

# In the Spotlight: Focus on Price Transparency

## Intro

Today, as the high cost of health care continues to rise, individuals and employers are increasingly turning to new, innovative health plans with benefit designs that put consumers in the driver's seat to control their health care choices. Health insurers and providers need to be transparent about the price and quality of services and treatments so that consumers can make informed decisions. Health insurers, providers and regulators are embracing this role as it relates to cost, in order to help meet the end goal of better health care cost management.

## Forms of Price Transparency

Transparency takes many forms to help consumers understand the cost of different aspects of their health care. Here are some of the uses of price transparency:

**Plan Shopping:** Health insurers must offer several key pieces of information to consumers as they shop for a health plan. This information includes monthly premium rates, copayment rates, coinsurance and deductible limits across types of services, physicians, and settings of care. Sometimes, insurers offer consumers estimates of service or drug prices while they shop for a plan to estimate what they will spend on care.

**Health Care Service Shopping:** Health insurers often offer an online tool or customer service support to help consumers estimate the price of a specific procedure or drug within a geographical region. Price tools help members view the price of services and better *understand the impact* of the price. For instance, a health insurer may offer a tool that allows members to see not only the total cost of a procedure, but their specific cost once the deductible and coinsurance or copayment are applied. Tools may allow members to compare providers side-by-side to assess price and quality performance. The combination of price data with effective decision support tools optimizes consumers' ability to make well-informed decisions about their care. Providers may also play a role in price of service transparency when they disclose estimated cost of care prior to or at the time of service.

**Public Reporting:** Health insurers and providers may participate, either voluntarily or by mandate, in public reporting programs that collect data about health insurance prices. Reporting often reflects aggregated, historical experience of health care consumers based on data from one or more health insurers in a local community, region or state. Data for public reporting may include premium rates, other cost sharing (such as copayment, coinsurance), or service prices by provider. This information is often released publicly for health care consumers, scholars and public health officials to understand trends in the health care market in their area.

## Price Transparency Rules of the Road

It is good practice for health insurers to ensure consumers are equipped with information about the price of their plan and the price of care. There are several key practices that should affect how transparency information is offered to consumers. Some of them are described below:

**Price alone does not show the whole picture:** Health insurance and health care can be complicated. More complicated than other markets like shopping for a TV, where it is likely that the more money you spend on the TV, the better quality TV you receive. When it comes to health care, the money you spend on a service does not necessarily correlate with the quality of care you receive. So, members need other details like provider quality performance side-by-side with price to help make their health care decisions. In addition, it is critical that members understand their *benefits, cost-sharing structure* and *physician network* in order for them to understand how prices work and why prices vary. See our [transparency overview](#) to understand why these components are important.

What type of information we share & how it is packaged matters: Even understanding health care cost is complicated. The total cost of care for a consumer's service may be spread across several different bills, and each of those component costs may vary by many factors. Therefore, tools that insurers use to deliver price information need to be user-friendly and describe the total estimated costs of care for a defined episode. For instance, if a consumer seeks price information for a knee replacement, a tool should display the total cost of care to include surgeon, facility, anesthesia and post-surgical care all together. This way, consumers may use the entire picture of cost for knee replacement, rather than a partial view, as the basis for their service decision. In addition, tools should use easy to understand terms and graphics. Transparency tools should demonstrate the total cost of care when consumers' benefits are applied to the allowed price.

Transparency is a shared responsibility: Health insurers and providers should both play a role to provide price information to consumers. While health insurers have a leading role to play in displaying cost information for the insured population, providers should supplement the health insurer's cost estimates prior to or at the time of service to give consumers a more precise picture of costs based on clinical expertise.

## Legal Guidelines

The state and federal governments set legal requirements, generally in the form of a minimum level of consumer transparency that is required to operate as a health insurer or provider.

North Carolina's Legal Requirements: Health insurers are required to provide a description of premium rates<sup>1</sup> along with other financial performance-level detail<sup>2</sup> to the NC Department of Insurance (NCDOI). In addition, the NCDOI regularly performs compliance checks and pricing reviews to ensure that plans are affordable in North Carolina. State law requires health insurers in North Carolina to share claims information with members, including information on the price of health services after a claim is incurred.<sup>3</sup> In 2013, the NC General Assembly passed a law requiring hospitals to submit to NCDOI information on the prices for the most frequently used inpatient services for the top five insurers in the state. This new requirement mandates publicly display of cost data for the top 100 inpatient procedures, top service codes and top diagnostic imaging procedures.<sup>4</sup>

ACA Federal Requirements: The federal government has proposed regulations under the Patient Protection and Affordable Care Act (ACA) for public and member-specific disclosure on insurers' financial practices.<sup>5</sup> Health insurers must disclose claims payment policies and practices, data on the number of claims that are denied, data on rating practices, information on cost-sharing and payments with respect to out-of-network coverage.<sup>6</sup> These rules will apply to all non-grandfathered individual or group market plans, sold on or off the Health Insurance Marketplace beginning in 2016.<sup>7</sup>

## Current Landscape of Price Transparency Tools

Many insurers have their own version of a price transparency tool available for consumers. Health insurers across the nation are honing the capabilities of these tools to display the most meaningful information for members, since it is in members' and the insurer's interest to communicate clearly about price. While all health insurers are required to display certain plan-shopping price information publicly such as premium and cost-sharing, there has only recently been a

<sup>1</sup> N.C.G.S. 58-51-95(h)

<sup>2</sup> N.C.G.S. 58-10-7

<sup>3</sup> N.C.G.S. 58-63-15

<sup>4</sup> N.C.G.S. 131E-214.13

<sup>5</sup> Department of Health and Human Services. Proposed Rule: 2016 Notice of Benefit and Payment Parameter. 26 Nov. 2014. <http://www.gpo.gov/fdsys/pkg/FR-2014-11-26/pdf/2014-27858.pdf>

<sup>6</sup> 42 CFR Sec. 156.220.

<sup>7</sup> ACA Sec. 2715A

market push to make service-shopping transparency tools available publicly to consumers. As issues like medical debt, “surprise” out-of-network bills, and the high cost of health care continue to increase in frequency and severity, transparency innovation will become an increased focus in the health care market.

## BCBSNC Views

At BCBSNC, we are supportive of transparency efforts and go to lengths to ensure we meet market best practices and state and federal transparency requirements. BCBSNC is making available to all consumers information they need to comparison shop based on cost and quality. Starting in 2015, a new member tool displays prices of services for hundreds of common procedures in a user-friendly way, including the member’s out-of-pocket costs once deductibles and copayments are applied. Also new this year, BCBSNC is making its service costs available to the general public to use for their reference in plan shopping. In this era of change and rising health care costs, BCBSNC is dedicated to continuing the conversation with consumers to identify and communicate meaningful information necessary for health care decision-making.

### For More Information:

#### **BCBSNC’s Customer Treatment Cost Estimator:**

<http://www.bcbsnc.com/content/campaigns/mycost/index.htm?cmpid=mycosthp>

#### **BCBSNC’s Consumer Treatment Cost Estimator Tool:**

<http://www.bcbsnc.com/healthcarecosts>

This information has been prepared by Blue Cross and Blue Shield of North Carolina to assist our customers in understanding Health Care Reform. This publication is for informational purposes only. It is not legal or tax advice. Please consult with your attorney or tax advisor for information on your specific situation. As regulations and other interpretive guidance are published, this information may change. ®SM are registered marks of the Blue Cross and Blue Shield Association. ©, 2014 Blue Cross and Blue Shield of North Carolina is an independent licensee of the Blue Cross and Blue Shield Association. U#7259aa