



# Pricing Transpare ncy

*HFMA Lone Star  
Spring Conference*

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# Today's Agenda and Objectives

## **Pricing Transparency:**

- Definition
- Sample Regulatory and Non-Regulatory Activity
- Texas Specific Activity

## **Impact to Patient Volumes and Net Patient Revenue:**

- Complex Concept for the Uninformed (e.g. patients)
- Evolving Benefit Plan Designs
- Patient Self Steerage (case studies)

## **Mitigation Strategies:**

- Strategic Pricing: “v2.0”
- Value Based Reimbursement

# Pricing Transparency *Definition*

“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.”<sup>1</sup>

## ***Key Concepts:***

- Charges
- Payments
- Costs
- Benefit Plan Design
- Out-Of-Pocket Payments (copays, coinsurance, deductibles, etc.)
- Value

<sup>1</sup> HFMA, 2015

# Pricing Transparency

## Federal: *Sample*

— 2013: CMS releases Charge Description Master (CDM) data for 100 most common Medicare

## *Regulatory* *Activity*

DRGs\*

Demonstrated wide variation among providers even within the same market

### **State:**

- 17 States in various stages of implementing a publically available database allowing patients to compare prices for the most common IP and OP procedures
- However, the Supreme Court ruled 6-2 that ERISA (self-insured) plans do not have to comply with VT's VHCURES claims database requirements

### **Other:**

- Critical Access Hospitals: 20% copay for Medicare beneficiaries based on hospital's charges
- Impact of 501(r): Limitation on Charges provision

\* DRG- Diagnosis Related Group



# Pricing Transparency

Commercial Pricing Transparency Databases:

— Patient out-of-pocket costs based on:

## *Regulatory Activity*

- Benefit plan design

- Medical condition
- Provider chosen

— Examples Include:

- Aetna “Member Payment Estimator”
- Geisinger “MyEstimate®”
- Wisconsin “PricePoint” (Wisconsin Hospital Association)
- Main “HealthCost” (maintained by State agency)

## *Watchdog Groups:*

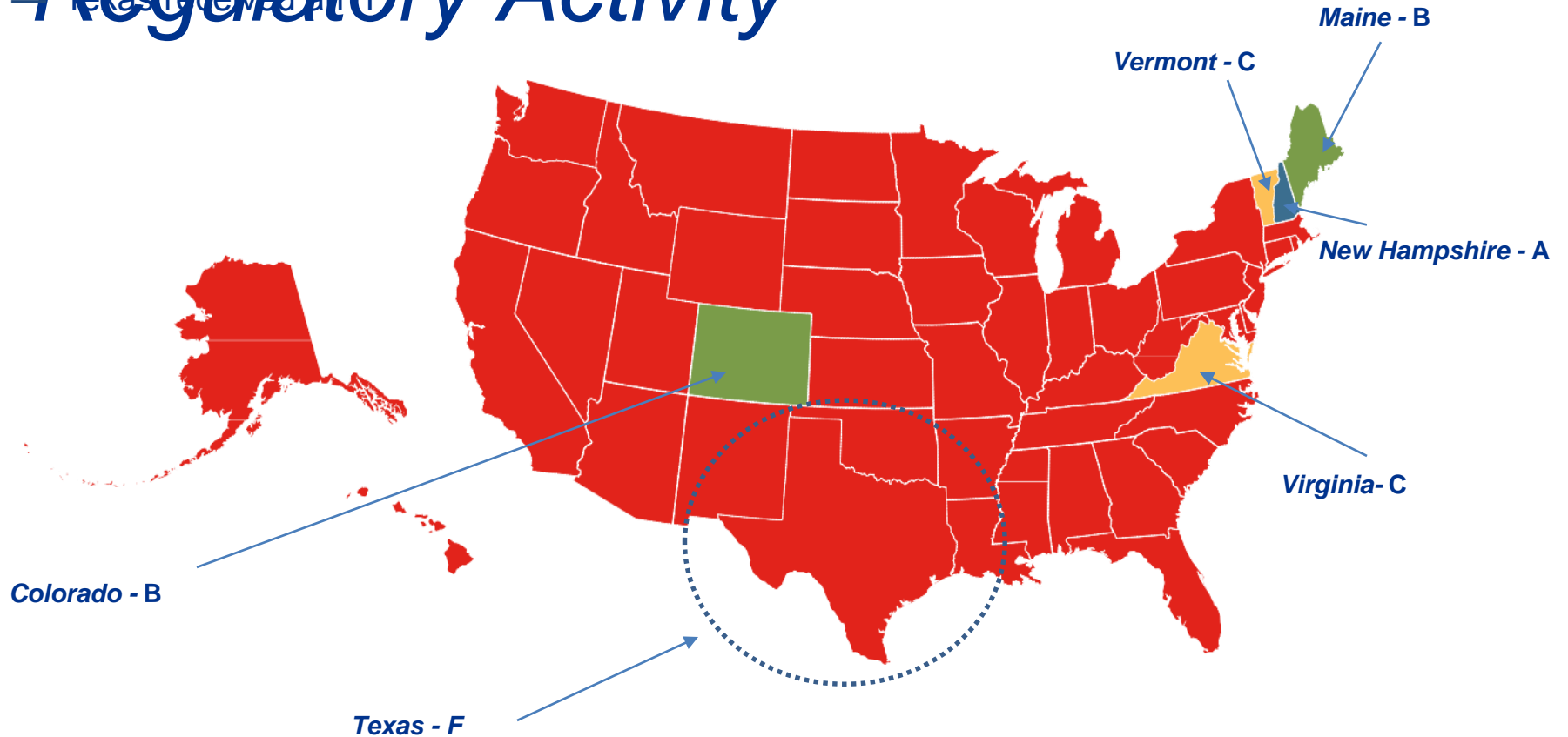
— The Catalyst for Payment Reform and the Health Care Incentives Improvement Institute

- Only 5 States received a passing grade

# Pricing Transparency

Catalyst for Payment Reform and the Health Care Incentives Improvement Institute  
Grade 2015

## Sample Non-Regulatory Activity



\* Catalyst for Payment Reform and Health Care Incentives Improvement Institute: Report Card on State Transparency Laws, July 2015



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# Pricing Transparency

## Sample Non-

## Regulatory Activity

Catalyst for Payment Reform and the Health Care Incentives Improvement Institute  
Scoring Methodology:

### — Pricing Transparency Laws and Regulations

- What is the source of pricing information disclosed to consumers?
- How is pricing information disclosed to consumers?
- What pricing information must be available?
- What services are covered?
- Which providers are included?

### — Legislated Price Transparency Websites

- Utility (estimate consumer out-of-pocket expenses, provider comparisons, etc.)
- Consumer Experience (clear language and easy navigation/layout)
- Scope (large number of services and providers, and includes paid amounts)
- Accuracy/Data Source

\* Catalyst for Payment Reform and Health Care Incentives Improvement Institute: Report Card on State Transparency Laws, July 2015



# Pricing Transparency *Legislative* Texas Specific Activity

- SB 1734, 80th Legislature sought to increase price transparency in health care services and directed Texas Department of Insurance (TDI) to:
  - Collect data from issuers on the reimbursement rates that health plans pay to providers; and
  - Publish information online that does not reveal individual insurers or providers
- TDI adopted rules in December 2010
- Data collection began in 2011
- A beta website launched in February 2012
- Following stakeholder feedback, the current version of the website launched in February 2013
- TDI, in partnership with UT received a grant to support health price transparency in October 2013

\* Informal Rule Proposal Presentation: Reimbursement Rate Data, April 30, 2015, Texas Department of Insurance





# Pricing Transparency

## Texas Department of Insurance Health Insurance Reimbursement Rates Consumer Information Guide: Activity

HEALTH INSURANCE Reimbursement Rates Consumer Information Guide

Home Find Your Region Specialties & Codes FAQs

1 Welcome 2 Search Rates 3 Get Results

Warning! Data in this guide may not reflect the cost you encounter. Please visit [Improving Price Information](#) to learn more.

**Search Results**  
 CPT / MS-DRG Code: 29880  
 Code Description: Arthroscopy, knee, surgical; with meniscectomy (medial and lateral, including any meniscal shaving)  
 Service Category: [Institutional Provider - Outpatient Health Care Claims](#)

KEY: I IN-NETWORK, O OUT-OF-NETWORK  
 All specified rates below are averaged

Selected Region

Region	Key	Billed Charge	Contracted Rate/Allowed Amount	Amount Paid to Provider
Metroplex	I	\$6,091.70	\$2,311.12	\$1,641.99
	O	\$8,695.76	\$2,147.88	\$1,361.36

NSD: Not Sufficient Data

— Comparative analyses from the TDI website can reveal cost differentials across regions within Texas and in/out of- network procedures

\* Texas Department of Insurance



# Impact to Patient Volumes and Net Patient Revenue

*Not Always an “Apples to Apples” Discussion.*

— Case Mix  
*Uninformed*

— Indigent Care Facilities

— Regional Variations in Cost

***Disconnect Between “Standard Prices” and “Actual Payment Rates”***

# Impact to Patient Volumes and Net Patient Revenue

## *Out of Pocket Expenses are on the Rise:* **Evolving Benefit Plan Designs**

— Deductibles more than tripled from \$303 in 2006 to \$1,077 today<sup>1</sup>

### *Why?*

- Higher out of pocket costs are correlated with lower utilization
- Evidence suggests that “Cadillac Tax” also encourages employers to shift cost to employees<sup>2</sup>

### ***Pressure on Patients to Price Shop***

### ***Out-of-Network Participation Strategy becomes Less Viable***

<sup>1</sup> Kaiser Family Foundation, 2015

<sup>2</sup> Bloomberg, 2015

# Impact to Patient Volumes and Net Patient Revenue

## *Patient Self-Steerage*

Anecdotal Evidence of Patient Self-Steerage (especially for OP services)

### ***Case Study 1 (Large NE Hospital):***

- Evidence of patient self-steerage to area competitors

### ***Case Study 2 (Large NC Community Hospital):***

- Evidence of patient self-steerage to area competitors, especially free standing ASCs
- State pricing transparency requirements contributing to the steerage

### ***Case Study 3 (Multi-State Provider of OP Spine Procedures):***

- Business model redesign
- Moving “in-network”

# Mitigation Strategies

## Strategic Pricing “v2.0”

**Strategic Pricing-** a “re-balancing” of the CDM that aligns prices with patient volume trends and area demographics. Well designed studies include:

- An understanding of the enterprise-wide strategic growth plan
- A trend analysis of historical utilization over a multi-year period
- An analysis of local area demographics
- An analysis of 3<sup>rd</sup> party payer contract terms and their impact on pricing

### **v2.0 Has to Include:**

- An understanding of the forces impacting pricing transparency
- Comparative pricing data (BHI, Truven, Optum, etc.)

### **Challenges:**

- Lack of Activity Based Costing
- Pressure to reduce % of charge payments



# Mitigation Strategies

## *Value Based Reimbursement (VBR)*

### *Moving from concept to reality*

*As % of VBR payments increases, there is the possibility that pricing transparency has less an impact. However:*

— VBR contract arrangements vary from payer to payer, ACO\* to ACO, CIN\*\* to CIN

### *Managing utilization and outcomes becomes critical*

*Medicare (and sometimes Medicaid) provide clues as to what the commercial market might do*

\* Accountable Care Organization

\*\* Clinically Integrated Network

# Questions



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