



Hospital Pricing Transparency Update - Full Speed Ahead!

November 15, 2019, written by Caroline Znaniec, MBA, MS-HCA

The Centers for Medicare and Medicaid Services (CMS) issued their final rule for hospital pricing transparency with an effective date of January 1, 2021. The rule was met with much controversy when in its proposed stage. And while the lawmakers, attorneys, special interest and industry groups fight on what authority CMS has to enforce much of the requirements, the industry must continue to navigate towards meeting the rule as they are outlined today. Non-compliance to the final rule could result in civil monetary penalties. And while the controversy will continue, there is chance to settle the wake and sail through this smoothly.

CAPTAIN'S LOG



Pricing transparency requirements were first finalized with the CY2019 Inpatient Prospective Payment System Final Rule with implementation on January 1, 2019.

Those requirements were just the beginning of CMS' desires to make public a hospital's standard charges. The rule itself was poorly written with vague direction and was met with even more vague results by hospitals. With President Trump's executive order in the summer of 2019 to improve pricing transparency for healthcare consumers, CMS responded with a proposed rule under the Outpatient Prospective Payment System to expand reporting requirements. This time the proposed rule was very prescriptive on what information should be shared and how it should be laid out and available to the public.

Key changes to the existing pricing transparency requirements included the following:

- Addition of coding and other identifiers to the standard charge file (e.g. CPT/HCPCS, NDC)
- Addition of third-party payer negotiated charges
- Expansion of included items and services to include hospital employed physicians and non-physicians
- Display of 300 shoppable services with gross charge and negotiated charges for third-party payers, including the individual charge lines that sum to the total gross charges and reimbursement by payers

The proposed rule was met with over a thousand comments to CMS. Some of the comments were encouraging and in support of the efforts by CMS. For the majority, the comments questioned CMS' true intent with the use of the information to be supplied, questioned if the



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detail required would assist with the healthcare consumer shopping experience, challenged CMS' authority to require the publishing of payer-negotiated charges and further challenged CMS' understanding of how complex and cumbersome it would be to meet the requirements should they be finalized. The comments can be viewed at the following link (copy and paste in browser):

<https://www.regulations.gov/docketBrowser?rpp=50&so=DESC&sb=postedDate&po=0&dct=PS&D=CMS-2019-0109>

When the CY2020 Outpatient Prospective Payment System Final Rule was published in the first week of November 2019, the anticipated final ruling for pricing transparency was not anywhere to be found. Instead it was delayed with promises of a later ruling published before the end of the calendar year. On November 15, 2019 the final rule became public with little change to the controversial proposed rule provided prior in the year. The biggest scuttlebutt around the publishing of payer-negotiated charges in the standard charge file and the addition of hundreds of shoppable services.

WELCOME ABOARD

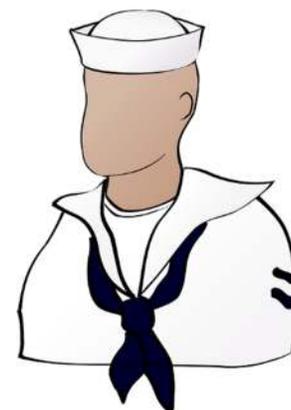
With the final rule, hospitals are now afforded more than a year to strategize and operationalize their compliance with expectations set forth by CMS for pricing transparency. This is actually great news! No need to walk the plank. Hospitals can view this as an opportunity to review their pricing and charging practices, as well as improve upon contract compliance and monitoring of payer performance.

PLOTTING THE COURSE

The last thing a hospital will want to encounter when approaching its pricing and charging practices is mutiny from the crew. The current hospital pricing and charging was likely not created by a single person and should not be assessed in isolation either. Before setting sail the hospital must make sure they have the right crew and provisions.

The Crew

- Revenue Integrity
- Charge Description Master Maintenance
- Patient Financial Services
- Finance/Cost Accounting
- Managed Care Contracting
- Information Technology





Required Provisions

- Charge Description Master, including pricing
- Historical Revenue and Usage Reports
- Managed Care Payer Contracts
- Medicare Cost Report
- Internal Cost Data
- Mark-Up Policies

In plotting the course, the crew must first be clear in the direction to take in the best interest of the hospital, its consumers and strategic vision. They must use their provisions wisely to navigate the course for a swift and safe arrival to their destination.

HIDDEN TREASURE



Reviewing a hospital's current pricing methodology and charging practices is most often met with resistance from the officers. Perception is that revenues will be reduced and therefore ignorance can be bliss. But hold on there mate . . . this may be a sea-story.

Aligning a hospital's pricing methodology and charging practices to the objectives of pricing transparency can uncover opportunities to improve upon pricing, the identification, capture, billing and collections of the hospital. Aligning the objectives and defining the navigation rules will reduce mutiny and keep the crew afloat.

Objectives

- Simplicity in administration
- Coverage of financial requirements for the provision of quality care
- Ability to easily communicate prices and methodology to consumers
- Stability in benchmarking and other comparisons related to cost of care and market share
- Clarity for consumers for shoppable services

Navigation Rules

- Pricing of like and similar services do not differ greatly and move together
- Pricing increases with the additional resource needs and costs associated with a service or procedure



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- Pricing for the same service or procedures does not vary based on where it is performed within the same provider setting
- Pricing considers actual cost, payer contracts and market share
- Pricing is reviewed on at least an annual basis and is reviewed in whole and not departmentalized

THE SHAKEDOWN CRUISE

To many hospitals approaching pricing under the pressures of a federal ruling can be overwhelming. Like being swallowed by the sea. But know these waters are navigable. Hospitals have the crew, they have the provisions and now they have the time to plot their journey (January 1, 2021 to be exact). A well charted plan can uncover the hidden treasure for all.



Caroline Znaniec is the Principal Owner of Luna Healthcare Advisors LLC. She consults nationally on pricing strategy and transparency, revenue integrity, and revenue cycle transformation. Caroline is also an avid sailor of the Chesapeake Bay. To learn more about how Luna Healthcare Advisors LLC can help you navigate pricing transparency email directly to Carroline at caroline@lunahealthcareadvisors.com