



# CMS 2020 Hospital Price Transparency Rule Highlights and Next Steps

On November 15, 2019, CMS issued its Final 2020 Rules for Hospitals regarding Price Transparency. The good news is that, unlike the original proposal that would have provided less than two months to prepare, hospitals now have until January 1, 2021, to implement the new requirements.

Providers can use this time wisely by analyzing, identifying and selecting their shoppable items and service packages and re-structuring their chargemasters to be more defensible and rational, if needed and to the extent that it is feasible to do so.

## Broadly, There Are Two Requirements

1. Annually provide a **machine-readable file** containing gross charge and negotiated charges (rates) for ALL items and services
2. For 300 shoppable items and services only, including 70 defined by CMS if offered by the hospital, provide a **consumer-friendly display** of gross charge and negotiated charge (rates). This can alternatively be provided via a more costly interactive online tool that calculates the patient's estimated obligation to pay for each of the 300 items and services.

## Machine-Readable File Highlights

Under the new rule, hospitals will be required to provide on their websites—without barriers and for each provider within a health system—a machine-readable file containing the following data elements for ALL items and services:

- Description of each item or service (including both individual items, services, and service packages).
- The corresponding gross charge for each item or service with indication of the inpatient or outpatient department setting.
- The corresponding payer-specific negotiated charge (rate) for items, services, and service packages with indication of the inpatient or outpatient department setting AND clear indication of the payer name and plan.
- De-identified minimum negotiated charge (rate) for items, services, and service packages with indication of the inpatient or outpatient department setting.
- De-identified maximum negotiated charge (rate) for items, services, and service packages with indication of the inpatient or outpatient department setting.
- The corresponding discounted cash price, if any, that applies to these same services; where no discounted cash price is offered, include the gross charge.

**Under the new rule, hospitals will be required to provide on their websites a machine-readable file with key data elements for ALL items and services.**

Users must be able to search the data digitally, and the CMS-specified naming convention for the file must be used: <ein>\_<hospital-name>\_standard charges. (.json or XML or CSV). Additionally, the file must be updated no less than annually with the date of the last update clearly identified.

## Consumer-Friendly Display Highlights

When displaying gross charges, negotiated charges (rates), and discounted cash prices for the 300 shoppable items in a consumer-friendly manner or when providing consumers estimates of their obligation to pay, the following data elements must be included:

- ❑ Plain language description of each shoppable service.
- ❑ An indication of when one or more of the 70 CMS shoppable services are not offered by the hospital. The hospital must replace such service with other shoppable services to achieve 300 if it is feasible to do so.
- ❑ The negotiate charge (rate) for each item or service package with a third-party payer name and plan clearly identified.
- ❑ The discounted cash price that applies to each shoppable service (and corresponding ancillary services if applicable). If a discounted cash price is not offered for an item, the undiscounted gross charge should be displayed.
- ❑ The de-identified minimum negotiated charge that applies to each shoppable service (and corresponding ancillary services if applicable).
- ❑ The de-identified maximum negotiated charge that applies to each shoppable service (and corresponding ancillary services if applicable).
- ❑ Indication of inpatient or outpatient setting of shoppable service.
- ❑ Any primary code used by the hospital for purposes of accounting or billing for the shoppable service, including, as applicable, the CPT codes, the HCPCS code, the DRG, or other common service billing codes. For the 5 CMS shoppable MS-DRG codes 216, 460, 470, 473, and 743, hospitals may also use an APR-DRG code.

## Next Steps

### Consumer-Friendly Display

It would be prudent to take a step back from the detail requirements and guidance provided by CMS (or lack thereof). The initial focus should be on identifying your hospital's "shoppable" services and service packages as well as gathering the data required for the consumer-friendly display.

It's important to remember that providers can go beyond the minimum required by CMS. If additional information will be helpful to consumers or to your team when they are trying to determine which items and services will be easiest to display to the consumer, consider collecting and providing more information than required.

For example, in your analysis and selection process, isolate first the items and services that are most often directly related to a simple and single fee schedule rate, DRG rate, or other case rates without multiple contract provisions and calculations such as carve-outs, additional per diems for excess days, etc. Gathering additional information for the consumer, even though NOT required by CMS, such as showing the average range of charges and payments and disclosing related items and service categories that they may fall into, would also be useful. For example, you could show with CC, with CC and MCC, and without CC or MCC rates or show average LOS for per diem-based items and services. Or for complex contract terms where for one items or service multiple provisions apply providing the average inlier payment or range is perhaps the most meaningful to a consumer.

**The CMS final rule requires that each provider within a health system determine its own unique list of non-urgent shoppable items and services and consider volume and/or revenue in the process.**

### The Panacea Solution

Panacea is pleased to offer the following program to provide hospitals and health systems with the consulting and technology support needed to assist with compliance under the new CMS Final Price Transparency Rules.

### Panacea's Shoppable Services Disaggregation Algorithm and Report Set

**The CMS final rule requires that each provider within a health system determine its own unique list of non-urgent shoppable items and services and consider volume and/or revenue in the process.**

Accordingly, Panacea has developed an algorithm and software program that examines up to 12 months of claims and payment data, representing 100% of the patient population, to ensure that cases classified as non-urgent and as potential shoppable items and services are valid.

The software does this by disaggregating the data through a hierarchical process that removes non-urgent cases based on a myriad of criterion. This includes a proprietary list of elective service codes as well as the use of bill type codes, revenue codes, admission status, and other criterion.

The methodology goes far beyond that to provide:

1. A unique report for each hospital within a health system to help clients select their 300 shoppable items and services and comply with CMS Transparency Requirements. This report utilizes an algorithm and process that removes non-urgent cases and services from the analysis.
2. Insights within the report to shed light on which items and services might be easiest to present to the consumer in terms of least complex contract terms.
3. Enough detail in the report to take revenue and/or volume into account as per CMS requirements.
4. Additional low, average, and high gross charge and payment detail along with ALOS and volume data broken out at the patient type, in-network and out-of-network, and pay or level to provide meaningful information for complex rate terms.
5. Optional charge profiles for inpatient and same-day-surgical services.
6. Flags on items and services typically provided in conjunction with other services and disclosure of what those services are.
7. Inclusion of related items and services to those meeting shoppable criterion, such as CC and MCC, with contrast and with and without contrast, etc.
8. Flags on items found on the required CMS 70 shoppable list and identification of those of the 70 not available or applicable based on the provider case-mix. This assists hospitals in selecting additional items as required by CMS to ensure 300 are selected.

The software does this by disaggregating the data through a hierarchical process that removes non-urgent cases based on a myriad of criterion.

**Note:** Panacea offers the data processing and report for one fee per provider with an optional full day of consulting to assist with the use of the report in selecting your final shoppable list of 300 items and services. Those clients using CLAIMSauditor® on a limited license basis already through year-end 2020 and/or renewing in 2020 will receive a 50% discount off the standard report fee. Those clients only utilizing or renewing Hospital Zero-Base Pricing through year-end 2020 will receive a 25% discount.

Panacea is also pleased to offer optional assistance pulling together the required fee schedules, charges, negotiated rates, etc. for your consumer display.

## Hospital Zero-Base Pricing® With Shoppable Items and Services Integration

The final rule still requires that hospitals display the gross charge(s) for the shoppable items and services. Our preliminary use and testing of the new disaggregation algorithm and report set reveals—as does the list of 70 shoppable items required by CMS—that many items will be single chargemaster level items utilized by private outpatients.

Accordingly, hospitals should continue to update their chargemasters in a rational and defensible manner with gross and net revenue modeling considered—but with new consideration given to the selected and complete list of shoppable items. Many hospitals will have 50% or more of their 300 items listed in their CDM with sometimes 200% or more items being related (e.g., with contrast, without contrast, with and without contrast). This makes rational pricing scrutiny and modeling on more than those items required to be listed by CMS critical.

We have recently modified our popular Hospital Zero-Base Pricing® system to facilitate the integration and tagging of those items on each of your hospital's unique shoppable lists. We have also added a new “what-if” modeling feature that determines the extent that such prices can be further decreased with little or no impact on net revenue.

Panacea is also releasing a new split pricing feature within the system to allow for the creation and modeling of separate and distinct inpatient and outpatient chargemaster prices for selected areas.

Those hospitals already licensing the Hospital Zero-Base Pricing® system and/or service in 2020 or renewing in 2020 will receive access to these new pricing system enhancements at no additional cost.

**Hospitals should continue to update their chargemasters in a rational and defensible manner with gross and net revenue modeling considered—but with new consideration given to the selected and complete list of shoppable items.**

## Panacea's Machine-Readable File Program and CLAIMS Level Analytics

Panacea has developed a new optional module within its CLAIMSAuditor® system, to be released in late Q1 of 2020, that will facilitate the following:

- Annual or interim year update production of the CMS required machine-readable file
- Optional Managed Care Under Payment Analytics
- Modeling of stop-loss and lesser-of-charge and case rate net revenue impacts by simulating the proposed rational chargemaster prices with 12 months of itemized bill claims.

**Note:** Those hospitals already and continuing to utilize our CLAIMSAuditor system under a limited license in conjunction with our Hospital Zero-Base Pricing® system will receive a 50% discount off our standard annual fee for the Managed Care Under Payment Analytics and Machine-Readable File Production Service. Those hospitals utilizing only Hospital Zero-Base Pricing® wishing to upgrade to include any or all of these new services will receive a 25% discount off the standard fee.



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\*HFMA staff and volunteers determined that CDMAuditor® – Hospital Zero-Base Pricing® and related modules have met certain criteria developed under the HFMA Peer Review Process. HFMA does not endorse or guarantee the use of this service.

**Ask about Panacea's HFMA peer-reviewed solutions – Hospital Zero-Base Pricing, ComparativeHealthData.com and Unit Cost Estimator.**

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