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Health Care Price Transparency

Opportunities for Improving Efficiency and Lowering Costs

Policy Brief

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Summary of the Issue

Healthcare prices in the United States are high, variable, and opaque. A lack of transparent pricing information limits competition, stifles innovation, and prevents both patients and healthcare purchasers from understanding the true price of healthcare. It also prevents regulators and policymakers from ensuring healthy market competition.[1] Although the US leads the world in healthcare spending, high and variable prices have not been shown to reflect an increase in quality, but are rather driven by provider consolidation and market power. [2,3]

To address these challenges, significant bipartisan healthcare agreements have centered on making prices more transparent. The *Hospital Price Transparency* regulation of the Public Health Service Act took effect on January 1, 2021, and expanded insight into provider ownership, broadened transparency for hundreds of 'shoppable' health services, and aided regulators and policymakers overseeing healthcare market competitiveness. *Transparency in Coverage* (TiC) regulations mandated that group health plans and insurance providers post pricing information for covered items and services. This information must be provided in two ways: (1) a machine-readable file (MRF) listing all standard charges for services and items, and (2) a consumer-friendly display of 'shoppable' services.[4]

Current price transparency efforts have had only modest benefits for individual patients, who, even if they find actual prices, must still navigate a complex medical and billing system to determine true out-of-pocket costs.[3,5,6] On net, patient-focused price transparency tools have not led to savings.[7,8] However, price transparency has significant potential to aid regulators and policymakers who are overseeing healthcare market competitiveness. Existing transparency efforts have helped to identify cost-cutting solutions, increase accountability, and ultimately provide more cost-effective care.[3,9]

Efforts in early 2025 reignited momentum to improve healthcare price transparency at the federal level. An Executive Order from President Donald Trump was signed on February 25, 2025 to focus on strengthening enforcement of existing rules and ensuring that hospitals and insurers disclose true prices, not estimates.[10] The same day, Senator John Kennedy reintroduced the Hospital Transparency Compliance Enforcement Act to significantly increase penalties for hospital noncompliance.[11]

These price transparency initiatives have substantial public backing. In 2024, 92% of likely electorate voters nationwide supported strengthening requirements for healthcare price

transparency.[12] However, current transparency efforts could be improved to expand access, improve compliance, and facilitate broader use of the data. Therefore, researchers have proposed several pathways to strengthen existing price transparency legislation and increase its cost-cutting potential. Individuals, regulators, policymakers, and healthcare purchasers can make more informed decisions and employ new strategies to reduce healthcare costs by improving their understanding of both price and ownership structures.

Policy Options Overview	1. Develop a centralized national database of provider ownership and control. 2. Improve existing Transparency-in-Coverage policies by simplifying, standardizing, and centralizing data. 3. Strengthen compliance enforcement. 4. Improve employer access to claims data to help self-funded plans monitor prices negotiated on their behalf.

Background & Overview

Prior Action by the State and Federal Government

Before the enactment of the Hospital Price Transparency Final Rule and the Transparency in Coverage (TiC) Final Rule, both federal and state policymakers initiated smaller, yet notable reforms to increase price transparency and reduce costs.

A provision in the Affordable Care Act (2010) required hospitals to publish a list of their standard service charges and implemented a rate review process for significant premium increases.[13]The Pricing Disclosure Rule from the Centers for Medicare and Medicaid Services (CMS) in 2019 required hospitals to post certain list prices in a machine-readable format online.[14] These efforts were important first steps in disclosing healthcare prices, but fell short of some expectations; the disclosures required patients to compare hospital and insurance prices themselves, and many found the process to be too complex and cumbersome to fully utilize.[2]

Several state-led efforts to improve federal price transparency also initiated important reform. An early adopter is the State of New Hampshire, which leveraged its all-payer claims database to host the NH Health Cost tool. While New Hampshire's price transparency website [15,16] helped reduce insurer prices for imaging services, overall patient use has been low. In other efforts, the state of California passed several measures to increase price transparency including the California Common Surgeries and Charges Comparison (2011). Wisconsin developed a price transparency website called *PricePoint*, which was later used by 16 other states as a website model for their transparency efforts. Massachusetts developed *MyHealthCareOptions,* a website that allows Massachusetts residents to compare certain healthcare costs and quality measures.[17] Although promising, patient participation in state-wide price transparency programs is modest. Many believe that the tempered success is because additional barriers still prevent individuals from true healthcare 'shopping.' [5,18]

The Hospital Price Transparency Final Rule

The Hospital Price Transparency Final Rule took effect in January 2021. CMS's hospital price transparency requirements stipulate that each hospital in the United States make its standard charges public – which include gross charges, discounted cash prices, and charges negotiated between the hospital and third-party payers.[19,20] The information must be presented in two formats:

1. A consumer-friendly display of 300 'shoppable' services provided by the hospital, presented as either a services file or a price estimator tool that considers an individual's unique insurance information; and
2. A machine-readable file (MRF), with standard charges for all items and services provided by the hospital.

The Transparency in Coverage (TiC) Final Rule

TiC rules took effect in July 2022 to increase transparency in health insurance and group plan pricing. To date, the TiC data provides the most comprehensive insight into US healthcare prices for analysis and oversight.[2] Similar to the Hospital Price Transparency rule, it requires that health insurers and group plans disclose the prices for each item and service they negotiate for physicians and facilities, and provide the information in two formats:

1. A consumer-friendly web tool that gives beneficiaries a personalized estimate of their out-of-pocket costs for all covered items and services, including prescription drug prices and out-of-network charges; and
2. A machine-readable file (MRF), updated monthly, with standard charges for all items and services.[20]

Related Bills in Congress

Building upon previous efforts, two related bipartisan bills were introduced in 2023 to increase price transparency, which included transparency in the 340B program. The *Lower Costs, More Transparency (LCMT) Act* (H.R. 5378) was passed in the House in December 2023. The *Health Care PRICE Transparency Act 2.0* was introduced in the Senate around the same time, but was not ultimately passed. Despite bipartisan support, neither bill was signed into law during the 118th Congress.

In the 119th Congress, the House introduced the *Health Care PRICE Transparency Act* (H.R. 267) in January 2025, where it is currently in committee. It proposes similar reforms to earlier versions of the bill, and signals that the bipartisan support may continue for price transparency efforts.[20,21]

Key Stakeholders for Price and Provider Ownership Disclosures

Research has shown that price transparency efforts have been minimally beneficial for patients "shopping" for medical care. True out-of-pocket costs are the hardest to determine because of complex medical payment and billing systems. In addition, most

patients are referred for "downstream" services by providers. Provider consolidation creates incentives for health systems to steer patients to higher-priced facilities.[22] These complexities hinder patients' ability to compare health care prices and foster doubt about whether the reported prices accurately represent their out-of-pocket costs.[6] Despite its minimal use for patients, price transparency has proven potential to benefit other stakeholders who utilize price data to provide healthcare oversight.

Employers and healthcare purchasers

Price transparency is an essential tool for employers to design health plan offerings that are competitive with similar organizations, ultimately driving cost-effective healthcare utilization. Employers are the largest source of health insurance in the United States, providing health insurance for over 160 million Americans.[23] Because they are the largest health insurance provider, employers also play a significant role in financing the healthcare system – collectively accounting for an estimated $1.4 trillion in healthcare spending.[24] Alarmingly, numerous studies have shown that as healthcare spending has increased in recent years, employers have reduced wages for workers to compensate.[1]

Numerous efforts have been enacted to help employers access claims data to monitor the prices negotiated by third parties on their behalf. However, they are often denied access to this data, forcing them to interact with health insurance brokers price-blind. Price and provider information can help employers carry out their legal and moral obligation to provide high-quality, cost-effective health benefits when this information is readily available.[2,25]

An example from a Northeast labor union demonstrates the cost-cutting potential of using healthcare claims data for employers. SEIU 32BJ, which provides health coverage for approximately 200,000 members, analyzed their claims data and replaced high-cost providers with price-transparent providers in their network. By making this change, they identified savings of approximately $100 million a year and used them to boost member wages and give each member a $3,000 bonus. Ensuring that employers and healthcare providers have access to claims data can help to reduce costs and improve efficiencies in the marketplace.[26]

A related example comes from the State of Indiana, where employers pooled data to examine variation in hospital prices.[27] Transparency into data showing Indiana employers paid among the highest hospital prices in the country led to political pressure to enact state policies that improve competition in hospital markets and limit the adverse consequences of consolidation.[28]

Researchers, entrepreneurs, and policymakers

The lack of transparent pricing across and within market segments prevents researchers and entrepreneurs from identifying opportunities for efficiency and innovation. Usable price information can elucidate the dynamics of competition, cost, and quality and help innovators identify opportunities for improvement.[3] For example, driven by publicly-available pricing information, researchers found that in 2023, Medicare Advantage (MA) and Medicaid managed care (MMC) programs negotiated inconsistent prices across market segments for the same procedure and hospital, with MA prices being less than half of the commercial prices negotiated by the same insurer for the same hospital. These documented price differences within insurer and between-market segments were uncovered because of information provided through existing transparency legislation.[29]

Challenges & Concerns

The most promising proposals to improve price transparency center on data standardization, data simplification, and CMS enforcement of existing regulations. Addressing these challenges will help price transparency efforts fuel a competitive, cost-effective healthcare market.

Quality of Data Reported on MRFs

MRFs give researchers and analysts access to important data to inform public policy and identify opportunities to reduce costs.[20] However, the data is often incomplete and contains redundant or irrelevant information that prohibitively increases the size of the file. [1]To help improve standardization, CMS introduced new Hospital Price Transparency requirements in the *2024 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule* that take effect in January 2025. The rule requires additional data elements (e.g., drug unit of measurement), new template and layout specifications, and improved access to MRFs (e.g., including a TXT file and contact information).[2] However, it remains to be seen whether these improvements will be sufficient for hospitals and insurance providers to efficiently provide the information in full. Without quality data, it is challenging for many researchers and analysts to properly utilize the information that is being reported, and continued focus on data quality is an essential aspect of price transparency effectiveness.[2,20,32,33]

Accessibility of TiC Data

TiC rules exist to allow employers and healthcare purchasers to compare providers, plans, and costs to inform healthcare offerings. However, data users claim that the data lacks standardization and has not been made sufficiently accessible. Insurers and pharmacy benefit managers often claim ownership of the data and restrict access to it for research purposes. In fact, several self-funded employers needed to file lawsuits to obtain access to the data for auditing purposes.[25]

Rule Enforcement by CMS

[1] Whaley, C. M., Kerber, R., Wang, D., Kofner, A., & Briscombe, B. (2024). Prices Paid to Hospitals by Private Health Plans. *RAND*. doi:https://www.rand.org/pubs/research_reports/RRA1144-2-v2.html.

[2] Postma, T. L. (2024, October 21). Hospital Price Transparency: Encoding the January 1, 2025 Requirements in the MachineReadable File & Tips for Implementation. Centers for Medicare & Medicaid Services. https://www.cms.gov/files/document/cms-hpt-webinar-10-21-2024.pdf

CMS has three avenues for monitoring hospital noncompliance: (1) complaints made by the public, (2) CMS review of others' analyses of noncompliance, (3) and internal audits of hospital websites.[19] If CMS finds a hospital noncompliant, enforcement actions include warning notices and monetary penalties. Despite claims of comprehensive overview, CMS officials acknowledge that they lack sufficient resources to check the accuracy and completeness of all hospital pricing data. In 2024, only 21.1% of hospitals reviewed by the Patient Rights Advocate were fully compliant,[9] making it challenging for researchers and policymakers to derive accurate and comprehensive findings from the information. Research has shown that more stringent enforcement is effective in improving compliance,[34] yet CMS penalties are frequently delayed.

Potential Policy Options to Increase Healthcare Price Transparency

1. Develop a centralized national database of provider ownership and control

The widespread consolidation and increasing corporatization of healthcare providers, including hospitals and physician practices, have diminished competition and driven up costs. For state policymakers and regulators aiming to assess consolidation or promote competition, access to accurate information on the ownership and control of provider entities is essential—yet often difficult to obtain.[35] Existing data does not sufficiently track provider ownership and affiliation arrangements, which prevents sufficient oversight of provider consolidation.[36] When researchers and policymakers lack clarity about the identity of the owner or control entity, it obfuscates analysis of the extent and influence of consolidation on healthcare price and quality. Requiring provider organizations to report full ownership, management, joint venture, and other arrangements would significantly improve existing transparency rules.

2. Simplify and standardize TiC data

TiC data contains duplicative prices and prices for services that providers do not perform, which significantly inflates the size of the file. The data is also fully updated monthly, regardless of whether there has been a price change to report. CMS could require that insurers and group plans only post prices for procedures with a history of submitted claims and revise monthly updates to include prices that are new or changed. Additionally, further standardization of TiC data would reduce complexity and make the data more broadly available for various users.[2]

3. Strengthen compliance enforcement

A lack of sufficient, consistent enforcement is a key inhibitor to effective price transparency.[32] Research has shown that more stringent and persistent enforcement is an effective tool to improve compliance, yet CMS penalties are inconsistently imposed. Notably, automated compliance efforts in 2023 significantly improved enforcement, initiating penalties against 851 noncompliant hospitals. Improving the consistency of

enforcement efforts through automation resulted in more enforcement in 2023 than in the previous two years combined. By continuing to strengthen oversight through automation and consistently enforcing penalties, CMS can ensure that hospitals and insurance providers submit comprehensive reporting.

4. Improve employer access to claims data

To make cost-effective decisions about healthcare provision, self-funded plans must be able to monitor prices negotiated on their behalf. With access to this information, employer groups like CalPERS and the SEIU Labor Union have identified lower-cost healthcare providers that save millions of dollars annually. The 2021 Consolidated Appropriations Act (CAA) removes many restrictive clauses from plan contracts but does not ensure that self-funded purchasers can access their claims data. Improving access to this data can help self-funded plans be more knowledgeable about the healthcare they provide for beneficiaries.

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