

# CMS makes pricing transparency water murkier—digital health could step in to clear things up

Article

The CMS [proposed repealing](#) part of the hospital price transparency rule it rolled out on January 1 of this year.

- For context, the rule requires hospitals to fully disclose the prices they negotiate with payers and the cost of a hospital item or service before a patient receives it in a clear, accessible, consumer-friendly format—and noncompliance would result in a \$300 penalty per day.

**Healthcare pricing transparency is a contentious issue because hospital and consumer demands clash—here's how we got here:**

- **Shortly after the CMS rolled out its hospital transparency rule, it got a lot of pushback from healthcare incumbents and was bombarded by heavy lobbying.** For example, the American Hospital Association (AHA) filed an [appeal](#) arguing that the new rule would saddle hospitals with “inordinately costly” administrative burdens. And just a week before the rule was to be enforced, lobbyists pulled out all the stops: They sent a [letter](#) to then President-elect Biden denouncing the rule, and the AHA and other provider groups teamed up to file an [emergency motion](#) to prevent the rule from going into effect, arguing it would place undue burden on hospitals dealing with COVID-19 cases.
- **But the whole impetus behind the CMS' pricing transparency rule was to lower consumer health costs—so patients' needs are at odds with hospitals'.** For example, **91%** of US adults believe hospitals should be required to share the cost of their services with the public, and **66%** believe price transparency would improve healthcare overall, [according to](#) a 2020 YouGov poll of 1,342 US adults. Prices for healthcare services vary wildly across US, and proponents of pricing transparency say it can boost competition among providers, giving patients the option to shop for lower cost services: **66%** of consumers say they would shop around for a lower price if that information was made available.

**This kerfuffle also presents a potentially ripe opportunity for digital health startups to disrupt the long-unchanged healthcare payments system—but only if they can appeal to hospitals.**

- **If provider organizations lean into pricing transparency solutions, they could appeal to today's healthcare consumer and bring in higher patient volumes.** Healthcare consumers who look up cost information doubled from 14% in 2016 to 24% in 2020, [per](#) McKinsey's 2020 US Health Care Consumers survey. Readily available price and quality rating data could make consumers more likely to trust and choose a particular provider for their care—and consumers [say](#) they're willing to pay more out of pocket if quality of care is high. Moreover,

when given the option to shop around for lower cost care, more consumers might be less likely to delay care—which would boost patient volume.

- **Hospitals are already using digital solutions to address their admin burdens—this spirit could be extended to a digital solution that addresses pricing and payments all in one place.** For example, a digital solution that takes on the headache of delineating pricing info to patients *and* simplifies payments in one place could incentivize more hospitals to clear the smoke around their prices. This could not only bolster patient satisfaction (and improve hospitals’ patient satisfactions scores), but also improve the healthcare payments process for both the provider and patient: **48%** of patients are unaware of price before receiving care—and when they’re stuck with a higher price than expected, it can making payment tricky. Medical debt burdens 1 in 4 US adults, **according to** the KFF—and **54%** of medical bills are going unpaid, which affects hospitals’ finances. This issue could be quelled with a digital solution that centralizes pricing and payments—but only if hospitals get on board with providing pricing information.

