Illinois Health and Hospital Association

Talking Points on Transparency in Coverage Rule and Price Transparency – July 1, 2022

Hospitals Support Transparency

- Illinois hospitals support price transparency policies that ensure patients have access to meaningful information about the cost of their care—most importantly, their out-of-pocket obligations. Illinois hospitals have dedicated financial counselors or financial clearance centers that are eager to help patients understand their financial obligations for services provided.
- Financial counselors and financial clearance centers can assist in providing price estimates of a planned service, provide information on the hospital's generous financial assistance policy, provide information on health coverage that might be available through Medicaid or the Illinois ACA Marketplace (GetCoveredIllinois) as well as explain any billed services already provided.
- Illinois hospitals have generous financial assistance policies, including the Illinois Hospital Uninsured Patient Discount Act, which requires for eligible uninsured patients, either a 100% discount (free) or discounts to 135% of cost, depending on their income level. There is also a maximum collectible amount of 25% of annual family income.
- It is important for patients to understand that prices and/or estimates may vary from the final bill they receive depending on the actual services that are provided due to medical condition, length of time spent in surgery or recovery, necessary specific equipment, supplies or medication, complications requiring unanticipated procedures, or other treatment ordered by the physician.
- Prices and/or estimates may also vary depending on the patient's health plan and what it will cover, whether the hospital or physician is in or out-of-network, meaning they don't have a contract with the health plan, and whether the professional services provided by a physician, surgeon, radiologist, anesthesiologist, pathologist, advanced practice nurse or other independent practitioners are included, as many are independent and not employed by the hospital.

Hospital Pricing and Health Plan Files

- Illinois hospitals are required to provide estimates of the average charge for any procedure or operation a patient may be considering and post their standard charges for all items and services, including payer-specific negotiated rates. In addition, hospitals need to post a list of their standard charges for 300 "shoppable" services in a consumer-friendly format, but may develop a price estimator to meet this requirement.
- The charge information hospitals provide is of limited value to the patient, because what most patients want to know is what they will have to pay for services they directly receive during a specific encounter.
- Federal law requires hospitals to set uniform charges as the starting point for all bills. This is why a bill starts with charges, then deducts an amount related to either the allowable contractual adjustment required by Medicare or Medicaid, or the negotiated discount with individual health plans. So hospitals are not paid charges by either patients or health plans.
- Hospitals negotiate prices with commercial health plans that reflect characteristics specific to that hospital. As a result, prices may differ from hospital to hospital. Hospital-specific

characteristics that can influence negotiated rates include whether the hospital provides certain specialty services such as trauma or burn units; is affiliated with certain physician groups or other hospitals; is an academic medical center training physicians and other healthcare professionals; conducts medical research; treats higher number of low-income patients; market share; or geographic region.

- 93.2% of Illinoisans (2020 American Community Survey) have third-party health coverage and their payer—Medicare, Medicaid, or commercial plan—sets the patient's out-of-pocket financial obligations.
- A patient's out-of-pocket amount is dependent on whether the plan covers the service, whether the provider is in- or out-of-network, what the cost-sharing requirements are and where the patient is with meeting the deductible. This is all determined by the governmental plan in which they are enrolled or contract terms of their commercial health insurance company.
- For the uninsured, all Illinois hospitals have generous financial assistance policies.
- A result of these generous charity policies is that over $870 million in charity care at cost was provided by Illinois hospitals and health systems in 2020.
- The information posted by health plans as of July 1, 2022 does not reflect what a patient will actually pay for that service and may only cause confusion. The posted information will be expected, negotiated third-party payer rates, which do not take into consideration the critical out-of-pocket-obligations individualized to a patient.
- Many hospitals developed price estimators for information related to what patients really want—their out-of-pocket obligation—which is dictated by their health plan.
- Information on a patient's actual out-of-pocket obligations is best provided by their health plan. This information is dependent on whether the plan covers the service, whether the provider is in- or out-of-network, what the cost-sharing requirements are and where the patient is with meeting the deductible. This is all determined by the health plan they have.
- Under the Transparency in Coverage rule, health plans must create internet-based self-services tools that assist consumers with health plan information. We believe it is appropriate for health plans to provide this tool, and urge CMS to require health plans to build in cost-sharing so the tool's output reflects true out-of-pocket costs.
- The major health plans in Illinois have already created price estimators for their subscribers that provide what their financial obligation will be for specific services at specific hospitals.
- There is sometimes a tendency to compare commercial vs. Medicare or Medicaid payment rates. However, Medicare and Medicaid rates do not cover the cost of providing care. In Illinois, average Medicare payments only cover 90% of the cost of providing care and Medicaid only covers between 75-80%. Without the ability to negotiate rates that help offset inadequate rates from public payers, patients will lose access to care.