



The Long Road to Healthcare Price Transparency

Larry Thompson, Chief Revenue and Strategy Officer, AMPS

The shift to transparency in healthcare is long overdue. When you can shop and compare prices for medical services, then you can make better choices for your health, which will naturally lower the cost of care.

Just months before the COVID-19 pandemic struck, the U.S. Department of Health and Human Services unveiled two regulations based on an executive order from President Trump in June 2020 to increase price transparency for consumers. One rule would require health plans to give consumers estimates of their out-of-pocket costs and disclose negotiated rates for in-network providers and payments for out-of-network (OON) providers.

Similarly, the second rule required hospitals to publish their standard charges by 2021, including gross and payer-negotiated rates and what they are willing to accept as a cash payment for all their services. The rule also required hospitals to share those prices for 300 common shoppable services, such as X-rays, outpatient visits, imaging, and laboratory tests in a consumer-friendly manner.

Naturally, the America Hospital Association, along with the Association of American Medical Colleges, the Children's Hospital Association and the Federation of American Hospitals, along with several individual hospital plaintiffs sued the government to block the final rule that would require them to disclose the negotiated rates.

Public disclosure of payments, however, would likely reduce the wide variation in prices common in healthcare, even within the same market. For example, the Health Care Cost Institute (HCCI) found that the median price of an uncomplicated vaginal birth in the Boston-Cambridge-Newton, MA-NH market was \$8,074, but ranged from \$4,701 at the 10th percentile to \$15,973 at the 90th percentile, a difference of \$11,272.

Through transparency, we can arrive at more stable prices for patients, with plans that are fair to all parties. In a separate study of 420 million medical claims across 963 markets, HCCI found that if a median price were assigned to all claims for all services within all markets, healthcare costs would decline by 9%.

The New Normal

COVID-19 has changed healthcare and we will continue to feel its effects even after a successful treatment protocol or vaccine is discovered and available to patients. As hospitals and health systems recover from the significant financial impact, millions of Americans who discovered telehealth while on lockdown will become repeat patients instead of visiting their doctor's office, while health plan sponsors continue to seek healthcare strategies to protect patients in case of a new pandemic or from a further economic downturn.



These changes will drive the demand for greater flexibility and transparency in the healthcare market. We all want to have a clear understanding and greater control over our healthcare costs before we spend our own money out of pocket. While it will be a challenge to transition to a new paradigm of shopping for healthcare, the result will be lower overall costs and patients who are more engaged in their healthcare because they are more vested in their benefits and more informed about their options and costs.

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