



E-BRIEF SERIES

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Billing Sta

Name: John Joenson
Adress: 321 Street
NNN Town, 654 32

CMS Final Rule Adds Requirements for Hospital Pricing Transparency



Jessica Whitney,
CPC, CPMA



Laura Brink,
RHIT, CRC

Date of Service	Amount	Amount Due
08/07/2016	54.00	44.00
08/07/2016	16.00	-2.00
09/09/2016	32.00	-
10/09/2016	21.00	-10.00
10/09/2016	21.00	-5.00
09/2016	44.00	-3.00
	34.00	
	22.00	

Payment Adjust	Amount Due
-10.00	44.00

Comparing costs for healthcare services has not been an easy task with regard to either clarity or simplicity.

With healthcare spending on the rise, a focus to decrease costs is being addressed through the Price Transparency Requirements for Hospitals to Make Standard Charges Public final rule. The Centers of Medicare and Medicaid Services (CMS) finalized the pricing transparency policies on November 15, 2019 with the final rule effective date of January 1, 2021. With patient healthcare spending increasing from 4.2% in 2017 to 4.6% in 2018 – amounting to \$3.6 trillion in spending – this final rule requires hospitals to list charges publicly for items and services. The primary purpose of pricing transparency is to decrease spending and increase market competition.

Transparency Takeaways

The goal of the final rule is: “establishes requirements for hospitals operating in the United States to establish, update, and make public a list of their standard charges for the items and services that they provide.”



Transparency of identifiable items and services found in hospitals' charge description master (CDM) with an online format will be available starting January 1, 2021. This transparency will allow patients to make more informed choices related to the cost of their medical care. Hospitals must have this information publicly available through a comprehensive machine-readable file, as well as a display of shoppable services in a consumer-friendly format. With this, CMS aims to improve spending and increase market competition while reducing costs through a patient-driven healthcare system.

What does CMS define as a hospital? CMS defines those institutions in any state in which state or applicable local law provides for the licensing of hospitals and is licensed as a hospital pursuant to such law or is approved by the agency of such state or locality responsible for licensing hospitals, as meeting the standards established for such licensing is defined as a hospital under the final rule. CMS further defines the types of standard charges for the items and services that will be made public as:

- Gross charge: The charge for an individual item or service that is reflected on a hospital's chargemaster, absent any discounts
- Discounted cash price: The charge that applies to an individual who pays cash, or cash equivalent, for a hospital item or service
- Payer-specific negotiated charge: The charge that a hospital has negotiated with a third-party payer for an item or service
- De-identified minimum negotiated charge: The lowest charge that a hospital has negotiated with all third-party payers for an item or service
- De-identified maximum negotiated charge: The highest charge that a hospital has negotiated with all third-party payers for an item or service

CMS has clarified what will be included in hospital pricing transparency as "individual items and services and service packages, that could be provided by a hospital to a patient in connection with an inpatient admission or an outpatient department visit for which the hospital has established a standard charge." This includes, but is not limited to:

- Supplies and procedures
- Room and board
- Use of the facility and other items (generally described as facility fees)
- Services of employed physicians and non-physician practitioners (generally reflected as professional charges)
- Any other items or services for which a hospital has established a standard charge

The comprehensive machine-readable file is one of two necessary pieces to provide this information publicly. The single machine-readable digital file contains all five of the standard charges for all items and services provided by the hospital. In contrast, the display of shoppable services in a consumer-friendly format must display three hundred shoppable services (services that can be scheduled in advance) or as many as the hospital provides in plain language, grouped by ancillary service, including all standard charges except gross charge.

Building upon the hospital pricing transparency requirement detailed above, the Transparency in Coverage final rule released in October of 2020, sets forth requirements making available to consumers the tools needed to access pricing information through their health plans. This rule will require most group health plans and health insurance issuers in the group and individual market to disclose price and cost-sharing information to participants, beneficiaries, and enrollees.



The final rule will approach healthcare price information in two ways. First, group health plans and health insurance issuers will be required to make available to participants, beneficiaries, and enrollees personalized out-of-pocket costs and underlying negotiated rates for all healthcare items and services. For plan years beginning January 1, 2023, a list of 500 shoppable services will be available via the internet and a full list of items and services by January 1, 2024. Second, for plan years that begin after January 1, 2022, group health plans and health insurance issuers will be required to make available 3 separate, machine-readable files with detailed price information. These files will include negotiated rates for all covered items and services between the plan and all in-network providers, historical payments to and billed charges from in-network providers, and finally, in-network negotiated rates and historical net prices for all covered prescription drugs by the plan at the pharmacy location level.

The CARES Act, enacted on March 27, 2020, requires providers of diagnostic tests for COVID-19 to make public the cash price for the COVID-19 test on the providers' public website. This price transparency requirement is effective for the duration of the public health emergency. To date, there is no requirement for non-hospital employed providers to make pricing information available outside of the requirements set forth in the CARES act. That said, the goal of pricing transparency is to support price-conscious decision making for consumers and competition in the healthcare industry. It seems reasonable to assume that a requirement for price transparency for all healthcare providers is likely on the horizon.

Compliance is Key

CMS will be monitoring compliance of hospitals under the authority of Section 2718(e) of the Public Health Service Act. Should noncompliance be found in any of the pricing transparency requirements, action taken by CMS may include presenting the hospital with a warning, a request for a corrective action plan, civil monetary penalties no more than \$300 per day and adjusted annually, and the noncompliance can be publicized on CMS' website. Hospitals will also have a right to a hearing within 30 days.

Amidst an already stressed healthcare system due to COVID-19 – it is crucial to be proactive in your compliance measures. Failure to implement the pricing transparency rule can result in nearly \$110,000 in penalties per year. Although this may not be a substantial amount to hospitals, noncompliance can still degrade the image of hospitals through the CMS website, public, and professional opinions.

Clear the Path to Compliance

What steps should your organization take to prepare and implement pricing transparency to verify compliance with the final rule?

- Determine if your organization meets CMS' definition of a hospital as defined in the final rule.
- Comprehensive machine-readable file:
 - Does the file meet all criteria for format, data elements, accessibility, and annual updates?





- Make available a display of shoppable services for each individual hospital:
 - Are the standard charges posted, specific to, and clearly identify the location?
 - Does the file meet all criteria for data elements, accessibility, and annual updates?
 - Does your hospital meet the requirements for Making Public Standard Charges for Shoppable Services by maintaining an internet-based price estimator tool? If so, are all the regulations being followed?

A significant amount of time and effort from a team of experts including IT, revenue cycle, marketing, compliance, or an external third party is necessary to meet all of the requirements in the final rule. Do not delay in establishing pricing transparency at your hospital. If you haven't already, now is the time to establish a team and begin a thorough review of your CDM and payer data.

Resources:

<https://www.cms.gov/newsroom/fact-sheets/cy-2020-hospital-outpatient-prospective-payment-system-ops-policy-changes-hospital-price>

<https://www.govinfo.gov/content/pkg/FR-2019-11-27/pdf/2019-24931.pdf>

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet#:~:text=NHE%20grew%204.6%25%20to%20%243.6,16%20percent%20of%20total%20NHE.>

<https://www.cms.gov/files/document/hospital-price-transparency-final-rule-quick-reference-checklists.pdf>

<https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CMS-Transparency-in-Coverage-9915F.pdf>

<https://www.cms.gov/files/document/covid-ffs-price-transparency-faqs.pdf>

<https://www.cms.gov/newsroom/press-releases/cms-completes-historic-price-transparency-initiative#:~:text=The%20rule%20requires%20group%20health,pay%20healthcare%20providers%20for%20specific>

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Jessica Whitney,
CPC, CPMA



By Laura Brink,
RHIT, CRC

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