



Frequently Asked Questions Pricing Transparency December 18, 2018

Q1. How are hospital charges determined?

A1. Federal law requires that hospitals charge the same prices to all patients as a condition of participation in the federal Medicare program. Hospitals across the nation charge the same amount for any particular service regardless of the source of payment.

Q2. The dollar amount my insurance company pays is different from the dollar amount of the charge for the service. Why?

A2. Non-governmental or private (commercial) health plans pay rates that are negotiated between the payer and the hospital through contracts. Patients with insurance will likely see an adjustment reflecting the difference in the hospital's charges and the amount the insurance company has negotiated for services rendered. In addition, deductibles and co-pays will impact the patient's final out-of-pocket costs.

Q3. How much of the hospital charge does Medicare and/or Medicaid pay?

A3. Government payers, like Medicare and Medicaid, pay the lowest rates and tell hospitals the amount they will be paid for services, which usually does not cover the cost of the service.

- Medicare rates are pre-determined and are non-negotiable.
- Medicaid pays a predetermined fixed amount for services based on a patients' diagnoses and treatments. Payments are not guaranteed to cover costs.

Q4. Do uninsured and underinsured patients pay charges?

A4. No, the amount uninsured and underinsured patients are requested to pay often does not covers the cost of their care.

Q5. What does it mean when it says the hospital provides charity care?

A5. Indigent, charity and free care are provided to patients who typically do not have insurance and have family incomes that qualify for a hospital's indigent or charity care policies. In some cases, the hospital covers the entire amount of the patient's bill. In other cases, the hospital will subsidize the cost of the bill and require the patient to pay some amount based on his or her income and a pre-established sliding scale.

Q6. What is hospital bad debt?

A6. Hospitals incur bad debt when a patient does not pay his or her bill and does not qualify for the hospital's indigent or charity care programs. Hospitals must cover bad debt losses from positive margins gained from other payers.

Q7. Can hospital charges help me understand my out-of-pocket costs?

A7. Charge information may not help you understand your out-of-pocket costs. More than 90 percent of individuals in the U.S. have health coverage, and if that is you, your payer – whether Medicare, Medicaid or a private insurance plan – establishes your cost-sharing obligations, which take into account whether your plan covers the service, whether the hospital (provider) is in the plan's network, the plan's cost-sharing requirements and, if applicable, your deductible. Payers are the best source of information on what a covered individual's out-of-pocket costs may be for a given service.

Q8. Can hospital staff help me understand my out-of-pocket costs?

A8. Many patients ask providers for cost estimates and will continue to do so. Hospitals and health systems can help patients obtain answers to these questions by working with insurers. Once a provider has identified the patient's need for a specific diagnostic service or care protocol, hospital financial counselors help patients work with their insurer to establish what the patient's cost-sharing obligation may be. Financial counselors may need to repeat this process multiple times, as the course of care may change for any number of reasons. This is largely a hands-on process today with hospital staff connecting with insurers via their websites and call centers to obtain patient-specific information.

Q9. Do hospitals need to post information regarding their clinic and home health?

A9. Until additional guidance is shared, the assumption has been that a clinic (or home health) with a different NPI number than the hospital would not be part of the hospital. However, if the entities share an NPI number, the charges should be posted as those services would be considered part of the hospital.



Kansas Hospital Association
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