ACOs, You Probably Think Cost Transparency Isn’t Your Problem. Think Again.

written by Theresa Hush | September 24, 2020



ACOs have largely sidestepped the cost transparency dispute raging between Medicare and medical providers, especially hospitals, due to CMS rules requiring providers to give consumers coverage-based cost estimates. If you're an ACO, you probably assume that cost transparency is not your problem.

So you probably won't like to hear that your ACO should be helping your patients manage costs via cost transparency. Moreover, doing so will benefit you as much as your patients.

Let's examine why this makes sense.

Lack of Cost Transparency Disables Discussion of Value for Consumers

Cost transparency really means giving advance price information to consumers so that they can make good decisions about diagnostics and treatments. If consumers are blind to the actual cost of services, their incentives to keep those costs down are minimal. Value is at the heart of transparency efforts. And for consumers, who now shoulder a much larger portion of costs—if not all, if insurance coverage ends—cost transparency is also a matter of fairness.

The definitions of “prices” and “costs” in health care are convoluted, but that confusion benefits providers. Since “prices” are rarely paid because of insurance-negotiated fees and governmental fee schedules, there is no agreed-upon public response to cost transparency.

But Providers Feel Financial Risk in Transparency of Negotiated Rates

Negotiated rates reflect the competitive status of the provider and the health plan. Large providers can negotiate better deals with insurance companies than small health care organizations, and therefore patients of some practices and hospitals will pay more than others.

Medicare’s provider fees are a fraction of those paid by private insurers. But Medicare has interests beyond controlling its direct payments. CMS is considering adjusting prices for Medicare Advantage plans, which also pay the higher rates. The difference? Private health plan payment rates to providers can be as much as two to three times Medicare’s provider fees,

which has benefited providers until now.

Cost transparency could also create a benefit to employers and their employees. Revealing costs paid to providers can stimulate employers and their covered employees to challenge and reduce disproportionately high payments. By lowering cost of provider payouts, there is a potential to achieve expanded coverage.

Why Would ACOs Want to Go Crosswise to Providers' Transparency Disputes?

CMS Rules require hospitals to divulge to consumers the prices they negotiated with insurance companies. In response, hospitals have challenged CMS 2019 rules in court, arguing both that consumers don't pay these total prices so that the rate is irrelevant, and that the negotiations and revealed rate information would damage them financially.

While your ACO isn't subject to those rules, you'd be well advised to adopt cost transparency to succeed under Risk through your own modified approach. As your organization establishes mutually beneficial relationships with providers, you can't avoid the choice to achieve savings by prioritizing strategies to focus on cost variations and areas of excess costs. To realize those goals, you'll need to navigate the battleground of cost transparency by involving patients and physicians in discovery of costs.

ACOs Can Offer a Consolidated Approach for Participating Providers and Specialists

The final CMS requirements for cost transparency may be settled

by congressional legislation or the courts; in the meantime, ACOs have an opportunity to chart their own course to involve physicians and patients in costs. This path does not need to adopt the methods of the CMS rule, as ACOs are not directly targeted by the regulations. But the following key components offer the best method for your ACO to successfully begin transparency efforts and weave them into a larger strategy of physician-involved cost control:

Ensure that cost transparency is organized around how consumers experience health care services—associated by time and episodes of treatment or conditions, rather than individual services. Use technology to create episodes of care to establish the most common procedures and patient cases for targeted episode costs:

- Bundled services like procedures and any post-procedure follow-up;
- Annualized cost of serious medical condition, such as chronic COPD, heart failure, diabetes, and end-stage renal disease;
- Treatment and monitoring costs associated with cancer.

Establish total estimated payments, rather than patient share of costs, as the goal of cost

transparency efforts. Patient share calculations do not help the patient determine the value of the treatment, nor compare alternatives. A patient's share, in absolute dollars, could be affected by a variety of factors, including location, treatment type, and the patient's other existing services. Express cost estimates for episodes according to *payer category*, such as an average of private health plan negotiated rates for the providers in your ACO. This permits you to protect competitive, precise insurance rates while achieving approximate and reasonable accuracy. Exclusions and clinical considerations that may have an effect on actual costs must be listed. Your ACO needn't produce a detailed cost commitment for treatment or services for patients; rather, you need to provide a fair estimate based on a range of costs dependent on certain conditions.

For ACO negotiations with private health plans, ensure you request claims data with financial detail is a precondition to the agreement, so that you can use this information to calculate costs in episodes. Medicare claims will be available for you to develop episode calculations for that population, as will your providers' EMR data.

Support processes that introduce cost transparency into physician-patient discussions about initial treatment plan decisions, annual reassessments or new diagnoses, surgical consults, oncology treatment reviews, and so on. These conversations depend on predetermined generation of cost estimates for various episodes and bundled services that are

initiated as part of a clinical pathway and routine work-up prior to a visit or consult.

Your ACO can improve cost management by navigating transparency, but your leadership is needed most in determining how patients and physicians examine and discuss prices in health care. Lost in all the discussion of politics and protection is this simple fact: at the heart of cost transparency is the conversation between patient and physician, how they explore treatment options and the value of those treatments using concrete estimates of costs and outcomes. Establishing robust shared decision-making based on cost transparency is how ACOs can truly meld business and clinical opportunities to make health care more affordable.

Founded in 2002, Roji Health Intelligence guides health care systems, providers and patients on the path to better health through Solutions that help providers improve their value and succeed in Risk.

Image: Jan Canty