

Health Care Price Transparency

Opportunities to Lower Costs and Improve
Competition

ADDENDUM

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*Document submitted September 13, 2024, as an addendum to testimony before the United States Senate
Special Committee on Aging on hospital costs and transparency within the commercial market on July 11, 2024*

*Health Care Price Transparency:
Opportunities to Lower Costs and Improve Competition*

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United States Senate

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Following the hearing on July 11, 2024, the congressional committee sought additional information and requested answers to the questions in this document. The answers were submitted for the record.

Questions from Senator Kirsten Gillibrand

Question 1

A recent report showed that less than 36 percent of hospitals were fully compliant with transparency requirements issued by the Centers for Medicare and Medicaid Services Hospital Price Transparency Rule. Dr. Whaley, what should the Federal government do to increase and enforce compliance?

Response: Starting in 2021, hospitals have been required to post negotiated rates for 300 “shoppable” services. However, compliance with this policy has been low, in part due to lax enforcement. To date, fewer than 20 hospitals have been penalized for not posting prices.¹ To further increase compliance, an immediate step for CMS is to fully enforce penalties for non-compliance. Ensuring compliance through complete enforcement will provide a greater degree of transparency and accountability around U.S. healthcare prices.

Question 2

How would increased transparency in healthcare pricing specifically benefit small employers who struggle the most to access their data? What impact could this have on their ability to provide competitive benefits?

Response: Because health care costs come directly from worker paychecks and other benefits, employers who provide health benefits to their workforce have a legal and moral fiduciary obligation to be responsible fiduciaries and purchasers. It is not possible to fulfill this fiduciary obligation without insight into prices and contracts negotiated on behalf of employers and purchasers. Access to both medical claims data and contract information is the clearest way for employers and purchasers to ensure prices align with received value.

With access to their data, employers and purchasers have innovated, including:

- The California Public Employees’ Retirement System (CalPERS), which uses targeted financial incentives to steer patients to lower-priced, high-quality providers. For a range of “shoppable”

¹ Centers for Medicare & Medicaid Services (CMS). Enforcement Actions . [www.cms.gov](https://www.cms.gov/priorities/key-initiatives/hospital-price-transparency/enforcement-actions). Published September 10, 2024. <https://www.cms.gov/priorities/key-initiatives/hospital-price-transparency/enforcement-actions>

services, my work shows that this program reduces spending by approximately 20% and leads to quality improvements.²

- The State of Oregon public employees' and school teacher's plan, which limits hospital prices to 200 percent of Medicare. By limiting hospital prices, this program reduced annual spending by approximately 4 percent for the plan.³

Questions 3

The average drug price increase between January 2022 and 2023 was 15.2 percent. The Capping Prescription Costs Act of 2024 would cap individual cost-sharing for prescription drugs to help those with limited incomes and high costs. Dr. Whaley, which sector of the health care market has benefitted the most from higher drug prices? Which sector has suffered the most? Which sector would a patient out-of-pocket cap affect?

Response: Many studies show high patient out-of-pocket costs for prescription drugs reduce adherence to medication management. Particularly for chronic conditions, reductions in medication management due to cost leads to increases in hospitalizations, emergency department visits, and overall healthcare spending.^{4,5} Thus, policies, including limits on out-of-pocket costs for chronic condition medications, that limit patient financial burden for medication management can improve health and reduce spending. These policies are particularly important for lower-income Americans and those with multiple chronic conditions. However, a key challenge with these programs that limit patient out-of-pocket burden is that they are borne by a patient's pharmacy benefit, while savings due to improved health accrue to a patient's medical insurer. Aligning incentives between prescription drug and medical insurance coverage could spur programs that reduce patient financial burden for chronic condition medications.

² Robinson JC, Brown TT, Whaley C. Reference Pricing Changes The "Choice Architecture" Of Health Care For Consumers. *Health Affairs*. 2017;36(3):524-530. doi:<https://doi.org/10.1377/hlthaff.2016.1256>

³ Murray RC, Brown ZY, Miller S, Norton EC, Ryan AM. Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap. *Health Affairs*. 2024;43(3):424-432. doi:<https://doi.org/10.1377/hlthaff.2023.01021>

⁴ Congressional Budget Office (CBO). *Offsetting Effects of Prescription Drug Use on Medicare's Spending for Medical Services.*; 2012. <https://www.cbo.gov/sites/default/files/cbofiles/attachments/43741-MedicalOffsets-11-29-12.pdf>

⁵ Goldman DP, Joyce GF, Zheng Y. Prescription Drug Cost Sharing: Associations With Medication and Medical Utilization and Spending and Health. *JAMA*. 2007;298(1):61-69. doi:10.1001/jama.298.1.61