

Talking Points: Prices Hospitals Charge May 8, 2013

Maryland's Unique Rate-Setting System

- Maryland has a unique way in which it sets hospital rates, called the all-payor rate-setting system, which protects Marylanders from higher health care costs.
- Under Maryland's system, the state, not the marketplace like the rest of the nation, sets the rates hospitals are allowed to charge for their services.
- Hospital rates are updated annually by the Health Services Cost Review Commission (HSCRC), an independent state hospital rate-setting agency.
- Hospitals' Annual Payment Rate Update is determined by many factors, such as inflation, the number of people treated, hospital financial condition, and the status of the Medicare waiver that allows the system to exist; input from insurers and the hospital field is included.
- The HSCRC-approved rates determine what each hospital can charge for the health care services it provides.
- Hospital charges in Maryland may differ from hospital to hospital because individual hospital costs are based on the local labor market, the severity of illnesses of the patient population, and other factors.
- Maryland's rate-setting system has by design kept hospital costs in Maryland below that of the rest of the country, enabling Maryland to maintain its unique Medicare waiver.
- In order to maintain the Medicare waiver, Maryland's cumulative rate of growth in Medicare expenditures per inpatient discharge must not exceed the average across the nation.
- Hospitals agree that the waiver must be modernized to accommodate health care reform, but in a way that ensures the financial viability of Maryland's hospitals.

Transparency

Hospitals are committed to providing price information to consumers:

- Maryland is one of more than 40 states that already require hospitals to report information on hospital charges or payment rates, and make that data available to the public.
- For each hospital, there is a uniform set of charges, called the chargemaster.
- What consumers really want is information about what they are required to pay out of pocket, which requires transparency on the part of other stakeholders, particularly insurers.

Complex Billing System

- Charges are based on both historical data and negotiated payments. In addition, uncompensated care, which has risen steadily over time, is figured into overall hospital costs. Charges also reflect the costs of being open 24 hours a day, seven days a week; these costs must be allocated across all consumers who receive hospital services.
- Current federal regulations are tied to the chargemaster, so making changes to the chargemaster can be complicated and problematic. Hospitals recognize that billing is complex and are working to make their bills more patient-friendly.

Costs Charged to Patients without Public or Private Insurance

- *The Patient Protection and Affordable Care Act* requires tax-exempt hospitals to have a written financial assistance policy, and to limit charges for those who qualify for financial assistance to no more than Medicare rates or a blend of Medicare and private insurance rates.