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**Statement  
of the  
American Hospital Association  
before the  
Committee on Finance  
of the  
United States Senate**

**Health Care Price Transparency**

**June 18, 2013**

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, and our 43,000 individual members, the American Hospital Association (AHA) appreciates this opportunity to submit for the record comments on the current state of health care costs and price transparency.

**A BROKEN SYSTEM**

Hospitals work within a fragmented health care system and complex billing structure that all parties – hospital leaders, regulators, insurers and patients – agree needs to be updated. But hospitals' mission remains the same: to serve the health care needs of the people in their communities 24 hours a day, seven days a week.

Nationally, hospitals deal with more than 1,300 insurers, each having different plans, all with multiple and often unique requirements for hospital bills. Add to that decades of governmental regulations that have made a complex billing system even more complex and frustrating for everyone involved. In fact, Medicare rules and regulations alone top more than 130,000 pages, much of which is devoted to submitting bills for payment. Clearly, this is an unworkable system.



It is important to note that what is charged and what patients eventually pay are two different numbers. Because nearly all of a hospital's payments are set either by government, which pays less than the cost of caring for patients, or through negotiations with private insurance companies, the vast majority of patients do not pay what is listed on the hospital bill.

In addition, hospitals must balance needed financial assistance for some patients with broader fiscal responsibilities in order to keep their doors open for all who need care.

Patients may look at a hospital bill and think the prices they see only reflect the direct care they received, when in fact what is reflected are all the resources required to provide the care – such as the nurse at the bedside and the myriad staff who keep the hospital running– bundled into the price of every item on a hospital bill.

Making life-saving services such as neonatal intensive care units, trauma centers and burn units available 24 hours a day, seven days a week, is cost intensive. This standby capacity is not explicitly funded, but patients and communities depend on it – and expect it – to be there when they need it because hospitals treat everyone who walks through their emergency department doors, including people who do not have insurance or cannot pay. In 2011 alone, hospitals provided \$41 billion in uncompensated care. The cost of covering these patients, along with making up for payment shortfalls by government programs, are built into all bills as well.

## **THE CHALLENGE OF PROVIDING MEANINGFUL INFORMATION**

Hospitals strive to provide care to those who need it while ensuring that patients have the necessary information – including the cost and quality of care – to make decisions about their care. Sharing meaningful information, however, is challenging because hospital care is specifically tailored to the needs of each individual patient. For example, a gallbladder operation for one patient may be relatively simple, but for another patient, it could be fraught with unforeseen complications, making meaningful “up front” pricing difficult and, perhaps, confusing for patients. Moreover, hospital prices do not include physician and other professionals' costs or, most importantly, how much of the cost a patient's insurance company may cover.

More than 40 states already require or encourage hospitals to report information on hospital charges or payment rates and make that data available to the public. These state efforts range from making public information about individual hospitals' lists of prices (i.e., master charges), to pricing information on frequent hospital services, to information on all inpatient services.

The AHA supports these state-based efforts regarding price transparency, including the *Health Care Price Transparency Promotion Act of 2013* (H.R. 1326), which would require states to have or establish laws requiring hospitals to disclose information on charges for certain inpatient and outpatient services, and require health insurers to provide to enrollees upon request a statement of estimated out-of-pocket costs for particular health care items and services. Introduced in the House by Reps. Michael Burgess (R-TX) and Gene Green (D-TX), the legislation also requires the Agency for Healthcare Research and Quality to study the types of health care cost information that consumers find useful, and ways it might best be distributed.

Hospitals are committed to providing more useful information to patients. It also is important to note that, for most patients, what is most important and relevant is how much they will be required to pay out-of-pocket. Because insurers determine how high their customers' out-of-pocket rates will be, patients need insurers to provide real-time information.

## **PRINCIPLES FOR HELPING PATIENTS WITH PAYMENT FOR HOSPITAL CARE**

Today's complex billing system did not develop overnight, so it will require thoughtful examination involving all stakeholders to find the right solutions that will benefit patients.

In November 2003, the AHA Board of Trustees approved a Statement of Principles and Guidelines on practices hospitals are embracing for patient billing and collection. The guidance was updated in May 2012 to reflect advancements in the field and changes made by the *Patient Protection and Affordable Care Act (ACA)* applicable to tax-exempt hospitals. The guidelines reflect that commitment and demonstrate the shared partnership/responsibility between hospitals and patients to address billing issues in a timely, transparent and forthright manner. Moreover, the AHA Board of Trustees is developing a plan to continue to improve the billing system.

America's hospitals are united in providing care based on the following:

- **Communicating effectively with patients** – Hospitals work to provide financial counseling to patients about their bills and make the availability of such counseling widely known. Hospitals strive to respond promptly to patients' questions about their bills and to requests for financial assistance, and use a billing process that is clear, concise, correct and patient friendly. Hospitals are making available for review by the public specific information in a meaningful format about what they charge for items and services.
- **Helping patients qualify for financial assistance** – For years, hospitals have worked with patients to help them with their bill as part of their mission of caring. Under the ACA, non-profit hospitals have a written financial assistance policy that includes eligibility criteria, the basis for calculating charges and the method for applying financial assistance. Hospitals work to communicate this information to patients in a way that is easy to understand, culturally appropriate, and in the most prevalent languages used in their communities, and have understandable, written policies to help patients determine if they qualify for public assistance programs or hospital-based assistance programs. The ACA also requires that non-profit hospitals widely publicize (e.g., post on the premises and on the website and/or distribute directly to patients) these policies and share them with appropriate community health and human services agencies and other organizations that assist people in need.
- **Ensuring hospital policies are applied accurately and consistently** – Hospitals work to ensure that all financial assistance policies are applied consistently and that staff members who work closely with patients (including those working in patient registration and admitting, financial assistance, customer service, billing and collections as well as nurses, social workers, hospital receptionists and others) are educated about hospital billing, financial assistance and collection policies and practices.

- **Making care more affordable for patients who qualify for financial assistance –** Hospitals strive to review all current charges and ensure that charges for services and procedures are reasonably related to both the cost of the service and to meeting all of the community's health care needs, including providing the necessary subsidies to maintain essential public services. Under the ACA, non-profit hospitals also have policies to limit charges for emergency and other medically necessary care for those who qualify for financial assistance to no more than the amounts generally billed to individuals who have insurance covering such care.

## **CONCLUSION**

Hospitals are a critical component to the fabric and future of our communities. We recognize the costs associated with health care and have worked hard to hold down our costs. Some progress has been made, with recent data clearly showing that hospital costs and price growth have slowed; the rate of growth in hospital cost per service, at only 2.1 percent, is below inflation and at a decade-low. Hospitals remain committed to helping bend the cost curve for their patients, communities and the nation.

We agree that consumers need useful information when making health care-related decisions for themselves and their families. Providing understandable and useful information about health care costs is just one way America's hospitals are working to improve the health of their communities.

The AHA and its members stand ready to work with policymakers on innovative ways to build on efforts already occurring at the state level, and share information that helps consumers make better choices about their health care.