

November 15, 2019

Transparency Rules Could Shake Up Hospitals and Carriers

The Trump Administration is pushing ahead with rules requiring hospitals to disclose their contracted rates with insurance carriers and Preferred Provider Organizations (PPOs) for 300 “common” services, effective January 1, 2021.

The administration’s push for transparency in healthcare pricing will also require insurance carriers to disclose the rates they negotiate with hospitals and physicians.

It is expected that some hospitals will challenge the transparency rule in court, and many insurance carriers are also likely to object to the new regulations.

Will Transparency Decrease Costs?

If the disclosure rules go into effect, what is the likely prognosis for the cost of healthcare? Will the disclosure of contracted rates spur competition and cause hospitals to reduce prices to maintain business? Recall years ago, when Lasik providers began to advertise and actively compete with each other – the result was reduced fees for laser eye surgery.

Or, conversely, will the new disclosure rules lead lower-cost hospitals to increase prices for services, so that they are more aligned with their pricier competitors?

A desire for transparency in healthcare pricing has been an ongoing issue – and numerous experts believe it is one of the reasons true “consumerism” is difficult to achieve. It remains to be seen if competition in healthcare can truly drive down costs.

Potential Effect on Reimbursement

In recent years, there has been a change in reimbursement methods from volume-based methods to those based on quality and value. The new rules may drive the creation of even newer algorithms that blend allowed charges with quality scores in an effort to come up with the “best value.”

Proponents of “Fair Market Pricing” may experience a boost, too, as they are able to illustrate a maximum

allowed cost for a variety of procedures in a given geographic area. It is unknown, however, if employers will embrace such a change in how charges are derived and subsequently, expose their employees to balance billing and/or collections.

As additional details about the disclosure rules for contracted rates become available, we will provide updates.

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