

**STUDY CONCERNING EXPANSION OF HEALTH
CARE COST REDUCTION AND TRANSPARENCY
ACT TO ADDITIONAL HEALTH CARE
PROVIDERS**

As Required by SL 2014-100

**North Carolina Department of Health and Human Services
December 1, 2014**

Introduction

Section 12G.3 of Session Law 2104-100 requires the Department of Health and Human Services to study and report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the Department's recommendations on the expansion of the Health Care Cost Reduction and Transparency Act of 2013 in the following areas;

(1) Recommended categories of additional health care providers that should be subject to the requirements of the Act.

(2) Recommended data to be collected for the purpose of transparency from each category of identified health care providers.

(3) Recommended exemptions, if any, from certain requirements of the Act for each category of identified health care providers.

(4) Recommended effective dates for the applicability of the Act to each category of identified health care providers.

The Department has undertaken a review of current efforts underway to implement the Act and offers its recommendations based on what it has learned in the current effort.

Recommendations for Additional Providers

Consideration should be given to focusing expansion of the Health Care Cost and Transparency Act (Act) to capture medical procedures and services that are offered to the public by any medical provider with less attention given to the type of provider. As health care provision continues to change it is important to recognize that services, especially outpatient services that traditionally have been offered only by licensed hospitals, and more recently also by ambulatory surgery centers, are now available through other types of health care providers. It is expected that this trend will continue and, therefore, in order to capture the data for cost comparison and transparency, focus should be on services and procedures that have been or will be identified in the current effort that are or will be provided in other health care settings.

In recognition of this, it is recommended that any expansion of the Act should include, but not be limited to, the following provider types: all providers of imaging and diagnostic services that are currently being provided by hospitals and ambulatory surgery centers, including outpatient centers, clinics, physician and dental offices, mobile technology, medical providers who use diagnostic nuclear medicine and/or radiopharmaceutical therapy.

Recommendations for Data Collection

It is recommended that, for comparison purposes, the data collected should be the same for each service that has been included in the reporting requirements for hospitals and ambulatory surgery centers. This will help assure an equal comparison of cost across provider types that should offer the public a clearer choice based on charges.

Recommended Exemptions

It should be recognized that the implementation of the current statute is still evolving and changes are to be expected as the effort continues. For example, it has been recognized that all hospitals and ambulatory surgery centers are not alike and may not offer all services. And, if they do, not at a level that would meet the reporting requirements that have been established. This has raised questions by the Medical Care Commission and staff of the Department whether some providers may need to be exempted from provisions of the law. To date this discussion has not resulted in any decisions on criteria for exemptions, and there should be considerably more discussion to assure correct decisions are made.

Recommended Effective Dates

Based on the information discussed above in this report, the Department believes that before any expansion of the Act is considered, any implementation issues surrounding the current Act should be evaluated, and, if necessary, resolved. A sample of those issues that have been encountered include:

- DRG volume may not be sufficient in each reporting period to obtain meaningful data
 - At one of the state's larger hospitals, one quarter of data likely will populate 40% of the total available slots (leaving unreported values in 60% of available slots). For small hospitals in the state, unreported values could account for as many as 80-90% of the available slots.
 - Some have suggested that reporting for entire inpatient episodes of care, and allowing for a longer period to capture data could enable a more robust data set, with more useful reports to the public.
- Payment data could inadvertently reveal payor identity
 - Although hospitals no doubt will comply with the law and take great steps to directly redact the identities of their largest payors, the data itself could indirectly identify payors. Based on some early reports—the Department will not have a better understanding until mid-December—even using a large hospital as an example, there is only one payor with volume across the DRGs. In other words, they have a significant amount of information for one payor, and substantially little information for the others:
 - Payor 1 – 78 of 100 DRGs
 - Payor 2 – 1 of 100 DRGs
 - Payor 3 – 15 of 100 DRGs
 - Payor 4 – 16 of 100 DRGs
 - Payor 5 – 11 of 100 DRGs

We are told that when data is aggregated the four other payors combine to cover only 22 of 100 DRGs.

- Some stakeholders have raised concerns about federal rules related to providing this information, including whether the Federal Trade Commission may have a concern with competitors exchanging price or other sensitive business data.

While these items may or may not be issues that need to be addressed, they are issues that are arising during implementation of the initial Act. The Department would recommend that any expansion of the Act not be implemented until it can be determined whether these potential issues are real, and, if so, how best to address them both in the current Act and in any expansion. The Department looks forward to working with the General Assembly in that regard.

Attachment 1.

STUDY CONCERNING EXPANSION OF HEALTH CARE COST REDUCTION AND
TRANSPARENCY ACT TO ADDITIONAL HEALTH CARE PROVIDERS

SECTION 12G.3. By December 1, 2014, the Department of Health and Human Services shall study and submit a written report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division summarizing its recommendations for extending North Carolina's Health Care Cost Reduction and Transparency Act of 2013 (the Act) to additional health care providers. The report shall identify all of the following:

- (1) Recommended categories of additional health care providers that should be subject to the requirements of the Act.
- (2) Recommended data to be collected for the purpose of transparency from each category of identified health care providers.
- (3) Recommended exemptions, if any, from certain requirements of the Act for each category of identified health care providers.
- (4) Recommended effective dates for the applicability of the Act to each category of identified health care providers