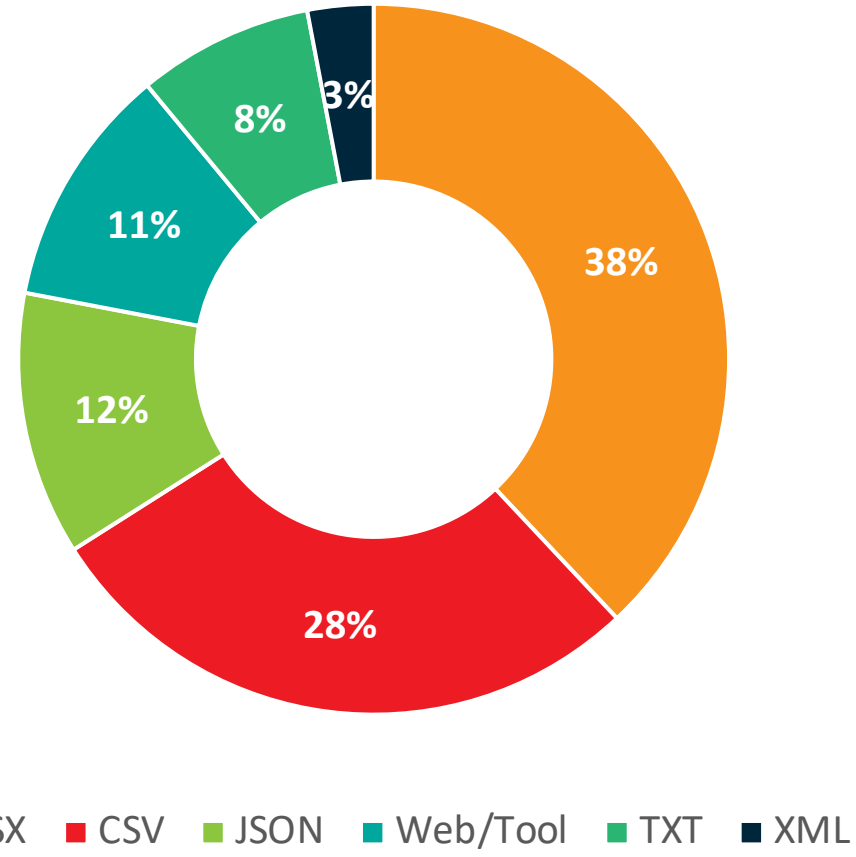
National Research Results – Machine-Readable

File types

Recently Congress sent a letter to the head of the Health and Human Services stating: "Some hospitals also are providing the data in a non-useable format or failing to provide the codes for items and services."

Even though a high number of hospitals are using similar formats, data within still varies greatly, making data extrapolation and comparisons difficult.

Percentage of hospitals in study using different file formats



National Research Results – Consumer Shoppable

Cleverley + Associates has researched the compliance approaches for US hospital systems. The results below summarize the findings for health systems across the US for the consumer shoppable requirement. In general, it appears that hospitals are providing more information around the consumer shoppable requirements than the machine-readable requirements.

GENERAL INFORMATION/ACCESSIBILITY			
Number of Health Systems	Number of Hospitals Represented	Number with Consumer Shoppable Information	Number that also had "compliant" machine-readable
137	3,358	119/15*	40

DISCLOSURE TYPE	
Downloadable File/Webpage Table	**Web-based Tool**
6	113

**Only one general payor category, email required for shoppable information, no uninsured option, etc.*

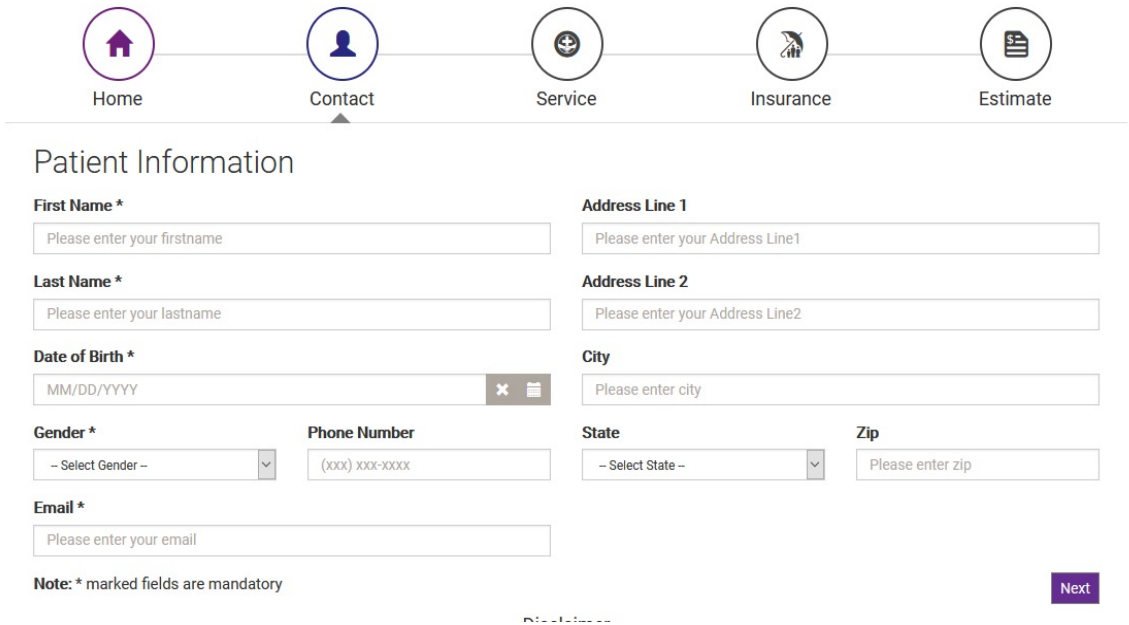
National Research Results – Consumer Shoppable

Additional observations

- CAPTCHA used 90%
- Numerous facilities had both a “member” login and guest user access for pricing tools.
- Many asked for emails, only few required it.

“Is prominently displayed on the hospital’s website and be accessible without charge and without having to register or establish a user account or password.”

- Final Rule on Transparency Requirement for Consumer Shoppable Web Tool



How are hospitals complying?

Should I change how I’m complying?

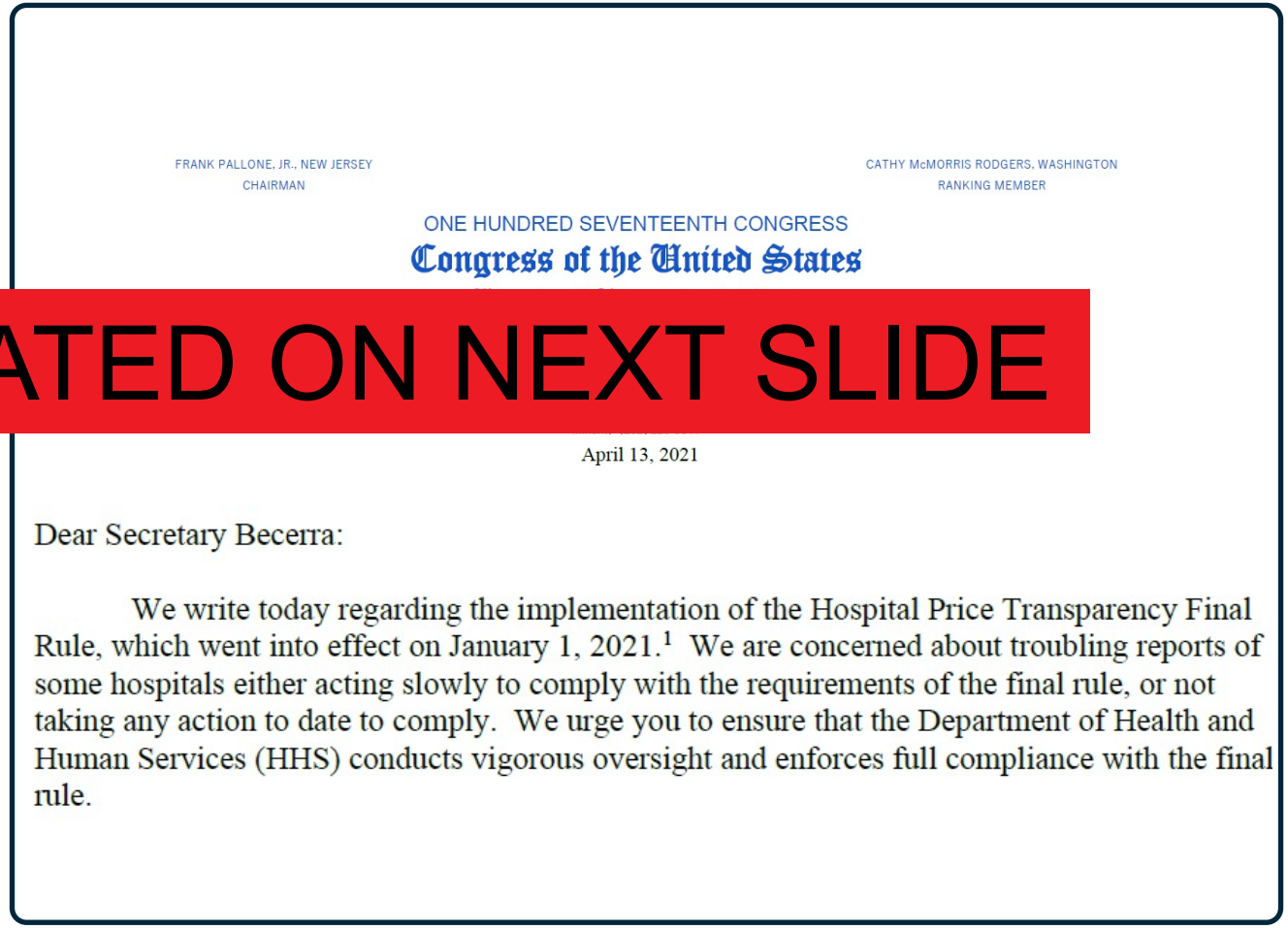
Should I change how I'm complying?

ENFORCEMENT IS COMING – ARE YOU PREPARED?

- While we see about 30% of hospitals fully complying, we hear numerous have taken a "wait and see" approach and plan to update files. Government officials are highly encouraging enforcement and we expect to see that occur as new administrative directives unfold.

- As enforce
  concern fo
  - **Accessibility:** we encourage hospitals to consider a "2 click" navigation goal of moving from the home page to transparency information
  - **Standard Charge Elements:** payer specific negotiated charges are the least reported in machine readable files
  - We anticipate reviews will begin with a "checklist" of compliance – with less ability to audit content – so, fulfilling the required elements will be critical to avoiding financial penalty.

ORIGINAL – UPDATED ON NEXT SLIDE



FRANK PALLONE, JR., NEW JERSEY
CHAIRMAN

CATHY McMORRIS RODGERS, WASHINGTON
RANKING MEMBER

ONE HUNDRED SEVENTEENTH CONGRESS

Congress of the United States

April 13, 2021

Dear Secretary Becerra:

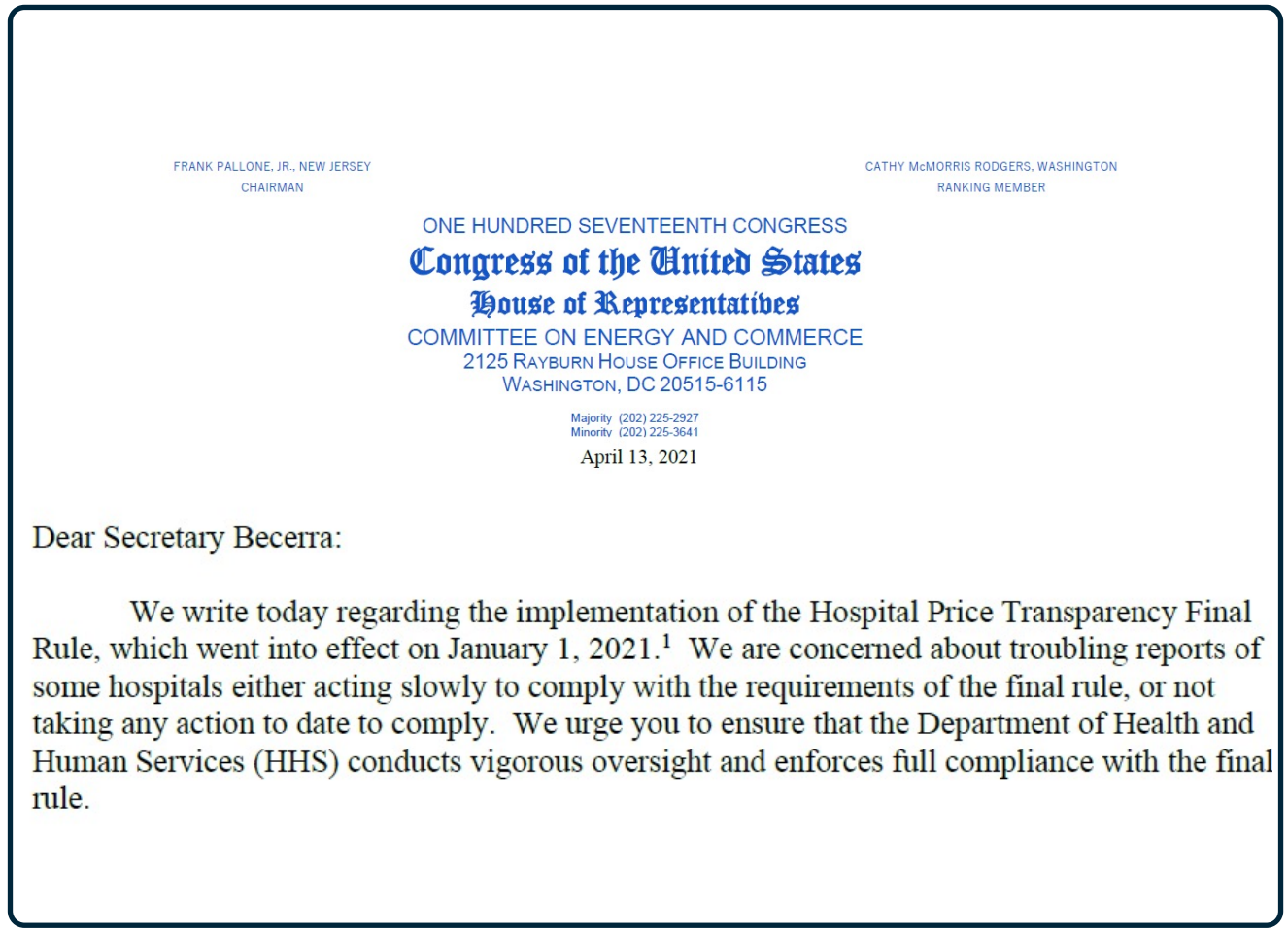
We write today regarding the implementation of the Hospital Price Transparency Final Rule, which went into effect on January 1, 2021.[1] We are concerned about troubling reports of some hospitals either acting slowly to comply with the requirements of the final rule, or not taking any action to date to comply. We urge you to ensure that the Department of Health and Human Services (HHS) conducts vigorous oversight and enforces full compliance with the final rule.

Should I change how I'm complying?

ENFORCEMENT IS HERE – ARE YOU PREPARED?

- While we see about 30% of hospitals fully complying, we hear numerous have taken a "wait and see" approach and plan to update files. Government officials are highly encouraging enforcement and we have started to see that process occurring.

- As enforcement occurs, we see two immediate areas of concern for hospitals:
  - **Accessibility:** we encourage hospitals to consider a "2 click" navigation goal of moving from the home page to transparency information
  - **Standard Charge Elements:** payer specific negotiated charges are the least reported in machine readable files
  - We anticipate reviews will begin with a "checklist" of compliance – with less ability to audit content – so, fulfilling the required elements will be critical to avoiding financial penalty.



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ONE HUNDRED SEVENTEENTH CONGRESS

Congress of the United States
House of Representatives
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2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

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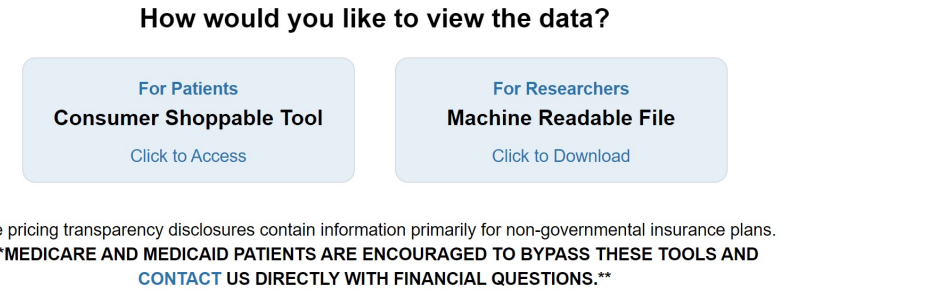
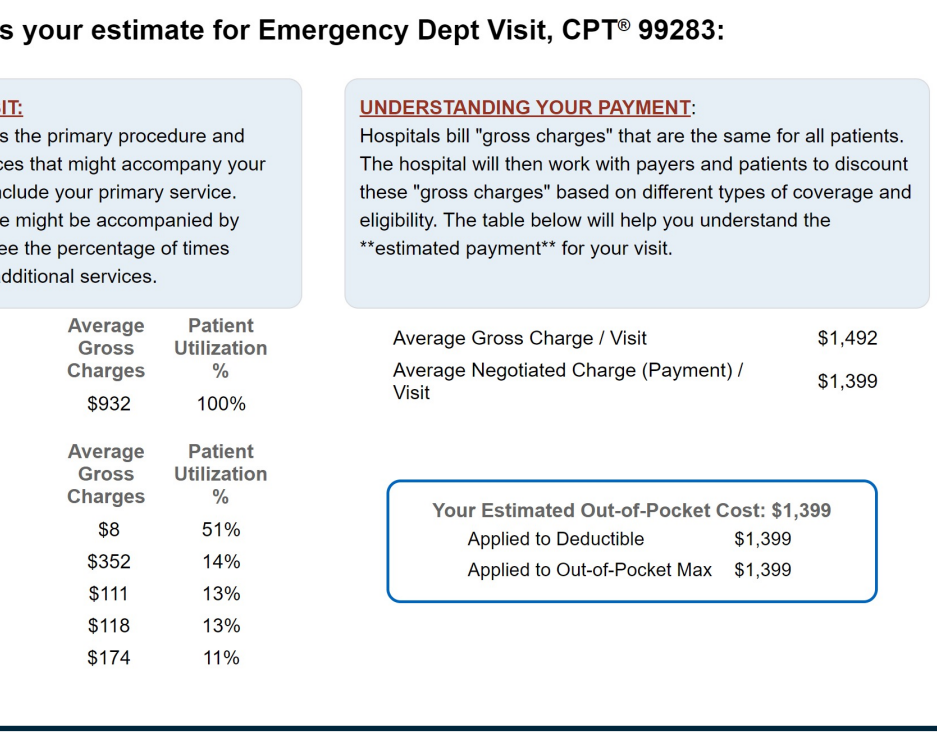
WHAT CAN WE LEARN FROM BEST PRACTICES?

- We find several areas of "best practice" for consideration in continued transparency development:
  - Creating a dedicated pricing transparency page providing consumer education, as well as, explanation of the types/intent of the different disclosures
  - Including disclaimer language for individuals viewing the required data
  - Limiting requirements needed for patients to obtain a pricing estimate using price estimator
  - Considering the format payer specific negotiated rates are displayed – we believe encounter-level displays are best for all interested groups – including hospitals in providing sensitive information

Clearly direct individuals to appropriate information



Educate patients and consider encounter (claim) level displays to provide a more complete picture of responsibility



Source: Cleverley + Associates Hospital Price Disclosure solution

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3) How can hospitals defend their position?
4) How can hospitals prepare for the future?

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