

December 28, 2023

The Honorable Katie Hobbs
Governor of Arizona
1700 West Washington
Phoenix, Arizona 85007

The Honorable Warren Petersen
President of the Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

The Honorable Ben Toma
Speaker of the Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007

Dear Governor Hobbs, President Petersen, and Speaker Toma:

In accordance with A.R.S. § 36-2903.12, please find the enclosed report on hospital chargemaster transparency. Please contact Kristen Challacombe, Deputy Director, at (602) 417-4576 or Kristen.Challacombe@azahcccs.gov if you have any questions or would like additional information.

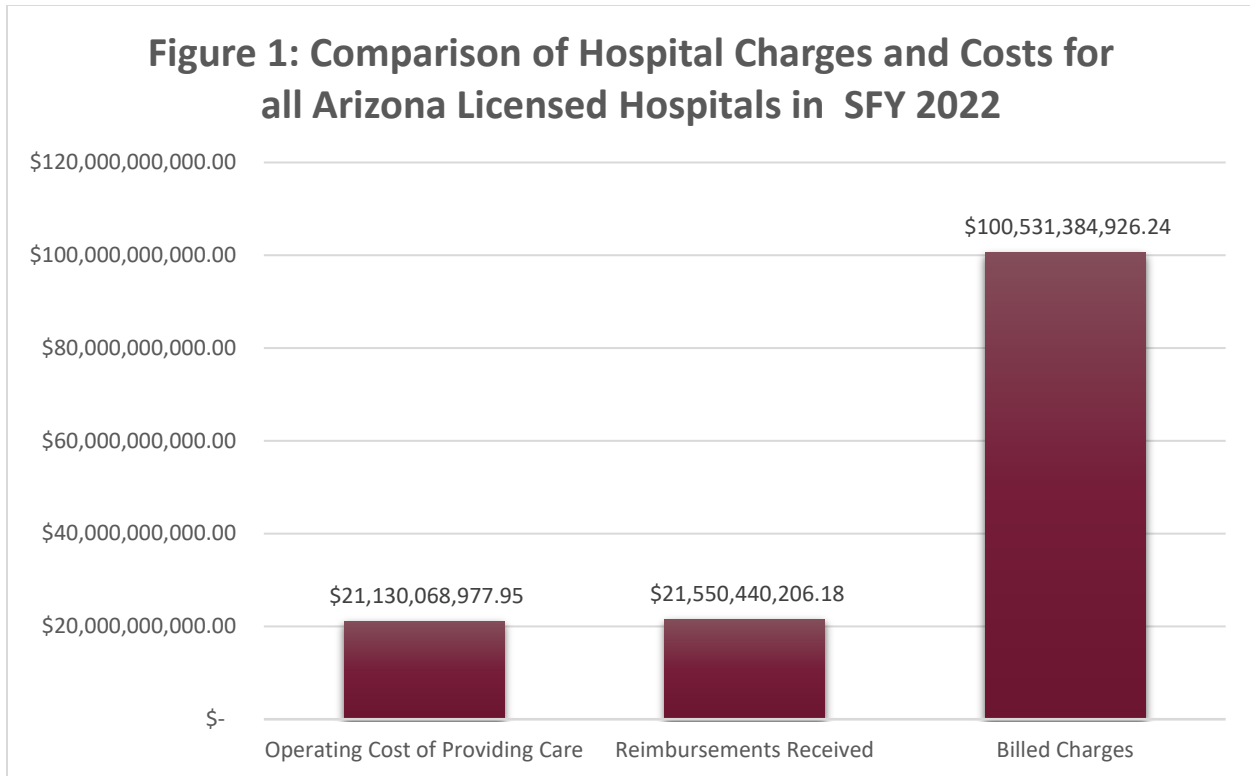
Sincerely,



Carmen Heredia
Cabinet Executive Officer
and Executive Deputy Director

cc: The Honorable Adrian Fontes, Arizona Secretary of State
Zaida Dedolph Piecoro, Health Policy Advisor, Office of the Governor

Hospital Chargemaster Transparency Report



Laws 2013, Chapter 202 established additional price reporting requirements for Arizona health care providers⁷. Chapter 202 requires providers to make available on request or online the direct pay prices for at least the 25 most commonly provided services. Health care facilities with more than 50 inpatient beds must make available online or by request the 50 most commonly used Diagnosis Related Group (DRG) and outpatient codes (for facilities with 50 or fewer beds, the mandate declines to the top 35 most used DRG and 35 most used outpatient codes). However, this information is reported independently by each hospital, is not centrally reported or aggregated, and opportunities to compare prices are limited as the most common procedures can vary significantly between hospitals.

HOSPITAL REPORTING IN COMPARATIVE STATES

Across the country progress has also been varied. In the most recent Semi-Annual Hospital Price Transparency Report from Patient Rights Advocate, issued in July 2023, 33% of hospitals in Arizona were compliant with the federal price transparency law. Some states have also started implementing their own legislation to promote hospital transparency. Colorado passed the “Prohibit Collection Hospital Not Disclosing Prices” legislation in June of 2022. This legislation prohibits hospitals from pursuing debt collection from patients if the hospital is not in compliance with the CMS price transparency requirements.⁸

⁷ <https://azmemory.azlibrary.gov/nodes/view/21020>

⁸ <https://www.policymed.com/2022/10/colorado-gives-teeth-to-federal-transparency-enforcement-efforts.html>

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All Payer Claims Databases can provide a mechanism for significant price transparency for consumers by providing credible cost and quality information for most payers. Washington⁹, Colorado¹⁰, and several other states have already implemented robust consumer-facing websites that allow consumers to compare shoppable services using data from their APCDs, according to the National Conference of State Legislatures (NCSL).¹¹ They note that implementing and maintaining an APCD involves cooperation among many stakeholders, including payers, providers and consumers of health care. To ensure the uniformity, consistency, and transparency of reported data in an APCD, state agencies would also likely have to serve an important clearinghouse role. However, establishing an APCD for Arizona would require legislative action and significant financial support for the additional agency administrative burden.

Recently more states are emphasizing quality transparency in addition to price transparency. Besides providing a more robust means to evaluate value, this addresses a general misconception that higher health care prices indicate better quality. States that provide robust price transparency do not necessarily provide robust quality information, and vice versa.

RECOMMENDATIONS TO IMPROVE THE STATE'S USE OF HOSPITAL CHARGE MASTER INFORMATION

AHCCCS and ADHS Observations

AHCCCS and ADHS will employ the following strategies to continue focusing on changes in price and quality transparency:

- 1) As the single largest payer in the State of Arizona, AHCCCS will continue to be transparent in sharing information on hospital billed charges and the payment amounts made by AHCCCS.
- 2) AHCCCS, with the support of ADHS, will continue to make publicly available financial information on hospital and other provider types more accessible through the AHCCCS website.
- 3) Through AHCCCS payment modernization initiatives, AHCCCS will continue to drive improved quality with a goal to decrease costs (e.g., through reduced readmissions, emergency department visits, etc.).
- 4) ADHS will continue to annually update and post hospital quality information via *AZ Care Check*, a searchable database containing information about deficiencies found against facilities/providers by the Arizona Department of Health Services. The link to that site is www.azdhs.gov/licensing/index.php#azcarecheck.
- 5) AHCCCS and ADHS will continue to review their various transparency initiatives to consolidate or aggregate current reported data and streamline its display to avoid consumer confusion over multiple sets of similar data.

⁹ <https://www.wahealthcarecompare.com/>

¹⁰ <https://www.civhc.org/shop-for-care/>

¹¹ <https://www.ncsl.org/research/health/transparency-and-disclosure-health-costs.aspx>

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Appendix A

Example of a Hospital Chargemaster Submission Page

DEPT	Proc Number	Charge Description	Current Price
004	13144	R+B INTERMEDIATE ICU	2,280.00
004	33142	R+B INTENSIVE CARE	3,768.00
004	93146	R+B MEDICAL SURGICAL	1,272.00
004	7133903	EXTENDED RECOVERY INTRM PER HR	95.00
004	7621352	DIRECT REFER HOSP OBSERV	119.00
004	8011249	CRRT/SLED	1,500.00
005	3111	R+B OBSTETRICS	1,272.00
005	3129	R+B OBSTETRICS	1,272.00
005	13110	R+B INTERMEDIATE ICU	2,280.00
005	13128	R+B INTERMEDIATE ICU	2,280.00
005	13151	R+B INTERMEDIATE ICU	2,280.00
005	13169	R+B INTERMEDIATE ICU	2,280.00
005	13185	R+B INTERMEDIATE ICU	2,280.00
005	33118	R+B INTENSIVE CARE	3,768.00
005	33126	R+B INTENSIVE CARE	3,768.00
005	33159	R+B INTENSIVE CARE	3,768.00
005	33167	R+B INTENSIVE CARE	3,768.00
005	33183	R+B INTENSIVE CARE	3,768.00
005	93112	R+B MEDICAL SURGICAL	1,272.00
005	93120	R+B MEDICAL SURGICAL	1,272.00
005	93153	R+B MEDICAL SURGICAL	1,272.00
005	93161	R+B MEDICAL SURGICAL	1,272.00
005	93187	R+B MEDICAL SURGICAL	1,272.00
005	7104466	EXTENDED RECOVERY PER HR	53.00
005	7621816	OBSERV/HR MED/SURG	53.00
005	7621824	OBSERV/HR MED/SURG	53.00
005	7621832	OBSERV/HR MED/SURG	53.00
005	7621840	OBSERV/HR MED/SURG	53.00
005	7621857	OBSERV/HR MED/SURG	53.00
005	7622061	DIRECT REFER HOSP OBSERV	119.00
005	8011546	CRRT/SLED	1,500.00
021	11015	R+B INTERMEDIATE ICU	2,280.00
021	91017	R+B MEDICAL SURGICAL	1,272.00
021	7104441	EXTENDED RECOVERY PER HR	53.00
021	7104508	EXTENDED RECOVERY INTRM PER HR	95.00
021	7104524	EXTENDED RECOVERY INTRM PER HR	95.00
021	7620537	OBSERV/HR MED/SURG	53.00
021	7621360	DIRECT REFER HOSP OBSERV	119.00

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Appendix B

Chargemaster Overview Form

Date Submitted to ADHS						
Facility License Number						
Facility Name						
Facility Street Address						
City						
Zip						
County						
Type of Control (Drop Down Box)						
Hospital Classification (Drop Down Box)						
Licensed Capacity						
Implementation Date of Rates and Charges						
Percent Increase						
Gross Patient Revenue - Existing:						
Gross Patient Revenue - Proposed:						
Previous Increase Date						
Previous Increase Percent						
Prepared By						
Phone Number						
E-mail Address						
	Hospital Charge Code					
Daily Charge for:						
Private Room				\$ -	#DIV/0!	
Semi-Private Room				\$ -	#DIV/0!	
Pediatric Bed				\$ -	#DIV/0!	
Nursery Bed				\$ -	#DIV/0!	
Pediatric Intensive Care Bed				\$ -	#DIV/0!	
Neonatal Intensive Care Bed				\$ -	#DIV/0!	
Cardiovascular Intensive Care Bed				\$ -	#DIV/0!	
Swing Bed				\$ -	#DIV/0!	
Rehabilitation Bed				\$ -	#DIV/0!	
Skilled Nursing Bed				\$ -	#DIV/0!	
Minimum Charge for:						
Labor and Delivery				\$ -	#DIV/0!	
Trauma Team Activaton				\$ -	#DIV/0!	
EEG				\$ -	#DIV/0!	
EKG				\$ -	#DIV/0!	
Complete Blood County with Differential				\$ -	#DIV/0!	
Blood Bank Crossmatch				\$ -	#DIV/0!	
Lithotripsy				\$ -	#DIV/0!	
X-ray				\$ -	#DIV/0!	
IVP				\$ -	#DIV/0!	
Respiratory Therapy session with a Small Volume Nebulizer				\$ -	#DIV/0!	
CT scan of a head without contrast medium				\$ -	#DIV/0!	
CT scan of an abdomen with contrast medium				\$ -	#DIV/0!	
Abdomen Ultrasound				\$ -	#DIV/0!	
Brain MRI without contrast medium				\$ -	#DIV/0!	
15 minutes of Physical Therapy				\$ -	#DIV/0!	
Daily rate for Behavioral Health Seriveses for:						
Adult Patient				\$ -	#DIV/0!	
Adolescent Patient				\$ -	#DIV/0!	
Pediatric Patient				\$ -	#DIV/0!	

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Appendix C

Definitions

- **Charge Description Master (CDM):** The ‘chargemaster’, ‘hospital chargemaster’, or the ‘charge description master’ (CDM) is primarily a list of services/procedures, room accommodations, supplies, drugs/biologics, and/or radiopharmaceuticals that may be billed to a patient registered as an inpatient or outpatient on a claim.
- **Charge-to-cost ratios:** According to Anderson, “the ratio of charges to costs measures the relationship between actual hospital charges for services (what self-pay patients are generally asked to pay) and Medicare-allowable costs (what CMS has determined to be the costs associated with care for all patients, not just Medicare patients).”¹²
- **Diagnoses Related Groups (DRG):** Codes assigned to hospital inpatient claims for reimbursement purposes. Although created and required by CMS for Medicare billing, most other payers also utilize DRG for determining reimbursement on inpatient hospital claims. The current MS-DRG (“medical severity”) code sets are severity adjusted, so claims for care of patients with complications or comorbidities receive a higher level of reimbursement. Special software called a “grouper” program uses ICD diagnosis and procedures codes, sex, discharge status, and the presence of complications or comorbidities to group clinically similar patients expected to use the same amount of hospital resources, and assigns an appropriate DRG code to the claims. The DRG code determines the amount of reimbursement the hospital will receive for that patient stay. MS-DRG is currently the national standard for Medicare hospital inpatient billing. AHCCCS utilizes the APR-DRG version.
- **All Patient Refined Diagnostic Related Groups (APR-DRG):** A classification system that classifies patients according to their reason of admission, severity of illness and risk of mortality. It is the inpatient rate methodology utilized by AHCCCS. The APR-DRGs expand the basic DRG structure by adding four subclasses to each DRG. The addition of the four subclasses addresses patient differences relating to severity of illness and risk of mortality. The four severity of illness subclasses and the four risk of mortality subclasses are numbered sequentially from 1 to 4 indicating respectively, minor, moderate, major, or extreme severity of illness or risk of mortality.
- **Hospital Charges:** The amount the hospital billed for the entire hospital stay; not the charges for any specific procedure or condition. Total charges do not reflect the actual cost of providing care nor the payment received by the hospital for services provided.

¹² Anderson GF. From ‘Soak The Rich’ To ‘Soak The Poor’: Recent Trends In Hospital Pricing. *Health Aff.* May-June, 2007; 26(3):780-789.