

# Leveraging Pricing Data to Gain a Competitive Advantage



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# Regulatory Drivers and the Data it Yields

The price transparency rules that took effect in 2021 (providers/hospitals) and 2022 (payers) will disrupt the dynamics of the healthcare market. Whether you view that as an opportunity or another regulatory requirement depends on how you view the value of the data, it will yield.

## Regulatory Drivers

### Transparency in Coverage (TiC)

- Release of negotiated rates
  - In-network & allowed amount MRFs
- Out-of-pocket cost estimator tool
  - Real-time out-of-pocket cost info
- Revised MLR calculations
  - Financial incentives for cost-effective options to count in MLR

### Hospital Outpatient Prospective Payment System (OPPS)

The final rule under 45 CFR § 180.50 laid out the requirements for hospitals to publish their standard charges for all items and services. CMS mandated this info in the form of machine-readable files (MRFs).

### The No Surprises Act

Limits the amount patients can be charged at the in-network rate. Allows provider and insurer to negotiate the final rate, however, if left unresolved, either party may initiate the IDR process to determine the billed amount.

### GFEs and AEOBs - Consolidated Appropriations Act of 2021 (CAA)

The intent of GFEs (Good Faith Estimate) is to educate patients on the cost of upcoming items or services. AEOBs (Advanced Explanation of Benefits) are the insurer's equivalent to GFEs and provide insured patients an estimate of the cost prior to care.

## Innovative models disrupting pricing

### Value-Based Care

Transition to VBC arrangements focusing on care, quality & cost

### Retail Health Clinics

Fast, affordable care for minor health needs, e.g., Walmart Care, Kroger, CVS

### Site of Care Optimization

Guiding the member to high-performing, lower cost provider or virtual care setting

### Virtual Health Clinics

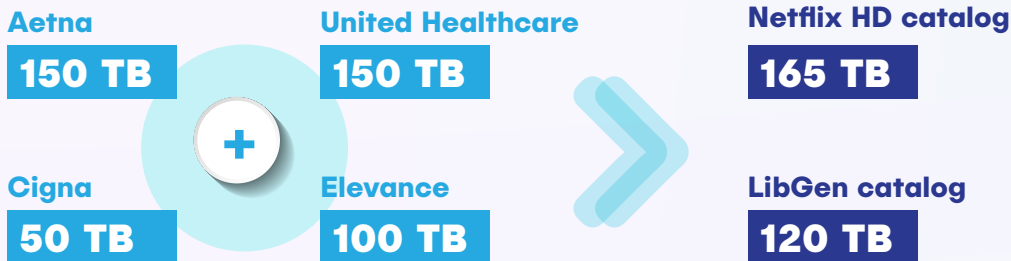
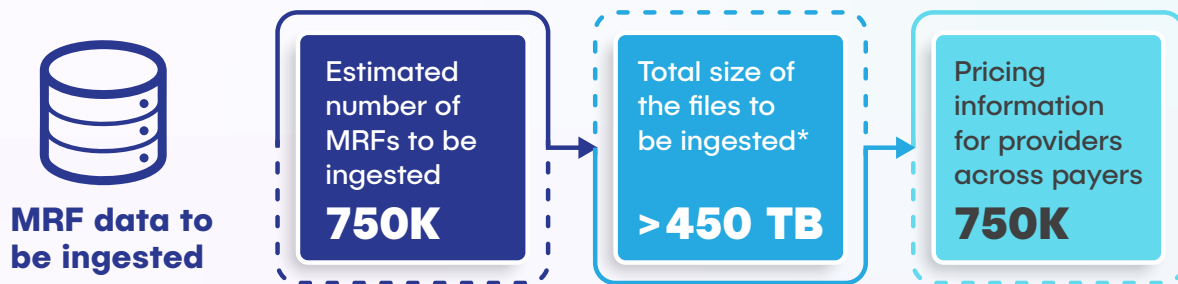
Significant growth & access to high-quality virtual care options

Figure 1: Transparency Initiatives - Market Disruption

Figure 1 (white boxes) lists the four drivers from a regulatory perspective:

- Transparency in Coverage Rule (TiC) (payers)
- The No Surprises Act (payers & providers)
- Cost Estimator Tool (payers) - TiC
- Good Faith Estimate & Advanced Explanation of Benefits (providers & payers)

Figure 1 (blue boxes) illustrates the innovative care and pricing models that, when combined with regulatory drivers, are creating disruption. However, there is a broader and more impactful opportunity at hand.



\* The statistics are estimates of MRF data for 4 national plans as of November 2022

Figure 2: Scale and Volume of Price Transparency Data

The scale and size of data borne from price transparency are on a scale that payers and providers have never seen before. Figure 2 estimates machine-readable file (MRF) data for four national payers as a sample of the volume compared to Netflix’s entire high-definition catalog and the Library Genesis catalog of scholarly works.

Despite the Centers for Medicare and Medicaid (CMS) making changes in implementation guidance, many payers and providers generate multiple gigabytes and will possibly grow into the low petabytes. Creating accurate, clean, and reliable data generation and delivery are the initial challenges that providers and payers have faced for some time. One can imagine the scale of data infrastructure that will be required for managing these voluminous data and the technology operating cost required to sustain at an ongoing basis.

## Seize the opportunity for price transparency

Now is the time to leverage MRF pricing data for more than compliance. This white paper explores the intersection among healthcare trends, regulatory forces, and tactical moves that payers can take to start generating actionable insights from MRF data as a critical competitive edge.

## Drawing on expert perspectives to take action

Although payers intend to capitalize on this publicly available information to gain a competitive edge, there are several concerns: enormous volumes of data, accessibility, and inconsistency issues in data. Payers that want to harness the true potential of price transparency and MRF data across the healthcare ecosystem will want to take a broader and more expansive view of the value, as well as proactively plan for their technological impacts.

This white paper features Paul Mango as the Former Deputy Chief of Staff for Policy at the U.S. Department of Health and Human Services and a leader of Operation Warp Speed, and a CitiusTech advisory board member. Along with Paul’s view on how MRF data can be used to change the pricing narrative in healthcare, CitiusTech’s assistant vice president and consulting lead for the payer market, Shobhit Saran, and Shrey Sekhar, director of client delivery, will outline specific value propositions for each stakeholder to maximize every sales, negotiation, and engagement opportunity.

Together, the authors will paint a picture that reveals the incredible opportunity and importance of taking specific steps rather than a “wait and watch approach.” Now is the time to use publicly-available pricing data to transform the conversation for payers with providers, employers, and members.

# Transparency in Coverage: Moving from regulatory requirement to business opportunity

Price transparency regulations are meant to help consumers make data-driven care decisions and manage the financial aspects of those decisions. But, the value of the data yielded from compliance offers many other benefits for the healthcare ecosystem, as shown in Figure 3.



Figure 3: Price Transparency Benefit to the Healthcare Ecosystem

## MRF data enables a competitive superpower

Leveraging the new pricing information via MRFs will change the nature of business for payers, providers, employers, and health insurance brokers. While everyone will have access to these publicly-available data, ".... the realization of its full impact may still be 18–24 months away. Now is the time for payers to understand the potential effect of price transparency across their technology platforms and capitalize on the opportunity to enable flexibility and insights from IT systems to meet the expectations of business stakeholders from all areas -- products, sales, provider relations, and member engagement.

# How will healthcare organizations prepare and equip their frontline business leaders?

Payers are strategizing how to negotiate par rates per market benchmarks and optimize provider networks, assessing high-cost provider organizations, and moving out-of-network clinicians to in-network with lower negotiated rates.

Providers are actively pursuing new rates, which require the right data and analysis to be successful. Clinicians who have negotiated rates that pale their colleagues will use publicly-available rate information to change the negotiation or renegotiation dynamic.

Either party should work towards aligning (higher or lower) rates with higher quality. And employers are pursuing data that can be leveraged in negotiating all sides of the benefits equation – lower rates, better access, and higher quality care.

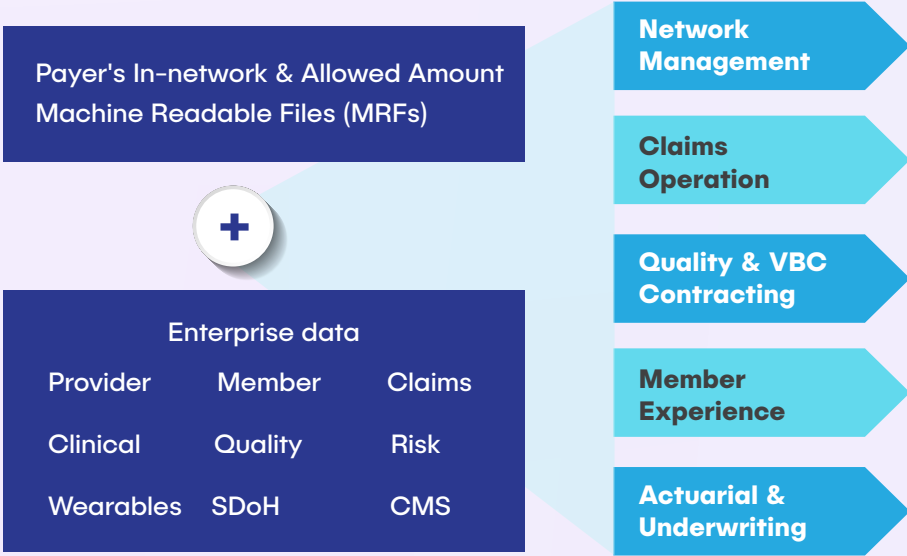


Figure 4: Payer use case highlights opportunities across the value chain.

## Value-chain areas to assess for threats and opportunities

Figure 4 outlines key areas that price transparency data will impact. We recommend that payers assess each for what threats they pose and uncover opportunities to maximize the value chain. When combined with other enterprise data sets, there are a host of opportunities:

### Network management:

Identify provider contract renegotiation opportunities based on market rate benchmarking and claims data.

### Claims operations:

Gather business intelligence on the allowed amount calculation as part of the advanced explanation of benefits (AEOB) and as part of compliance with the No Surprises Act.

### Quality- and value-based contracting:

Use pricing benchmarks to update value-based care goals, as well as track goals against the cost of care projections.

### Member experience:

Engage and empower members through cost estimator tools that calculate the total cost of care and out-of-pocket expenses. Leverage the MLR incentive in the TiC rule to incentivize members towards low-cost networks.

### Actuarial & underwriting:

Enhance benefit design based on optimized networks and contracted rates.

# Changing the payer narrative with pricing data

Payers need a tailored approach and strategy for each stakeholder. We suggest a competitive stance and offer recommendations to maximize the value of pricing information along with key considerations to improve analytics readiness and transform operations through insights.

Reshape market dynamics by harnessing the true potential of price transparency.

Build a consumer-first strategy with redesigned & customized product lines.

Gain a strategic advantage with competitive pricing reducing overall cost of care.

Figure 5: Price Transparency Solution for Payers provides three main outcomes.

## Payer with employers and brokers

### The opportunity:

Competing cost pressures are exacerbating tensions between payers and employers. Facing another 6% or more increase in healthcare costs, employers are pursuing various alternatives like direct contracting, specialty carve-outs, and bundled specialty care or procedures.

For payers that leverage pricing data to their advantage, this scenario presents an opportunity to meet employers' needs and create a mutually-valuable business arrangement.

Brokers face many of the same pressures as employers and are responsible for providing unique value to employers every year. By leveraging MRF data, payers working with brokers can become value-added partners by providing MRF data-as-a-service.

### What you can do now:

We recommend that payers develop analytics capabilities and insights to help employers think beyond line-item costs. Be prepared to talk about aggregate or total costs of care. Provide data-driven ideas for innovative benefits and network design tailored to the employer's needs. Also, focus on novel consumer benefits that help steer members to lower-cost and higher-quality care options. Through these tactics, payers can use pricing data as the foundation for insights that help employers offer greater value to employees.

Payers can prepare to pivot for employers looking at direct contracting by offering TPA services to companies looking to contract directly. Pricing data gives leverage to provide employers with nimble product and benefit design.

## Key Considerations:

For engaging employers, CIOs should assess and address the following areas:

- Price Transparency Solution to ingest and curate publicly-available MRFs
- Capability to generate employer-specific sales insights based on MRF data, employer utilization, and provider networks
- Capability to perform “What if?” scenarios that compare the total cost of care, direct contracting, narrow networks, and shifting to a high-performance network
- Enable more nimble product and benefit design to accommodate custom network/carve-out requirements
- Use publicly-available MRF data for benchmarking against competitors

## Payer with providers

### The opportunity:

Continued losses and ongoing inflation have put providers and health systems under enormous pressure with more than 53% of hospitals poised to lose money in 2022 and 2023. Additionally, sites of care optimization are shifting the financial dynamics. This raises the opportunity to enhance the attractiveness of value-based care (VBC) and alternative payment model (APM) arrangements.

### What you can do now:

We recommend that payers marry cost with quality data to engage in VBC or APM discussions. Demonstrate how prioritizing current networks that achieve the best cost, quality, and access metrics are the priority. And create data-driven innovative ideas to leverage strong provider relationships to steer membership and bring more balance to provider revenue between what’s shoppable and non-shoppable.

Though hospitals have struggled to adopt and comply with transparency regulation from 2021 (see Figure 6), the majority of payers overwhelmingly complied with the mandate. This fills in the overall need for having information publicly available and use data for collaborative initiatives that could meet payer-provider needs and accelerate negotiations. This also creates greater opportunity to identify partners that can enable a holistic care approach and reduce the total cost of care.

## Key Considerations:

CIOs should assess and address the following areas:

- Price Transparency Solution to ingest and curate publicly-available MRFs
- Use publicly-available MRF data to benchmark against competitors and illustrate provider opportunities
- Generate provider-specific insights with publicly-available payer contracted rates, out-of-network benchmark rates, and quality data, building the case for value-based pricing, where applicable
- Identify strong provider partners and build out steerage scenarios, narrow networks, or specialty carve-outs
- Go beyond pricing data and combine with utilization data to generate a tailored “market basket”
- Leverage MRF data to compare against the Medicare fee schedule to determine what percentage uplift should be used for commercial contracts

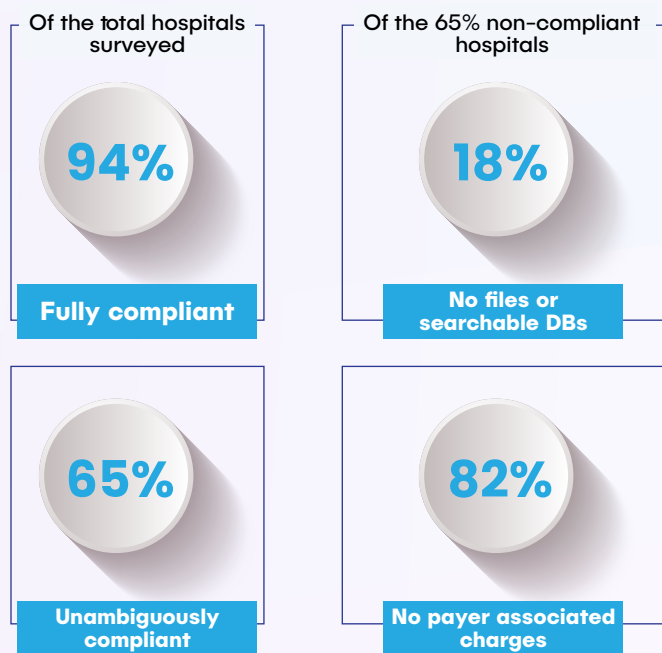


Figure 6: Hospital non-compliance presents an opportunity for payers.

## Payer with consumers & members

### The opportunity:

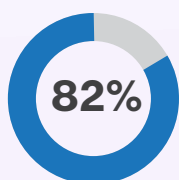
Consumers seek guidance related to price transparency – what it means, how they should use it, and how cost and quality information might influence their decisions, as reflected in Figure 7. This presents an opportunity for payers to help consumers and members make sense of all the new data.

Additionally, there is a significant opportunity to use MRF data, combined with other datasets, to uncover creative ways to incentivize and educate members on transparency. What would engage members and support them to achieve their goals in a mutual, financially prudent approach?

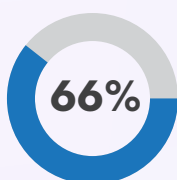
### What you can do now:

Price transparency will produce the best outcomes when the end consumer can choose a service provider based on cost, quality, and access preferences. Payers must delve into consumers' healthcare and health insurance shopping habits and preferences to enable that. Then, integrate those with their Digital Front Door (DFD) and omnichannel strategy. We recommend that payers determine specific cohorts of members against certain set of services to target specific network providers for reduced cost and better quality of care.

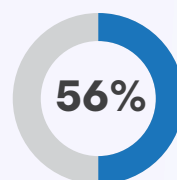
### The consumers' perspective



Want their healthcare (price) information delivered in a more concise and simple manner

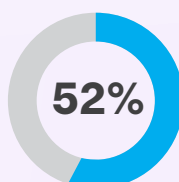


Would consider a different specialist if they knew they could get the same quality of care at a lower cost

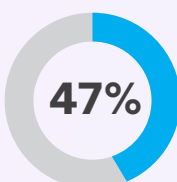


Feel "completely lost" when it comes to understanding health insurance

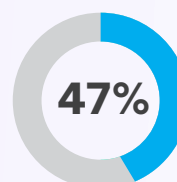
### What confuses healthcare consumers the most?



What counts towards a deductible? Member out of pocket?



Which procedures are covered?



Which services are in-network or out-of-network?

Figure 7: How can payers use pricing data to solve consumer confusion?

### Key Considerations:

CIOs should assess and address the following areas:

- Evaluate impact and options to integrate pricing-based steerage and member incentives in their current omnichannel and DFD programs
- Personalize members' shopping experience based on the member's care journey and shopping history
- Datasets and analytics to offer member incentive programs based on their care network and tracking ROI
- Assess if the payer's digital tools and systems are maximizing the value of data and technology to make shopping and navigation easy
- Define and offer member incentives based on the care delivery selection as an outcome of insights
- Provide data-driven steerage recommendations to inform engagement campaigns and education
- Assess ROI for steerage and consumer incentive strategies
- Create new data-driven consumer incentive and engagement initiative



## Seize the opportunity to create a new storyline and conversation

Every stakeholder in the payer's ecosystem has a different need or presents a new opportunity to utilize pricing information. As the critical fulcrum in the healthcare equation, each payer can leverage MRFs and other datasets to share a new cost-quality story and prepare for new strategic conversations.

### About the Authors



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