



PerSpectives

Hospital transparency data

For inpatient therapies, transparency data is rich with commercial insights and applications—if you know where to look





Why is this relevant to me?

- Hospital transparency data has begun to yield powerful new insights for pharmaceutical marketers
- Transparency regulations are a work in progress (current compliance ~50%), but the data is already offering value to marketers who are able to sort through the complexity of hospital billing methodologies
- There is a burgeoning industry around transparency data analysis that is gaining momentum
- Once skilled analyses are applied, transparency data can deliver a gold mine of insights to help drive conversation regarding inpatient use

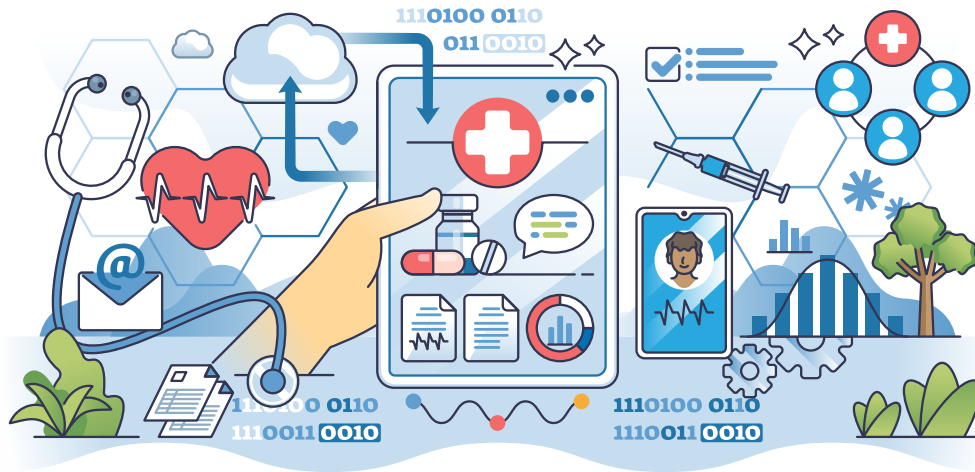
A law that was built for patients is delivering value for manufacturers

For decades, hospitals operated under an established paradigm where acquisition costs were held close to the vest and billing rates were determined behind closed doors. They were, by all accounts, the poster child for revenue opacity.

By 2021, the federal government had had enough, and enacted a set of regulations to promote pricing and revenue transparency, ostensibly to help consumers “shop” for healthcare with a better understanding of what a procedure would cost.

In an unexpected twist, the information coming out of these transparency regulations has unlocked considerable strategic insight for pharmaceutical manufacturers whose specialty products are dispensed and administered in an inpatient setting—provided these manufacturers or their agencies have the capability to extract accurate, relevant data from hospitals’ published files. This data can shape discussions between manufacturers and hospitals about coverage and reimbursement.





Understanding hospital transparency

Section 2718(e) of the Public Health Service Act requires each of the 6,357 hospitals in the US to make its standard charges public. When it was passed, this rule was unprecedented because there had never been nationwide reporting of commercial prices negotiated between hospitals and health plans.

As with most legislation, the law contains multiple, complex components. The central requirement from a pharmaceutical marketing perspective is that hospitals must post a single, easily accessible, machine-readable file (MRF) that details pricing components for hospital services. This file should be updated annually.

Updates to the initial requirements implemented in July 2024 focused on data accessibility and additional transparency (eg, specifying which billing methodology was used).

Now, as of 2025, there are three new required elements hospitals will need to include in their data files:

- **Estimated Allowed Amount:** The average dollar amount the hospital has historically received from a 3rd-party payer for an item or service
- **Drug Pricing Information:** The drug unit and unit of measurement must be included as separate data elements from the general description
- **Modifiers and Standard Charges:** Hospitals must include a separate code and description of any modifier(s) that would change the standard hospital charge for an item or service



As these updates become fully operational, the “transparency” of hospital data will allow for a more robust analysis of how a particular product or service is both priced and reimbursed.

Deciphering hospital data—where's the transparency?

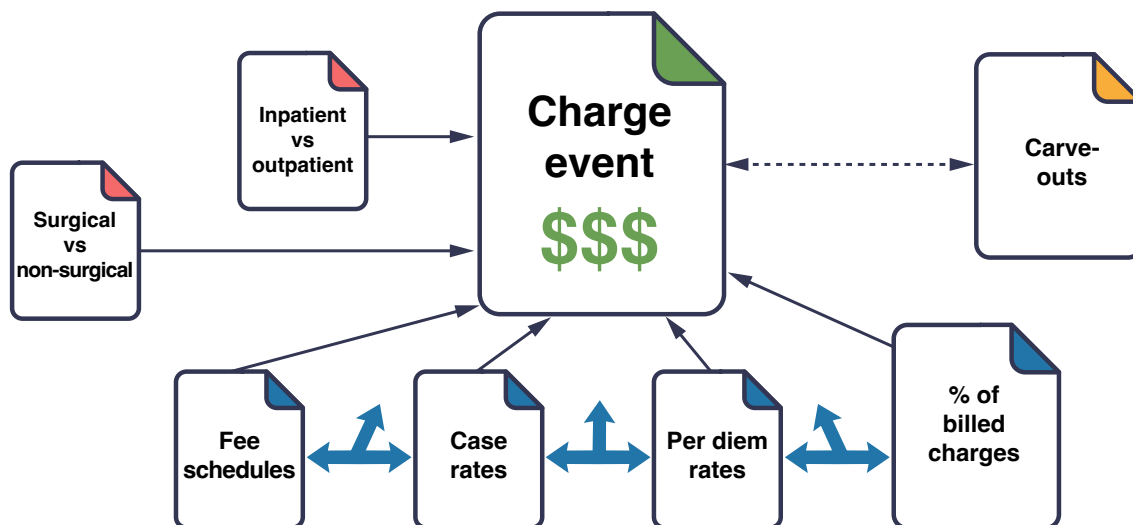
To “crack the code” of data in hospital transparency files, analysts first need to understand the different billing methodologies that hospitals employ. For each charge event, payer-to-hospital reimbursement can be based on several different billing methodologies—percent of billed charges, per diem rates, case rates, fee schedules, or any combination of these. Contracting between the hospital and each individual insurer determines which type of billing methodology is used.



Charge event:

hospital billing term for each individual use of a product or service; a “line item” method of accounting

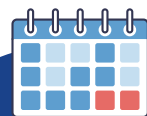
Hospital Pricing Factors



NOTE: Blue tabs indicate methodologies that are contracted with insurers, either across event types or on an event-by-event basis.

These factors are multiplied by a second layer of variability based on elements such as setting (inpatient vs outpatient) and procedure category (surgical vs non surgical). If that's not complex enough, hospitals may also incorporate outlier charges, also known as carve-outs. These occur when equipment or drugs are not covered as part of a standard case rate, and the case rate incurs a certain percentage of loss.

Taken together, these factors drive an extremely high level of variability in payment methodology. For manufacturers, this creates a need to build a value story based on a clear understanding of how each product is priced and reimbursed within each institutional setting.



Did you know...

Hospitals were not required to post the billing methodology as part of the MRF until updates to the regulation went into effect on July 1, 2024.

So who is using hospital transparency data?

Hospitals have been hesitant to fully comply with the legislation, making extraction of insights a challenge. By 2023, only 53% of hospital MRFs were deemed “fully compliant” with the requested data sets. However, an entire industry around transparency data analysis is gaining momentum, as evidenced by a wave of venture funding that has been flowing into price transparency entities over the past year.

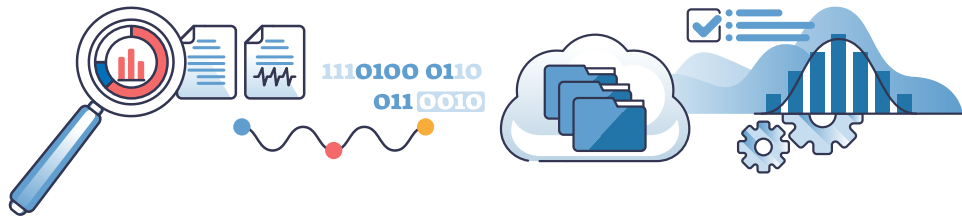
Much of this industry growth is dedicated to extracting and translating the data, but few companies possess the strategic background necessary to translate the numbers into an actionable, individualized value story that helps manufacturers favorably position their brands. Payer Sciences is among the few companies that has these capabilities. We’re already focused on the potential impact of new, complex, in-hospital treatment regimens (drugs and/or gene therapies). As part of this focus, Payer Sciences has dug deeper into the hospital personnel component of the equation, determining exactly who establishes and maintains the billing methodologies within the hospital system. This allows us to better diagnose where conversations regarding product value should take place.



Identifying the gatekeepers: Hospital revenue cycle management

Revenue cycle management (RCM) is how hospitals ensure that revenue is accurately optimized throughout various phases of the patient journey. RCM includes claims processing operations such as reconciliation of insurance/patient payments, contractual adjustments, and write-offs.

Understanding *how* each institution implements revenue cycle management and *who* is on the front line of RCM decision-making are two critical components for manufacturers looking to have an effective conversation about insights gleaned from hospital transparency data. Just as billing methodologies vary from hospital to hospital, so does RCM, so manufacturers must engage with hospital personnel on an individualized basis.



What we've learned from hospital data so far

Companies like Payer Sciences that have strategically analyzed available data sets have confirmed what was always assumed—that commercial prices for the same product or procedure can vary widely across hospitals, and even within the same hospital.

In one example, Payer Sciences was retained to assess cost considerations for an inpatient drug used to treat a rare disease that manifests in a hematological crisis and emergency room visit. After analyzing the data from 150 hospitals posting >15,000 charge events, Payer Sciences found that

The average negotiated charge event for the same use of the product ranged from
~\$8,700 to ~\$17,000
in the top 15 hospitals

On a state-by-state level, the highest average negotiated charges were more than
3x the lowest negotiated charges

Charges for use of the same product varied within individual hospitals,

based on negotiated contracts with different insurers

These insights allowed the manufacturer to reframe the financial discussion of the inpatient drug with each hospital in terms of net cost recovery.

Key takeaway: What hospital transparency data tells us today

By understanding the monetary flow for each hospital charge event, as well as identifying key revenue cycle personnel, manufacturers are better positioned to drive novel, effective conversations with hospital customers.

Example: once transparency data reveals each hospital's net revenue for a product--what they paid and what they billed--a manufacturer can aggregate that information into a regional or national "charge range" for the product, and use that data to help inform the overall value story presented for inpatient use.

Preliminary insights like these are only the tip of the iceberg. As hospital compliance rates rise and more data is extracted in easier-to-digest formats, the ability to gain additional perspective and drive novel conversations regarding the economics of therapeutic choices will continue to grow—not only in the hospital setting, but also in outpatient and other commercial settings, as transparency regulations begin to impact insurers and other stakeholders.



Is your brand's current commercial story for inpatient use grounded in data? With the help of Payer Sciences, you can make sure it is.

Learn more about us by visiting our [website](#), or click below to start the conversation.

