

# Latest updates to hospital price transparency rules aim to make the data more useful

CMS requires hospitals to disclose additional data about their prices



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The new year ushered in a final slate of updates to the federal rules for how hospitals have to disclose their prices, and experts are optimistic the changes will make the data more helpful in identifying less expensive providers.

The updates are fairly straightforward. The government is requiring hospitals to include additional pieces of data to improve their consistency and make it easier to compare across hospitals. Jan. 1 was the deadline for hospitals to make the changes to their files.

Specifically, hospitals must now include three new fields: “estimated allowed amount,” “drug unit of measurement and drug type of measurement,” and “modifiers.” It’s the final of three phases in the Centers for Medicare and Medicaid Services’ hospital price transparency rollout. The first phase was the original rollout in 2021, followed by an update in July 2024.

“Those are three very under the hood changes, but each of those meet a pretty important need that’s lacking in the hospital transparency data today,” said Chris Severn, the CEO of Turquoise Health, a company that sells its price transparency platform to providers, insurers, and employers.

The estimated allowed amount is the average dollar amount a hospital has historically received from a particular insurer for an item or service. It’s being added because in some cases, hospitals omitted dollar amounts

if they were reimbursed under formulas or algorithms, sometimes writing “not applicable.”

CMS gives hospitals latitude on how to calculate their estimated allowed amounts. While the agency recommends they use historical claims, officials didn’t want to be overly prescriptive, said Morgan Henderson, director of analytics and research at The Hilltop Institute at UMBC, a health policy research center.

“I understand why CMS did that, but there’s enough hospitals in the country that this could be challenging in terms of how this field is actually rolled out,” he said.

Patient advocates tried unsuccessfully to convince the Biden administration to make hospitals post “real prices” instead of averages or estimates, contending that the rule gives them leeway to claim their prices are variable.

“We are supportive of a standard schema, however, we believe the Biden administration has done a disservice to the American people by rolling back our rights to actual prices and substituting that with an estimate that has no accountability and complicated algorithms meant to confuse,” said Cynthia Fisher, the founder of PatientRightsAdvocate.org, a nonprofit focused on health care price transparency.

On the drug piece, hospitals historically reported drug prices in the transparency data in whatever form (such as vials or packages), and quantity they received them. Over the years, that led to a slew of different interpretations that made the data difficult to use for comparing prices, Severn said.

The Jan. 1 addition of drug type and unit of measurement is designed to add consistency to how hospitals report those numbers.

The final change, the addition of modifiers, is important for standardizing the data and making it comparable. Modifiers are two-digit codes that specify payment and billing rules for a service by indicating key details, like where the service took place or whether it happened more than once. For example, the modifier 50 indicates a

procedure was bilateral and reimbursement should be higher. Many hospitals already use modifiers, but this update ensures all do.

Ahead of the deadline to implement the latest changes, Turquoise Health's tracker showed that roughly half of hospitals still weren't fully compliant with the current price transparency regulations. That's mostly because of unintentional technical errors that are easy to fix, Severn said.

Severn said many hospitals struggled with the July 2024 changes, which required them to switch from posting machine-readable files to using a standard template in which the information is more uniform. The latest phase, by contrast, is less arduous, he said.

While the newest changes may sound in the weeds, both Henderson and Severn said they think they'll make the data much more useful for everyone who uses it, including employers, purchasing groups, government agencies, and individuals.

It's been roughly four years since the hospital price transparency regulation first took effect, and Severn said he thinks the undertaking will finally start to pay off.

"2025 should be the first watershed year where the price transparency data hits consumers, which is really exciting," Severn said.

Henderson, by contrast, is cautiously optimistic. While he agrees the data quality has improved significantly since 2021, it's an open question whether it will actually help drive down health care spending growth. It hasn't so far: The country's health spending grew 7.5% in 2023, up from 4.6% in 2022.

"I think the jury is still out on that one," Henderson said