Health Care Pr

The

benefits MAGAZINE

ice Transparency: Role of the Plan Sponsor

by | **Bryan Mahady, CEBS**

Federal regulations implemented over the last four years require a greater degree of price transparency from hospitals, insurers and health plans. Providing participants with easy-to-use shopping tools and incentives to use them are among the strategies that may help plan sponsors leverage transparency to lower health plan costs.

One of the major factors in high health care prices is that—unlike most other goods and services in the economy—the true cost of medical services is rarely known by patients and health plan sponsors. Combine this lack of transparency with insurance plan complexity and the influence of physician recommendations (which may not always represent the most cost-effective option), and it's easy to see why participants struggle to be good health care consumers. *PwC's 2024 US Healthcare Consumer Insights and Engagement Survey* found that 65% of consumers said they delayed seeking care until their condition was urgent, suggesting that cost and convenience often trump active planning and price comparisons.[1]

Furthermore, even if the true cost was posted, the available cost-comparison tools are not as simple and user-friendly to navigate as those for other consumer purchases (think Expedia, Airbnb or Amazon). Of course, it's one thing to shop for a hotel room or a smart television and another to shop for health services, where quality and outcomes are the most important priority.

This has a real impact on health plan expenditures. In 2023, national health expenditures increased to $14,570 per person and accounted for 17.6% of gross domestic product (GDP), with private health insurance expenditures accounting for 30% of the total.[2]

Consumers are also harmed by the high prices. Despite the implementation of the Affordable Care Act (ACA), health care is a significant financial burden for many people. In 2023, 27% of U.S. adults skipped some form of medical treatment because they couldn't afford it, according to the Federal Reserve.[3] Nearly one in ten U.S. adults (or 23 million people) has medical debt, with millions of patients carrying $10,000 or more.[4] The lack of pricing transparency makes it difficult for patients and plan sponsors to assess the value of negotiated rates with health care providers, adopt innovative benefit strategies or hold insurers accountable. The good news is that health care price transparency doesn't appear to be a partisan issue and has received wide government support. In addition, new, innovative vendors are looking to establish themselves as the most trusted source for actionable consumer information.

However, the next step is for the organizations footing the bill to begin looking for ways to provide price information to their plan beneficiaries that help them make informed decisions. As fiduciaries, health plan sponsors have both the right and the responsibility to understand pricing and to demand fair, competitive rates for the services their beneficiaries receive. Fiduciary breach lawsuits against health plans are also becoming more common, increasing the urgency of this issue.

takeaways

- Despite the increased availability of pricing information for medical services, health plan participants often struggle to shop for these services.
- Recent federal regulations on transparency include the Hospital Price Transparency final rule, which became effective in January 2021 and requires hospitals to publicly post standard charges. The Transparency in Coverage final rule took effect in 2022 and requires health plans and insurance companies to publicly post in-network rates, out-of-network allowed amounts, billed charges and negotiated prices for prescription drugs.
- Health plan sponsors can continue to push for more transparency by using their purchasing power and demanding access to claims data and pricing information.
- To encourage plan participants to shop for health care services, plan sponsors may want to educate them on the use of cost-comparison tools and patient advocacy programs. Incentives, such as cash rewards, shared savings programs, premium discounts, and reduced copays and deductibles, may also help foster health care consumerism.

This article will provide a road map for plan sponsors that want to achieve improved price transparency.

Background

Imagine dining at a restaurant that refused to display prices and told you how much the meal cost only after you finished. There are no "estimates," you can only guess at the "market price" for the fish of the day. Then, weeks later, the bills come from the chef, the busser, the server and the dishwasher. It may sound ridiculous, but that's often how the health care pricing and billing system works. Granted, some medical situations, such as emergency care, don't lend themselves to comparison shopping; however, the majority of health care spending is *elective*, including surgery, medical tests or diagnostic exams.

It's important to clarify that elective doesn't mean unimportant or discretionary. Elective surgeries—such as repairing a hernia, correcting vision issues including cataracts, or reducing pain and improving mobility through joint replacement—are essential to healthy living. The term elective means only that the procedure is "shoppable" and can be scheduled in advance rather than needing to be performed immediately due to an urgent condition. Other shoppable services, such as lab tests, imaging and radiology, should not have a significant amount of cost variation between them because these services are:

- Standardized and predictable
- Require similar resources across providers
- Involve minimal patient complexity
- Usually equal in quality.

As an example of the cost variations that exist, a recent federal antitrust lawsuit against one of the largest nonprofit hospital systems in the U.S. alleges that common, high-volume procedures, such as joint replacements, cost $37,456 more within that hospital system than at a competitor with higher safety and quality ratings.[5] A 2023 report from the Centers for Medicare & Medicaid Services (CMS) on hospital price transparency data showed that among more than 2,000 hospitals, analyzed prices for standard procedures, including joint replacements, lab tests and imaging, varied by hundreds to thousands of dollars—within the same ZIP code.[6]

Transparency Regulations

The key components of transparency regulations are as follows.

- The Hospital Price Transparency final rule, which went into effect January 1, 2021, requires hospitals to publicly post standard charges, including gross charges, cash prices, payer-specific negotiated rates and the minimum negotiated charges, in an easy-to-understand format for "shoppable," elective services. Hospitals must provide information for at least 300 shoppable services, including 70 services specified by CMS.
- Effective on July 1, 2022, the Transparency in Coverage final rule requires health plans and insurance companies to publicly post in-network rates, out-of-network allowed amounts, billed charges and negotiated prices for prescription drugs.[7] A detailed description of prescription drug price transparency regulations and strategies is beyond the scope of this article.

Despite these efforts, implementing cost-comparison tools has been hampered by how hospital and health care provider pricing data are reported and by inadequate enforcement, making it nearly impossible for consumers to make informed decisions based on the data.[8]

A February 2025 executive order issued by President Trump continues to push for clearer, more actionable pricing information, emphasizing stronger enforcement and potential expansion of transparency requirements. The Departments of Labor, Health and Human Services and the Treasury took action by releasing updated guidance for health plans and issuers that "sets a clear applicability date for publishing an enhanced technical format for disclosures. These improvements are designed to eliminate meaningless or redundant data and make cost information easier for consumers to understand and use," according to a news release from the Departments.[9] At that time, CMS also released guidance separately that requires hospitals to post the actual prices of items and services and not estimates.[10]

The Role of Incentives

"Show me the incentive, and I will show you the outcome," is a popular quote attributed to Charlie Munger about human nature and the idea that incentives, whether positive or negative, have a powerful influence on behavior and, ultimately, outcomes. Once plan sponsors have provided cost-comparison tools, they might want to consider the following incentives to encourage participants to shop for health care.

- **Cash rewards or gift cards:** Plans can offer a reward (e.g., $25–$100) for using the transparency tool to shop for services such as MRIs, lab tests or surgeries.
- **Shared savings programs:** If a participant selects a lower cost provider, plans can split the savings with them (e.g., the employee receives a portion of the difference between high- and low-cost options).
- **Premium discounts or contributions to health savings accounts (HSAs) or health reimbursement arrangements (HRAs):** Participants could qualify for reduced premiums or contributions to an HSA or HRA for using cost-effective providers.
- **Reduced copays/deductibles:** Plans could waive or reduce out-of-pocket costs when plan beneficiaries choose high-value or cost-effective providers.

Plan Sponsors as the Drivers of Change

In addition to these regulations, plan sponsors can play a role in encouraging price transparency.

They have an economic incentive to do so since employers and plan sponsors are the major purchasers of health insurance and have a vested interest in managing costs and improving employee health and productivity. What's more is that they have a fiduciary responsibility to act in the best interest of their plan participants. High health care costs pose significant problems for plan sponsors, impacting their financial stability and ability to compete. Ever-increasing costs limit resources for other investments and can make it harder to attract and retain top talent, especially in competitive labor markets.

Following are some steps plan sponsors can take.

- **Use negotiating power:** Plan sponsors, especially large ones, can leverage their purchasing power to influence benefit design, negotiate with providers and payers, and champion innovative care models such as tiered networks or bundled payments. Using this power to demand greater transparency in pricing

and quality metrics can potentially secure more favorable terms and rates.

- **Advocate for data access to allow detailed analysis:** Plan sponsors and their advisors likely need to push their health plan administrator for unfettered access to claims data and pricing information to understand health care expenditures, identify cost drivers and assess the effectiveness of their benefit programs. The ability to analyze this data allows them to make better decisions that can lead to improved value and cost control.
- **Educate participants:** Plan sponsors can play an essential role in educating plan participants about health care costs, empowering them to become informed consumers of health care services. They can take an active role in promoting resources, such as cost-comparison tools, patient advocacy programs and educational information, to help plan beneficiaries navigate the complex health care system and make cost-effective choices.

Available Tools

In addition to tools offered by insurers and some states, plan sponsors could consider contracting with a vendor to offer a plan-specific cost-comparison tool.

A growing group of innovative companies can administer incentives and provide the tools to encourage health care shopping behavior, thus helping plan sponsors lower costs while engaging patients in more informed health care decisions. These companies offer price transparency platforms combined with financial incentives for choosing lower cost, high-quality care. Many of these tools are now available as smartphone-enabled apps.

One advantage of using a vendor that is separate from the insurer is that participants may be more likely to receive a neutral rating, similar to Consumer Reports reviews. Vendors typically charge a per member per month (PMPM) fee for these tools.

Models vary, and to evaluate the best fit, plan sponsors should look for tools that offer easy access, meaningful rewards, quality-focused provider comparisons, and robust reporting to track savings and engagement.

In addition, cost-comparison tools are often available through some health care navigation services, which typically support participants in finding a provider and helping those who have complex medical conditions.

bio

Bryan Mahady, CEBS, is a senior partner at Bolton Partners, Inc., in Blue Bell, Pennsylvania. He specializes in employee benefits consulting for Taft-Hartley health and welfare funds, and his experience includes projects in disease management, employee wellness, health care cost containment and benefits administration. Mahady can be reached at bmahady@boltonusa.com.

Conclusion

A new era of health care shopping would represent a major transformation for plan sponsors, health care systems and patients alike. To deliver meaningful results, plan sponsors that see the potential should consider investing in user-friendly patient shopping platforms and provide well-designed incentives that drive broad engagement and adoption.

By taking these steps, plan sponsors can lead the way in advancing health care price transparency, empowering beneficiaries to make informed decisions and contributing to a more affordable and sustainable health care system.

Endnotes

1. *PwC's 2024 US Healthcare Consumer Insights and Engagement Survey.*
2. Centers for Medicare & Medicaid Services (CMS). "NHE Fact Sheet." Historical national health expenditures, 2023.
3. Federal Reserve. *Economic Well-Being of U.S. Households in 2023.* May 2024.
4. KFF Newsroom. "1 in 10 Adults Owe Medical Debt, With Millions Owing More Than $10,000." March 10, 2022.
5. *Cement and Concrete Workers DC Benefit Fund v. The New York and Presbyterian Hospital.* S.D.N.Y. Case No. 25-cv-6140.
6. Rand. *Hospital Price Transparency Study.*
7. *Federal Register.* "Transparency in Coverage." November 12, 2020.
8. Justin Lo et al. "Ongoing challenges with hospital price transparency." Peterson-KFF Health System Tracker.
9. U.S. Department of Labor (DOL) news release. "Departments of Labor, Health and Human Services, Treasury Announce Move to Strengthen Healthcare Price Transparency."
10. CMS. "Updated Hospital Price Transparency Guidance Implementing the President's Executive Order 'Making America Healthy Again by Empowering Patients with Clear, Accurate, and Actionable Healthcare Pricing Information.'" May 22, 2025.

pdf/1025