

Hospitals are slow to comply with CMS' price transparency rules—here's why

Article

The data: Only 9% of patients are aware hospitals must make the prices of their treatments and procedures accessible on their websites, [per](#) a new survey by Peterson-KFF Health

System Tracker.

How we got here: Both small and large hospitals are failing to comply with the CMS' price transparency requirements—which is likely why consumers don't know they should be able to easily find the costs of treatments online.

- The CMS' mandated hospitals to display cash prices and payer-negotiated rates for their services by January 2021.
- However, as of June 2021, **83 out of 100 randomly sampled hospitals** were not abiding by these requirements.
- It's likely hospitals don't want to deal with the heavy admin work involved in posting these rates, especially since the CMS has been slow to penalize noncompliant hospitals **as** promised (by publicly naming those who fail to comply on the CMS website or fining them \$300 a day).

What's next? Noncompliance with the CMS' pricing rules may be a more financially beneficial route for hospitals for two key reasons:

1. **\$300 daily fines are a drop in the bucket for well-funded hospitals.** For example, the Mayo Clinic **posted** **\$13.9 billion** in total 2020 revenues, despite revenue drops amid the pandemic. A \$300 daily penalty would be less than 0.004% of its annual revenue. And Mayo Clinic isn't even the largest hospital system in the US: Hospital systems like **Ascension** **serve** nearly 2 million patients, while the Mayo Clinic **treats** around 1 million patients.
2. **Exposing payer-negotiated rates could put hospitals at risk for losing massive contracts with payers.** This sort of transparency means commercial payers like Humana or Cigna can determine if they're paying hospitals too much for a certain procedure. They could ultimately demand their hospital partners to lower the price of certain services, which would be more damaging to hospitals' revenues than a \$300 daily fine or being named as a noncompliant on the CMS website.

We don't expect to see major hospitals racing to offer tools like cost estimation calculators on their sites anytime soon. Unless the CMS begins to criticize noncompliant hospitals publicly or increases its monetary penalty, most hospital executives won't feel the urgency to prioritize a mandate that could harm deals with payers or their budgets: For example, one health system exec **estimated** the financial burden of complying with price transparency rules to be \$64,000 per hospital within its network, or a total of \$832,000.

Leading Likely Consumer Engagement Initiatives that Health Systems Will Accelerate as a Result of the Hospital Price Transparency Rules According to US Healthcare Finance Executives*, Fall 2020

% of respondents

Online and immediate patient scheduling option for "shoppable services"

70%

Apps and technologies that accurately estimate and communicate in a consumer-friendly way out-of-pocket payments for consumer "shoppable services"

53%

Innovative payment financing options

53%

Consumer education programs on pricing, quality and outcomes

50%

Market and competitor reference pricing

33%

Apps and technologies that make available consumer-friendly quality and outcomes data

30%

Customer loyalty programs

27%

Note: n=30; *of large health systems with revenues greater than \$500 million
Source: Deloitte, "Hospital Price Transparency and Interoperability Survey.", Jan 25, 2021

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