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November 30, 2019

**TO: Board of Trustees
U.A. Local 467 Health and Welfare Plan**

FROM: Richard K. Grosboll, Trust Counsel

RE: Health Care Pricing & Insurance Coverage Transparency Rules

I. Health Care Pricing and Insurance Coverage Transparency Rules

During November 2019, the Trump Administration (Departments of Treasury, Health and Human Services and Labor) put forth two long anticipated rules that increase price transparency for both hospitals and insurers. That means that hospitals will soon have to share price information they have long kept obscured – including how big a discount they offer cash-paying patients and rates negotiated with insurers. The government’s hospital price transparency requirements finalize changes that require health systems to make their standard fees available on-demand and online. The “transparency in coverage” proposed rule would require health plans, including employer-based plans, and group and individual plans to inform Participants, beneficiaries and other enrollees about price and cost-sharing information ahead of time. The Agency hopes that increased price transparency will boost competition among hospitals and insurers to drive down healthcare spending. The final rule on Hospital prices goes into effect on January 1, 2021 (13 months from now). CMS is accepting comments on the proposed rule for payers, which would go into effect one year after it is finalized. This latter proposal, the CMS proposed to require health insurers to spell out beforehand for all services just how much patients may owe in out-of-pocket costs.

Four major hospital organizations (American Hospital Association, Association of American Medical College, the Children’s Hospital Association and the Federal of American Hospitals) announced that they would challenge the Hospital rule in court, stating that the rule will introduce widespread confusion, accelerate anticompetitive behavior among health insurers and stymie innovation. These groups will argue that the rule exceeds the Administration’s authority.

The President and CEO of Blue Cross Blue Shield Association also opposed the rule, stating that it will not help consumers better understand what health services will cost them and may not advance the broader goal of lowering health care costs. They are concerned about requiring disclosure of negotiated rates.

As the governmental regulations are over 150 pages, there is still more to learn about the new rules. The two main requirements are:

- **Comprehensive machine-readable file.** All of this pricing data will be online, in a file, which could then be accessed by apps or transparency tools. The data elements include gross charges, payer-specific negotiated rates, the

amount the hospital will accept in cash from a patient, and the minimum and maximum negotiated charges for services. The file must include common billing codes and a description of the service.

- **Display of shoppable services.** Hospitals are required to display, in a consumer-friendly manner, 300 common services – 70 CMS-selected, and the other 230 hospital-selected.

There is a penalty of \$300 per day for hospitals that don't comply.

We will keep you updated on the Final Rule and thee Proposals and legal challenges.

cc: Fund Manager
Other Plan Advisors