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**Testimony
of the
American Hospital Association
before the
U.S. House of Representatives Committee on Energy and Commerce
Subcommittee on Health**

**“H.R. 4700, the Transparency in All Health Care Pricing Act of 2010;
H.R. 2249, the Health Care Price Transparency Promotion Act of 2009; and
H.R. 4803, the Patients’ Right to Know Act”**

May 6, 2010

Good morning, Mr. Chairman. I am Steven J. Summer, president and chief executive officer of the Colorado Hospital Association (CHA). I am here today to testify on behalf of the American Hospital Association (AHA) and its nearly 5,000 member hospitals, health systems and other health care organizations, and its nearly 40,000 individual members. I appreciate this opportunity to share with you and your colleagues information about the hospital field’s support for price transparency in the health care field.

The AHA believes that consumers deserve helpful information about the price of their hospital care, and is committed to providing it. Sharing meaningful information, however, is more challenging because hospital care is unique. For example, a gall bladder operation for one patient may be relatively simple, but for another patient, it could be fraught with unforeseen complications, making meaningful “up front” pricing difficult and, perhaps, confusing for patients. Moreover, hospital prices do not reflect important information from other key players, such as the price of physician care while in the hospital or how much of the cost a patient’s insurance company may cover.



With the passage of the *Patient Protection and Affordable Care Act* (PPACA), hospitals will report annually and make public a list of hospital charges for items and services, including Medicare-Severity Diagnosis-Related Groups (MS-DRGs). The Secretary of the Department of Health and Human Services (HHS) will establish guidelines for public reporting beginning this year. Currently, the Centers for Medicare & Medicaid Services posts information on the *Hospital Compare* website on what Medicare pays for 35 procedures. These data show the range of payments by county and the number of cases treated at each hospital for a variety of treatments, including heart operations, implantation of cardiac defibrillators, hip and knee replacements, and kidney and urinary tract operations, among other procedures.

But more can – and should – be done to share health care information with the public, including, but not limited to, hospital pricing information.

BACKGROUND

Four years ago, the AHA Board of Trustees approved a policy regarding hospital pricing transparency. That policy calls for information to be presented in a way that:

- is easy to access, understand and use;
- creates common definitions and language describing hospital pricing information for consumers;
- explains how and why the price of patient care can vary;
- encourages patients to include price information as just one factor to consider when making decisions about hospitals and health plans; and
- directs patients to more information about financial assistance with their hospital care.

The AHA believes that the path to price transparency has four parts. The first is that states, working with their state hospital associations, expand existing efforts to make hospital charge information available to consumers. Many states already have mandatory or voluntary hospital price information reporting activities in place. An AHA survey found that 34 states require hospitals to report information on hospital charges or payment rates and make that data available to the public; an additional seven states, including Colorado, have voluntary efforts. These state efforts vary, from making individual hospitals' lists of master charges available to the public, to making public pricing information on frequent hospital services, to making information on all inpatient services publicly available.

Second, states, working with health insurers, should make available in advance of medical visits, information about an enrollee's expected out-of-pocket costs. For individuals with health insurance, this information is generally provided after care via an "explanation of benefits," or

EOB. Consumers need insurers to provide real-time information – either via the phone or an on-line EOB – that tells them what their insurance company will pay and what their individual co-payment will be. With insurance coverage expected to be expanded to 95 percent of legal U.S. residents under the PPACA, most individuals will need to access such information.

Third, more research is needed to better understand what type of pricing information consumers want and would find useful in their health care decision-making. Through research we have learned much about what kind of information consumers are seeking regarding the quality of health care, but we know less about what they may want to know about pricing information. Consumers need different types of pricing information depending on whether and how they are insured. For example, a patient with traditional insurance that typically covers hospital services may want to know what the out-of-pocket costs would be for care at one hospital compared to another. Those with high-deductible health plans or health savings accounts also would have more interest in what their insurers require as out-of-pocket costs, as patients with high-deductible plans are responsible for the out-of-pocket costs of their initial care, up to their personal deductible. But people with HMO coverage, who have agreed to use physicians and hospitals participating in their health insurance network, likely would have less need for specific price information.

For uninsured individuals of limited means, information should be provided directly by the hospital; the hospital, in turn, can determine whether a patient qualifies for state insurance programs, free or reduced cost care provided by the hospital, or other financial assistance. As part of the PPACA, tax-exempt hospitals will be required to adopt, implement and widely publicize (within the community the hospital serves) a written financial assistance policy. This new federal policy is consistent with previous AHA policies and field recommendations and includes specifications such as: (1) eligibility criteria for financial assistance and whether the assistance includes free or discounted care; (2) the basis for calculating amounts patients are charged; (3) how to apply for financial assistance; and (4) any actions that may be taken for non-payment if the organization does not have a separate billing and collections policy. In addition, the new law underscores field practice and existing regulations by emphasizing that each hospital must have a written policy to provide emergency medical care, regardless of whether or not the patient qualifies for financial assistance. Again, consistent with AHA policy and recommendations, a hospital is permitted to bill patients who qualify for financial assistance no more than the amounts generally billed to individuals who have insurance coverage for such care.

Finally, we all need to agree on consumer-friendly pricing “language” – common terms, definitions and explanations to help consumers better understand the information provided.

THE COLORADO EXPERIENCE

As mentioned above, Colorado is one of the seven states with a voluntary reporting program. The Colorado Hospital Association began publishing the Hospital Charges and Average Length of Stay Report in 1988. This annual publication provides patients, their families, researchers, policy makers, and purchasers of health care such as businesses and insurance companies with information to compare charges and lengths of stay for the 35 most common inpatient medical conditions and surgical procedures performed in Colorado hospitals.

The publication has evolved over the years to include comparisons that take into account any complicating illnesses patients may have, and the general severity of the patient's illness. It not only provides the average charge and average length of stay for each condition or procedure, but also includes the average charges and average lengths of stay for each of four categories describing how sick the patient is.

In addition to the average charge and average length of stay, the report presents a statistically standardized range of low and high numbers for the charges and length of stay. These ranges represent what the patient is likely to experience as a result of his or her care. When a patient is treated in a hospital for a given procedure or condition, there is a 95 percent probability that his or her charges and length of stay will fall within these respective ranges.

Other useful information, such as the number of patients each hospital treats for each of the conditions and procedures, easy to understand descriptions of the conditions in procedures, explanations of hospital charges and lengths of stay, what they represent, what their limitations are and general demographic information on each hospital, also is presented.

The report is made available free of charge to the general public on the CHA website and in paper format. It also is provided free of charge to public libraries. Hospitals are given a specially designed electronic data file that they load into their information systems. It includes charge and length of stay data for all the conditions and procedures treated at that hospital. This provides hospital staff the ability to give patients charge and length of stay estimates prior to a hospital visit.

In 2007, CHA and the Colorado Department of Public Health and Environment began publishing the Colorado Hospital Report Card. This interactive website expands on our pricing publication, allowing patients and their families to compare the quality and safety of care in Colorado hospitals. Information showing the outcomes of patient care is presented for each hospital for each of the past three years. Hospitals are identified as having statistically better, the same, or worse outcomes as compared to other hospitals in the state. The website is updated annually

each November. In addition, last year CHA worked with the Colorado Division of Insurance to publish a website showing both charges and payment information for 25 of the most common reasons for hospitalizations.

This year, the Colorado Legislature is considering legislation allowing more detailed information to be collected from insurance companies. Access to this information will have the potential to further enhance the reporting already available to the public. It can be used to provide estimates of the out of pocket co-payments associated with a hospital stay. CHA supports this legislation, and is looking forward to continuing its tradition of making hospital costs and quality information available to our patients and their families.

LEGISLATION UNDER CONSIDERATION BY CONGRESS

As previously mentioned, the AHA supports state efforts, like Colorado's, regarding price transparency. We also support legislation like H.R. 2249, *The Health Care Price Transparency Promotion Act of 2009*, introduced by Reps. Michael Burgess (R-TX) and Gene Green (D-TX), which would build on this existing state-based structure and also require insurers to participate in the disclosure process by providing information on estimated out-of-pocket costs for health care services. The 41 states with either statutory or voluntary requirements for hospitals to report information on hospital charges or payment rates make the information available to the public, either by posting to a hospital website, by publication in a government or hospital association report or by making the information available to consumers upon request. H.R. 2249 would expand the reporting requirements to all 50 states. The legislation also would require insurers to provide information about an enrollee's expected out-of-pocket expenses. H.R. 2249 also would require the Agency for Healthcare Research and Quality to conduct a study on the types of price information consumers want and would use in their health care decision-making.

Legislation introduced more recently, H.R. 4803, *The Patients' Right to Know Act*, also focuses on the state-based approach to collecting and disseminating hospital price information, and would expand these requirements to ambulatory surgery centers. The bill requires health plans to provide to their enrollees information on covered items and services, the claims appeal process and out-of-pocket cost-sharing, among other topics.

H.R. 4700, *The Transparency in All Health Care Pricing Act of 2010*, would require reporting of a broad range of price information from almost every entity that participates in the health care sector. This would include hospitals, physicians, nurses, pharmacies, pharmaceutical manufacturers, dentists, health insurers and any other health care-related providers that offer or furnish health care for sale to the public (and including any government-run programs such as Medicare and Medicaid) and would require them to publicly disclose all prices – all wholesale, retail, subsidized, discounted, etc. – that are charged to individual consumers. The HHS

Secretary would have the authority to investigate and fine any entities that failed to comply with the posting requirements.

CONCLUSION

Hospitals are a critical component to the fabric and future of our communities. We agree that consumers need accurate information when making health care-related decisions for themselves and their families. Providing understandable and useful information about health care costs is just one way that America's hospitals are working to improve the health of their communities.

The AHA and its members stand ready to work with lawmakers on innovative ways to build on efforts already occurring at the state level and share information that helps consumers make better and smarter choices about their health care.