Improving Price Transparency: An Overview of the Report from the HFMA Price Transparency Task Force

Over the past year, it has become abundantly clear that many Americans are concerned about the cost of their health care and want to be better healthcare consumers. But some have been frustrated by the lack of readily accessible information on healthcare prices.

As Americans pay a greater proportion of their healthcare costs out of pocket, they have an urgent need for meaningful and transparent price information. HFMA convened a multi-organizational task force to reach a consensus about the best way to make accurate, relevant price information available to consumers. Although the task force focused its efforts on price information, task force members agreed that price transparency information should be paired with other value-related information, such as quality and safety, when available.

The task force's efforts culminated in HFMA's April 16 release of a report that offers guiding principles and recommendations for improving price transparency in health care.

"People everywhere want to be smart healthcare consumers, but information about healthcare prices is not easily accessible," says HFMA president and CEO Joseph J. Fifer, FHFMA, CPA, commenting on the report's release. "For too long, it has been unclear how consumers should go about getting price information—who to ask, what to ask for, or what the information even means when they do receive it. This approach is a game changer."

The task force started by establishing common definitions, went on to develop basic principles to guide transparency efforts, and then used those principles to outline price transparency frameworks and recommendations tailored to the needs of various care purchasers.

Common Definitions

Key terms related to healthcare prices can be ambiguous. Patients and insurers view the cost of health care from very different perspectives, for example. Recognizing the fundamental importance of a shared vocabulary, the task force makes clear distinctions among charges, prices, and costs, as as well as among other definitions of various healthcare stakeholders and stakeholder interests.

The concept of price transparency itself has been subject to a variety of interpretations. Prioritizing transparency for care purchasers, the HFMA task force defines transparency as readily available information on the price of healthcare services that—together with other information—helps define the value of those services and enables patients and other care purchasers to identify, compare, and choose providers that offer the desired level of value.
Guiding Principles
The task force believes efforts to achieve price transparency should be guided by the following principles:

- Price transparency should empower patients and other care purchasers to make meaningful price comparisons prior to receiving care.
- Any form of price transparency should be easy to use and easy to communicate to stakeholders.
- Price transparency information should be paired with information on quality, safety, patient experience and other measures that define the value of services for the care purchaser.
- Price transparency should ultimately provide patients with the information they need to understand the total price of their care and what is included in that price.
- Price transparency will require the commitment and active participation of all stakeholders.

These guiding principles inform the task force's recommendations for price transparency frameworks.

Recommendations for Price Transparency Frameworks
Because care purchasers' information needs and sources vary, the task force recommends different price transparency frameworks for different care purchaser groups.

**Insured patients.** Health plans should serve as the principal source of price information for their members. Along with other suppliers of price information, health plans should introduce different frameworks for communicating price information to insured patients and should be innovative in their approaches.

Transparency tools for insured patients should include some essential elements of price information, including:

- The total estimated price of the service
- A clear indication of whether a particular provider is in the health plan's network and information on where the patient can try to locate a network provider
- A clear statement of the patient's estimated out-of-pocket payment responsibility
- Other relevant information related to the provider or the specific service sought (e.g., clinical outcomes, patient safety, patient satisfaction scores)

Also, patients should be alerted to the need to seek price information from out-of-network providers.

To ensure valid comparisons of provider price information, health plans and other suppliers of such information should make transparent the specific services that are included in the price estimate.

The task force further recommends that government agencies should develop similar transparency frameworks for beneficiaries of public programs such as Medicare and Medicaid.
Uninsured and out-of-network patients. The task force agrees that providers should be the principal source of price information for uninsured patients and patients who are seeking care from the provider on an out-of-network basis.

Price transparency frameworks for uninsured and out-of-network patients should reflect the following basic considerations:

- Providers should offer an estimated price for a standard procedure without complications and make clear to the patient how complications or other unforeseen circumstances may increase the price.
- Providers should clearly communicate preservice estimates of prices to uninsured patients and patients seeking care on an out-of-network basis.
- Providers should clearly communicate to patients which services are included in a price estimate—and which services are not.
- Providers should provide information, where possible, on where patients could obtain price information on any services not included in a price estimate that would have significant price implications for a patient.
- Providers should give patients other relevant information (e.g., clinical outcomes, patient safety, patient satisfaction scores), where available.

Employers. Fully insured employers should continue to use and expand transparency tools that assist their employees in identifying higher-value providers.

Self-funded employers and third-party administrators should work to identify data that will help them shape benefit design, understand their healthcare spending, and provide transparency tools to employees.

Referring clinicians. Referring clinicians should help a patient make informed decisions about treatment plans that best fit the patient’s individual situation. They also should recognize the needs of price-sensitive patients, seeking to identify providers that offer the best price at the patient’s desired level of quality.

Helping Patients Access Price Information

Although price information resources are becoming more widely available, patients may not know where to find them. In conjunction with this price transparency report, HFMA has developed a guide to help patients know where and how to get information about healthcare prices. The resource, Understanding Healthcare Prices: A Consumer Guide, is designed to be distributed by providers, payers, employers, and other organizations with an interest in helping people navigate the healthcare system.

Moving Forward

The task force recognizes that other aspects of price transparency will require monitoring and, potentially, policy solutions. These aspects include the impact of transparency on price negotiations within the business-to-business marketplace between health plans and providers and on providers' ability to provide societal benefits such as services (e.g., a Level I trauma center) or
programs (e.g., a strong teaching and research mission) that may not produce a profit or positive margin or service to low-income, indigent, or rural populations.

In conclusion, implementing the task force’s recommendations will go a long way toward improving price transparency for care purchasers. But these recommendations are only a starting point. It is incumbent upon all industry stakeholders to act on the task force’s recommendations in a concerted effort to provide the price information that will give patients the ability to make informed care decisions.

Sidebar 1
HFMA Price Transparency Task Force: Participating Organizations

Sidebar 2
Common Definitions of Charge, Cost, and Price

**Charge.** The dollar amount a provider sets for services rendered before negotiating any discounts. The charge can be different from the amount paid.

**Cost.** The definition of cost varies by the party incurring the expense:

- To the patient, cost is the amount payable out of pocket for healthcare services.
- To the provider, cost is the expense (direct and indirect) incurred to deliver healthcare services to patients.
- To the insurer, cost is the amount payable to the provider (or reimbursable to the patient) for services rendered.
- To the employer, cost is the expense related to providing health benefits (premiums or claims paid).

**Price.** The total amount a provider expects to be paid by payers and patients for healthcare services.

Because the definition of cost varies according to the party in question, the report minimizes the use of the term.