



Health Care Strategy Insights: The Price Transparency Paradigm Shift

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Since the Fall of 2019, the federal government has instituted several major price transparency regulations, including the Hospital Price Transparency rule¹, the Transparency in Coverage rule² and the No Surprises Act³, which have created unprecedented new requirements for hospitals and health insurers to post their previously confidential pricing information online. Given the arduous requirements and the strategic implications of the new rules, provider and plan organizations are struggling to comply with the new requirements. A recent study by an advocacy group, Patient Rights Advocate, found that only 5% of 500 hospitals sampled were comprehensively compliant.⁴ Even as CMS granted a six-month delay in the effective date of the most recent requirements, providers and plans should start considering price transparency as more than a compliance activity. The price transparency movement is here to stay and will likely continue to grow in significance, creating strategic opportunities and challenges for hospitals and health plans.

Price transparency regulation, meant to empower consumers to understand what their health care choices will cost and to prevent

“surprise” bills, has strong, bipartisan support. Initial steps were first taken by the Trump administration and ongoing support is coming from the Biden administration. The broad, bipartisan support suggests that this regulatory imperative will persist, forcing providers and payers to articulate and justify their value propositions to consumers and large employers. Chief Strategy Officers (CSOs) need to respond to these new regulatory requirements with future-focused strategies that differentiate their organizations and create opportunities for growth.

Reinventing the “High Quality = High Cost” Narrative

Consumers have already been starting to shop around for health care services, as they do in other industries. In a Deloitte Global Health Care Consumer Survey, 40% of respondents indicated that they shop around when choosing a provider for their health care needs.⁵ With the release of cost estimation tools which are legally mandated to be “user-friendly,”² pricing is becoming an increasingly important variable in consumer’s decision-making process when selecting providers.

As CSOs begin planning for a future in which consumers will have insight into the widely varying prices of hospitals’ services, they will need to account for the fact that historically in health care, higher cost has often been equated with higher quality. Across the spectrum of low-cost to high-cost providers and plans, CSOs will need to work to uncouple this “high quality= high cost” narrative and demonstrate the multiple ways (experience, quality, access, etc.) that their organizations provide value to consumers. CSOs will need to re-evaluate and redefine their organization’s value story, balancing affordability, quality, and experience. CSOs can pull these levers to differentiate themselves from competitors and tailor their value story to patients based on the needs and beliefs of the communities and individuals which they serve.

Current Limitations with Available Pricing Data

While consumers today may have access to shoppable pricing tools through hospital websites, few are accessing them and those who do face difficulties and confusion when trying to understand the information. A recent Kaiser Family Foundation poll found that only one in ten adults are aware that hospitals must disclose the prices of treatments and procedures on their websites.⁶ Unlike other industries, health care pricing has always been somewhat of a “black box,” with prices varying due to a multitude of factors, including a limited ability to predict exactly what set of “products” or services will be required by any individual patient in a specific situation. The result has been that patients are often unaware of their costs until after services are rendered. Price transparency regulations are intended to provide consumers with increased visibility into pricing information, but health care organizations have been struggling to achieve that goal precisely because of the unpredictability inherent in delivering health care to individuals.

But the game is changing. Disruptors are entering the market and taking advantage of the data in the publicly available machine-readable files to create customer-friendly shopping tools for health care services. These disruptors are likely to seek partnerships with organizations across the entire health ecosystem to develop and customize cost estimation / online shopping tools and other innovative solutions to address existing challenges with health care billing. The challenge for the CSO is to determine whether and how to partner with these disruptors or to develop their own solutions and strategies to take advantage of the increased transparency that these disruptors are delivering. A strategic response to disruptors' entry in the market will require CSOs to have a clearly defined price transparency strategy and articulated vision for how their organizations want to add value to customers in this new era.

Conclusion

The price transparency regulations of the past two years are only the first step towards a new health care paradigm. Health care CSOs believe that this regulatory movement towards greater price transparency supports a greater shift in the health system towards a focus on consumer empowerment, population health, and health equity. This disruption of the status-quo gives providers and payers an opportunity to transform their value proposition to consumers. Health care CSOs will help lead that transformation.

Please reach out to Christi, Bill, or Sarah with any additional questions.



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