

Background

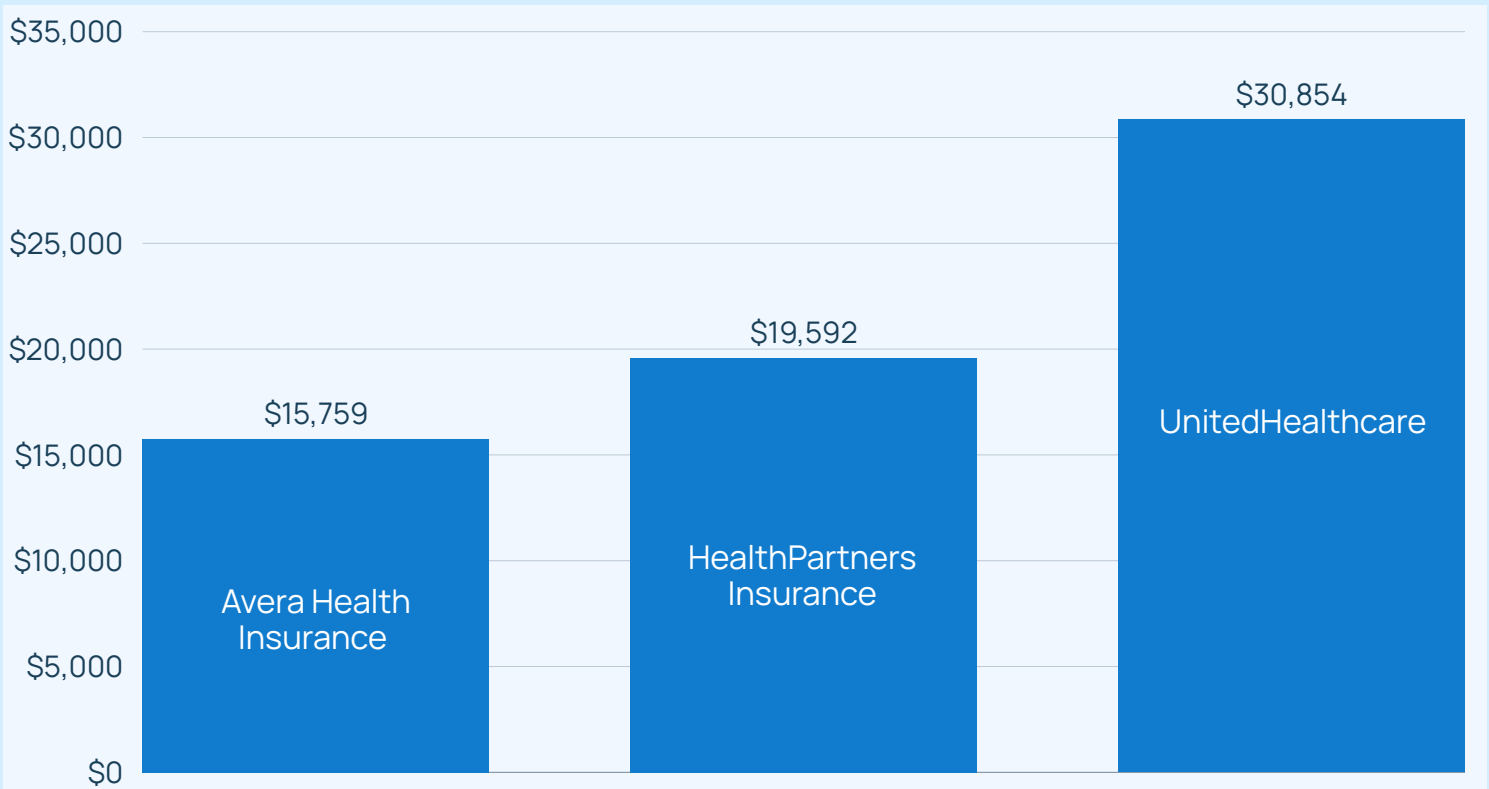
The Price Transparency rules - Hospital Price Transparency Rule (HPT) in 2021 and Transparency in Coverage Rule (TiC) in 2022 - have lifted the veil of secrecy on healthcare prices. The data released under these rules contain rich information on prices between insurers and healthcare providers for healthcare services, and allow employers, for the first time, to understand the variation in prices for commonly utilized healthcare services. **The data can guide employers today, but needs help to achieve its potential at lowering costs.**

Insurance Selection

Same Knee Replacement, Same Hospital, 1.9x the Price.

Hospital prices for commercial insurance in South Dakota can vary by almost 100% for the same procedure, depending on the insurance plan, ranging from \$15,759 to \$30,854.

Negotiated Amounts for Inpatient Knee Replacement at Avera McKennan Hospital



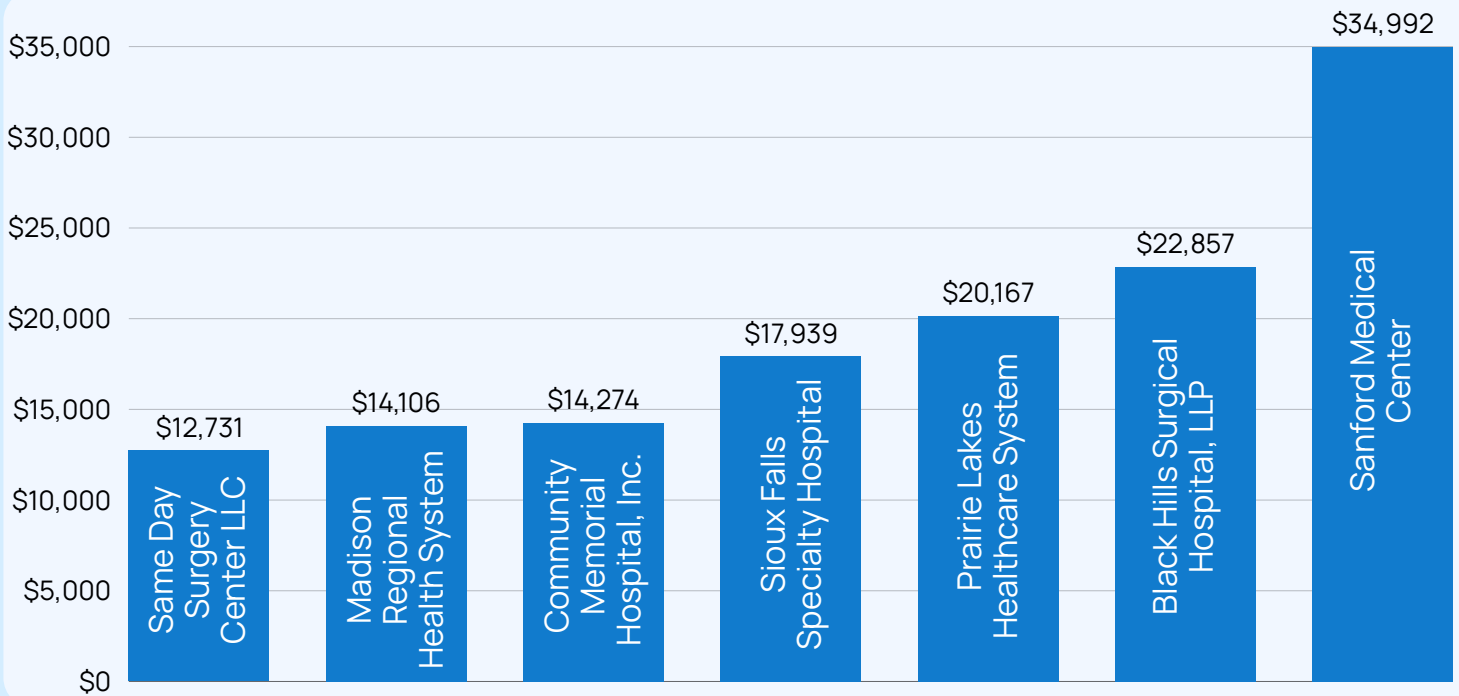
Source: Avera McKennan Hospital Hospital Price Transparency File

Provider Selection

Choosing the Wrong Hospital can Cost \$1000s

Across South Dakota hospitals within the same commercial insurer network, prices for the same inpatient knee replacement still vary widely. Navigating patients to lower-cost hospitals can cut spend without reducing benefits.

Negotiated Amounts for Inpatient Knee Replacement Across Major Hospitals in South Dakota (UMR)



Source: UMR Transparency in Coverage File

Issues with Price Transparency Data and How to Fix Them

Price Transparency holds the promise to bring down healthcare prices and reduce healthcare spending for employers and patients. However, the data being released under TiC has some flaws:

- **Incomplete and Incorrect data:** In South Dakota, Aetna released prices for 3 hospitals, UHC released prices for 1 hospital and Cigna did not release prices for any hospitals.
- **No information on utilization:** HPT and TiC data files should be required to include information on service utilization. This can help identify high quality providers. Findings from a meta-analysis¹ showed that the majority of studies find a positive association between higher volume and higher quality, both for hospitals and providers.
- **Inconsistent reporting structure:** Data released by different insurers can be in different formats which affects data usability. Requiring a uniform reporting structure can enhance the usability of price transparency datasets.
- **Difficult data formats:** Accessing the data requires an intermediary as the data structure is very difficult for even academic researchers to evaluate.

Fixing these issues and enforcing compliance by providers and insurers to release their data will significantly augment the impact of Price Transparency rules.

¹ Halm EA, Lee C, Chassin MR. Is volume related to outcome in health care: a systematic review and methodologic critique of the literature. *Ann Intern Med.* 2002;137(6):511-520.

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