



## AMERICAN HOSPITAL ASSOCIATION

Approved  
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### HOSPITAL PRICING TRANSPARENCY

People deserve meaningful information about the price of their hospital care. Hospitals are committed to sharing information that will help people make important decisions about their health care. Sharing pricing information, however, is more challenging because hospital care is unique. Hospital prices can vary based on patient needs and the services they use; prices reflect the added costs of hospitals' public service role – like fire houses and police stations – serving the essential health care needs of a community 24 hours a day, seven days a week; and a hospitals' prices can't yet reflect important information from other key players like the price of physician care while in the hospital or how much of the bill a patient's insurance company may cover. But more can, and should, be done to share hospital pricing information with consumers.

#### **Goal:**

Share meaningful information with consumers about the price of their hospital care

#### **Objectives:**

- Present information in a way that is easy for consumers to understand and use
- Make information easy for consumers to access
- Create common definitions and language to describe pricing information for consumers
- Explain to consumers how and why the price of their care can vary
- Encourage consumers to include price information as just one of several considerations in making health care decisions
- Direct consumers to additional information about financial assistance with their hospital care

#### **Roadmap to Price Transparency:**

##### **1) Federal requirement for states, working with state hospital associations, to expand existing efforts to make hospital charge information available to consumers.**

- 32 states already have statutes requiring hospitals to report pricing information that is made available to the public either by posting to a hospital, hospital association or government Web site, issued in a government or hospital association report, or made available to consumers upon request; five additional states voluntarily do so.

- State efforts on price transparency vary, from making individual hospitals' master list of charges available to the public (e.g., California), to making pricing information on frequent hospital services available to the public (e.g., Missouri, Florida, Nevada, North Carolina), to making information on all inpatient services available to the public (e.g., Colorado, Kentucky, Oregon, Pennsylvania, Wisconsin).

## 2) Federal requirement for states, working with insurers, to make available in advance of medical visits, information about an enrollee's expected out-of-pocket costs.

- This information is especially important to the majority of consumers who already have some type of health insurance coverage. Their likely interest is in knowing the amount for which they personally are financially responsible. This information is provided today to consumers by their insurance company – it is called an “explanation of benefits, or EOB – but is only given after care is provided. To help inform consumers in advance of their out-of-pocket obligations, insurers could provide an “advance EOB.” This information could be shared with an insured individual by phone or electronically, through an insurer's Web site. Aetna is currently piloting a project like this for physician services in Cincinnati, OH.

## 3) Federal-led research effort to better understand what type of pricing information consumers want and would use in their health care decision-making.

We have learned much based on research about what kind of information consumers want about the quality of their health care. But we know less about what consumers may want to know about pricing information. Consumers need different types of price information, depending on whether and how they are insured. The following illustrates different consumer needs:

- **Traditional Insurance.** Because traditional insurance typically covers nearly all of the cost of hospital care, people with this type of coverage are likely to want information about what their personal out-of-pocket cost would be if they receive care at one hospital versus another.
- **HMO Insurance.** People who have HMO coverage will have even more specific price information needs. They have agreed, in advance, to adhere to certain limits on their choice of physician or hospital in exchange for broad-based coverage of their health care needs. A person with HMO coverage typically faces no additional cost for care beyond their premium and applicable deductibles and co-payments, but must agree to use physicians and hospitals that are participating in that HMO plan. These individuals likely have little, if any need for specific price information.
- **High-Deductible or Health Savings Account (HSA) Insurance.** People with HSAs have more interest than a typically insured person in price information.

These types of plans are designed to make consumers more price-sensitive and to encourage consumers to be prudent “shoppers” for the care they need. A typical plan of this type has a deductible of \$2,500. But consumers with HSA coverage are likely to be more interested in price information for physician and ambulatory care than for inpatient hospital care for several reasons:

- Many patients admitted to the hospital were first seen on an emergency basis in the hospital emergency department. These are not price-shopping patients, but instead, patients who found themselves in need of emergent care and either came or were brought to the nearest hospital emergency department.
  - For patients who are admitted to the hospital for a scheduled or elective procedure, inpatient hospital price information may be less important. That’s because most, if not all hospital admissions result in a cost that exceeds the typical HSA deductible of \$2,500, and therefore, are covered by most HSA plans.
  - People with HSA coverage may be most interested in comparing prices and shopping for care to be delivered that leads up to meeting their deductible (typically \$2,500). People with this type of coverage may be most interested in prices for physician office visits and other ambulatory care for which they are likely to be responsible for paying the full cost.
- **Uninsured Individuals of Limited Means.** People without insurance who have limited means for paying for the health care services they have received need to know how much of their hospital or physician bill they may be responsible for. In the case of hospital care, the information they need must be provided directly by the hospital, after the hospital can ascertain whether a patient may qualify for state insurance programs of which they were unaware, free care provided by the hospital, or other financial assistance.

#### **4) Hospital-led effort to create consumer-friendly pricing “language” – common terms, definitions and explanations to help consumers better understand the information provided.**

- More can be done to explain pricing information to consumers clearly and consistently. Hospitals will lead an effort to create common terms, definitions and explanations of complex pricing information. This will include sharing innovative and understandable ways for displaying pricing information for use by consumers.