

Transparency of Health Costs: State Actions

Consumers are often in the dark when it comes to the cost of health care services and what they may have to pay prior to receiving care. Several studies have pointed to this lack of transparency leading to [extreme price variation](#), where prices for the same procedure or service vary greatly within the same city or state. Moreover, health facilities may [set higher prices](#) for certain services than other facilities, raising overall health care costs and spending for payers and patients.

As spending on health care services [continues to grow](#)—particularly for [hospital, physician and clinical services](#)—state and federal policymakers are leveraging health care price transparency as a potential strategy to curb rising health care costs. Price transparency takes many forms, but the overall intent is to [increase consumer knowledge of health care prices](#). The theory is essentially “knowledge is power”—if a patient has sufficient understanding of the costs for a health service prior to receiving care, they can seek high quality services at the lowest cost. Moreover, lawmakers and other stakeholders can utilize price information to pursue effective cost containment strategies and policies.

Some reports, however, have highlighted the [potential drawbacks or limitations](#) of such efforts. For example, consumers may struggle to shop for health services due to the complex nature of the health care system. Without corresponding quality data that is easy to interpret, [patients often default to the highest cost provider](#) even though [health care quality is often not correlated with price](#). Even with accurate price information for a particular procedure, patients may be responsible for other costs—such as facility fees or subsequent prescriptions following the procedure or service.

Furthermore, [some studies](#) have indicated increased transparency may have the perverse effect of [raising health care costs](#). A hospital with low prices for health care services may increase their fees to match those of a competing hospital with higher prices.

State Actions on Price Transparency

While the effectiveness of price transparency policies continues to be debated, states have enacted several laws aimed at improving access to health care price information. Common state strategies for improving price transparency include leveraging all-payer claims databases, establishing consumer-facing tools for patients to compare prices, and enacting right to shop laws. NCSL tracks enacted legislation relating to health care

price transparency in the Health Innovations State Law Database, which can be found [here](#).

All-Payer Claims Databases

All-Payer Claims Databases (APCDs) are large state-based databases which collect health care claims data from Medicare, Medicaid, state employee health plans and state-regulated private insurers. [Policymakers, insurers, employers and other stakeholders](#) can use claims data to make informed health policy decisions by identifying extreme price variation, analyzing health care market trends and spending, and quantifying wasteful and low-value spending. States can also use APCD information to develop consumer-facing price comparison tools, described below. [Currently](#), 18 states have operational APCDs and 8 states enacted legislation to implement an APCD system. The scope of claims data collected and how states leverage their APCD system varies greatly. For example, while all states with operational APCDs [collect medical claims data](#), only select states collect pharmaceutical and/or dental claims data.

Note: Some states have existing APCDs with voluntary submission established outside of state law. For a list of these states, please visit the [APCD Council website](#).

Consumer-Facing Price Comparison Tools

[Consumer-facing price comparison tools](#) often use APCD data to help patients better understand the costs for a particular procedure by a particular provider in their insurance network. Consumers can [compare prices for shoppable services](#)—such as a hip or knee replacement or a primary care office visit—and look for high-quality services at a lower cost.

The process for developing, implementing and maintaining price transparency tools typically involves multiple stakeholders, including payers, providers and consumers. States with these tools often leverage public-private partnerships when creating a price comparison tool in order to ensure accurate price information and a consumer-friendly experience.

To date, at least 9 states maintain consumer-facing price comparison websites to provide cost and quality data from their APCDs system directly to consumers. The following table lists state examples of price comparison tools:

State	Consumer-Facing Website
Colorado	Center for Improving Value in Health Care – Shop for Care

State	Consumer-Facing Website
Connecticut	Healthscore CT
Florida	Florida Health Price Finder
Maine	CompareMaine
Maryland	Wear the Cost
Massachusetts	CompareCare
New Hampshire	NH HealthCost
New York	New York Health Connector
Washington	Washington Health Care Compare

Right to Shop Programs

Right to Shop programs provide financial incentives for patients to seek lower cost, high-quality providers and health services. Through Right to Shop programs, insurers typically share a portion of their cost savings with health plan enrollees to offset any pre-deductible or out-of-pocket expenses. Proponents of Right to Shop programs argue that financial incentive programs prompt health care consumers to utilize public price information and seek cost-effective care. However, some argue that Right to Shop programs are not necessarily effective, since patients often defer to [physician referrals and recommendations](#) when seeking health services rather than shop for services. Some states have initiated Right to Shop programs for state employee health plans; others have enacted legislation encouraging private insurers to develop shared savings incentive programs. The following are examples of state legislative actions establishing or promoting Right to Shop programs:

- [New Hampshire](#), [Kentucky](#) and [Utah](#) established Right to Shop programs as part of their state employee health plans to curb growing health care costs to state budgets. New Hampshire was the [first state to establish a shared incentive program](#) with 90 percent of enrollees using the Right to Shop program within the first three years of the program.
- [Florida](#), [Maine](#), [Nebraska](#), [Tennessee](#), [Utah](#) and [Virginia](#) enacted legislation requiring or encouraging state-regulated private health plans to initiate Right to Shop programs for enrollees. For example, Virginia requires health insurers participating in the small group market to develop a Right to Shop program for health plan enrollees, where health carriers can provide direct cash, gift cards or lower out-of-

pocket costs as incentives to seek more affordable care. Florida enacted legislation authorizing, but not requiring, insurers participating in the individual and small group market to develop shared savings programs for enrollees.

Federal Actions

The Centers for Medicare and Medicaid Services (CMS) released a [final rule](#) in 2019 requiring hospitals to provide "standard charges" for hospitals items and services in two different formats. First, hospitals must post all hospital standard charges in a comprehensive, machine-readable file. Second, hospitals must post on their website payer-specific price information for 300 shoppable health services in a consumer-friendly format. These hospital price transparency requirements went into effect January 2021.

CMS released another [final rule](#) in 2020 establishing similar price transparency requirements for health insurers. The final rule requires most private health insurance plans to provide patients out-of-pocket costs and negotiated rate information for health care items and services upon a patient's requests. Additionally, private health insurers must post three separate machine-readable files with information relating to negotiated rates with in-network providers, billed charges and allowed amounts from out-of-network providers, and negotiated rates and historical net prices for prescription drugs. Requirements to post machine-readable files go into effect January 2022 and cost-estimate requirements go into effect January 2024.

Additional Resources

NCSL Resources

- [All-Payer Claims Database Postcard](#), 2018

Other Resources

- All-Payer Claims Database Council [webpage](#)
- The National Association of Health Data Organizations [webpage](#)