**Section 1 – Cost and Quality Transparency**

***Resolution 1.05: Promoting Transparency of Negotiated Prices***

**Background:**

The prices negotiated between hospitals and health plans or networks are commonly regarded as proprietary information. Contract language between hospitals and health plans or networks typically prohibits sharing this information. Even so, The Alliance has always maintained the right to share negotiated prices with our member employers and their employees. This, however, is different than making negotiated prices public.

Generally speaking, providers and insurers or networks are opposed to any disclosure of negotiated prices.

* Insurers and networks argue that disclosing allowed amounts will increase prices as providers, who discover that their reimbursement rates are low, will insist on rates that are on par with higher priced providers. They are also concerned that public disclosure of contracted rates will lead to greater price uniformity in the market, removing a source of competitive advantage.
* Providers argue that disclosing allowed amounts will lead to lower reimbursement rates as insurers discover that their competitors have more favorable contract pricing and insist on lower rates. They argue that operating margins are already thin for many providers and that reduced reimbursement rates will force hospitals to close, doctors to stop practicing, etc.

Meanwhile, employers and their employees face significant challenges to make informed decisions in their roles as purchasers and consumers of health care. Employers lack solid information to compare the performance of their network options and consumers face significant obstacles to understand, in advance, what they will be required to pay for services.

**Resolution:**

**The Alliance, as an employer-owned cooperative that manages a network of doctors and hospitals, supports well-designed and specified transparency of negotiated prices.**

We believe that transparency of negotiated prices supports the following goals:

1. Employer fiduciary duty - Employers, as plan fiduciaries, have an obligation to ensure they are paying a fair price. Making prices public supports employers in this role.

* Information on price and quality is key to value-based selection of health plans, networks and providers. It is also essential to creating benefit plan designs that encourage consumers to use providers that deliver good care at lower prices.

1. Public accountability - Transparency of information will shine a light on high prices and irrational price variation, creating public pressure and accountability that has been shown to drive change.
2. Information for markets to work - We have a market-based health care system; information to compare price and quality are prerequisites for markets to work so that providers who deliver the best quality at the lowest price see the benefit of greater market share.

**Design Considerations:**

Whether transparency occurs through a legislative mandate or through an organic groundswell of voluntary disclosure, there are some important considerations to ensure a positive effect and to avoid unintended consequences.

1. “Price” should be well-defined/specified to ensure consistency and comparability across plans/networks and providers and to avoid gaming.

* Clear and auditable specifications should be set (e.g. negotiated prices before the impact of benefit plan design, claim edits or other post-hoc mechanisms)
* Measures of total cost or bundled prices should also be reported to create a more complete picture

1. Transparency of negotiated prices should be coupled with meaningful information to compare quality of care/outcomes.

* Price is important, but so too is quality of care. And in health care, price is not correlated with quality – high priced providers do not necessarily deliver the best care.