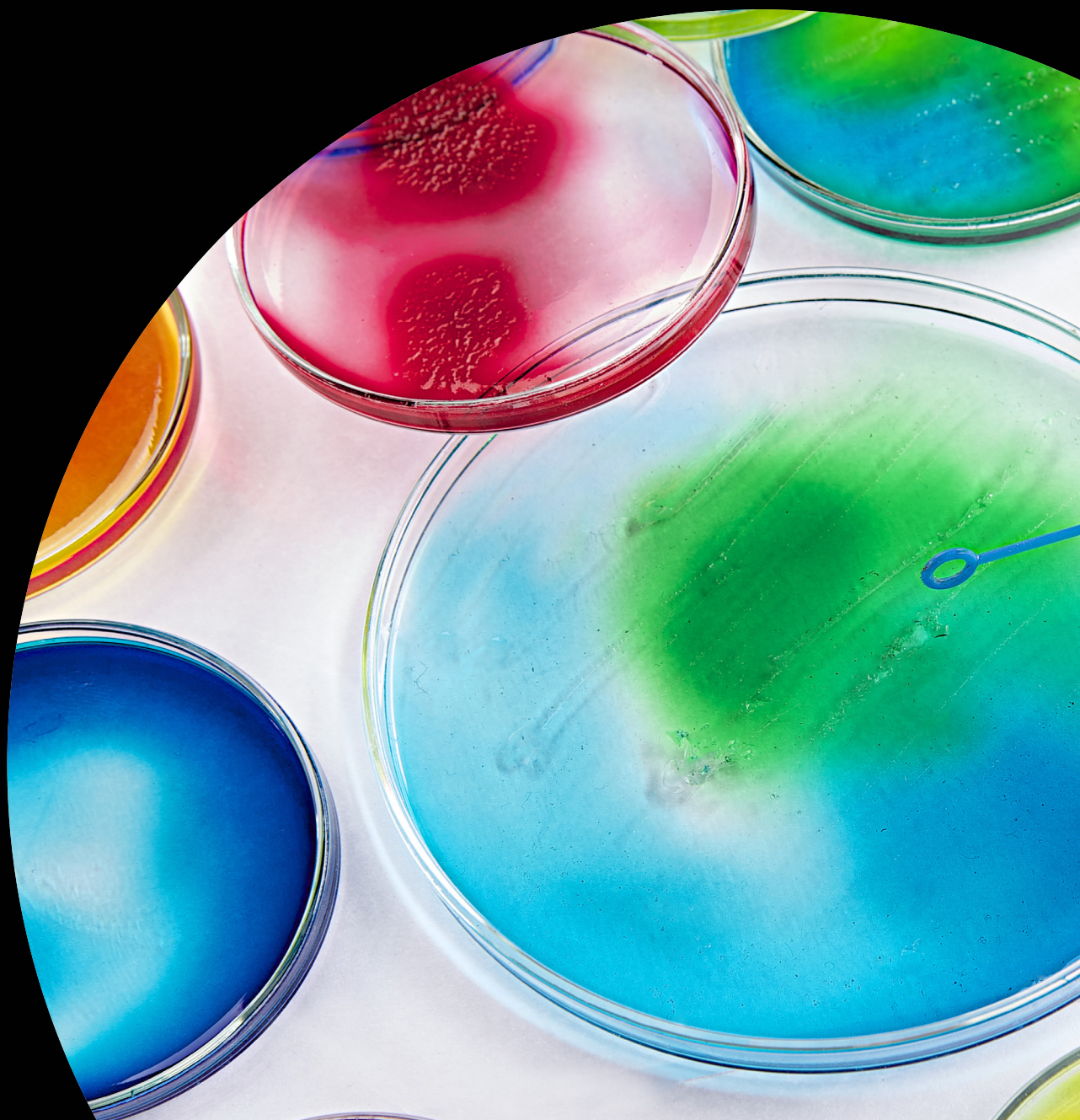




Health plans face both market disruption and strategic opportunities from Transparency in Coverage Rule

March 2021



The Transparency in Coverage Rule, which goes into effect in 2022, builds on the interoperability and hospital price transparency requirements. The upcoming rule seeks to pull back the curtain on information that has long been considered a “trade secret.” In response, we expect health plans will need to compete more on price, service, and quality as customers gain access to pricing and claims information. We also anticipate improvements in care coordination and innovation in payment models and benefit designs. This can move the industry toward a more data-driven and consumer-centric Future of Health™.

Introduction

Transparency in coverage is part of a broader legislative and regulatory push to transform the health insurance industry

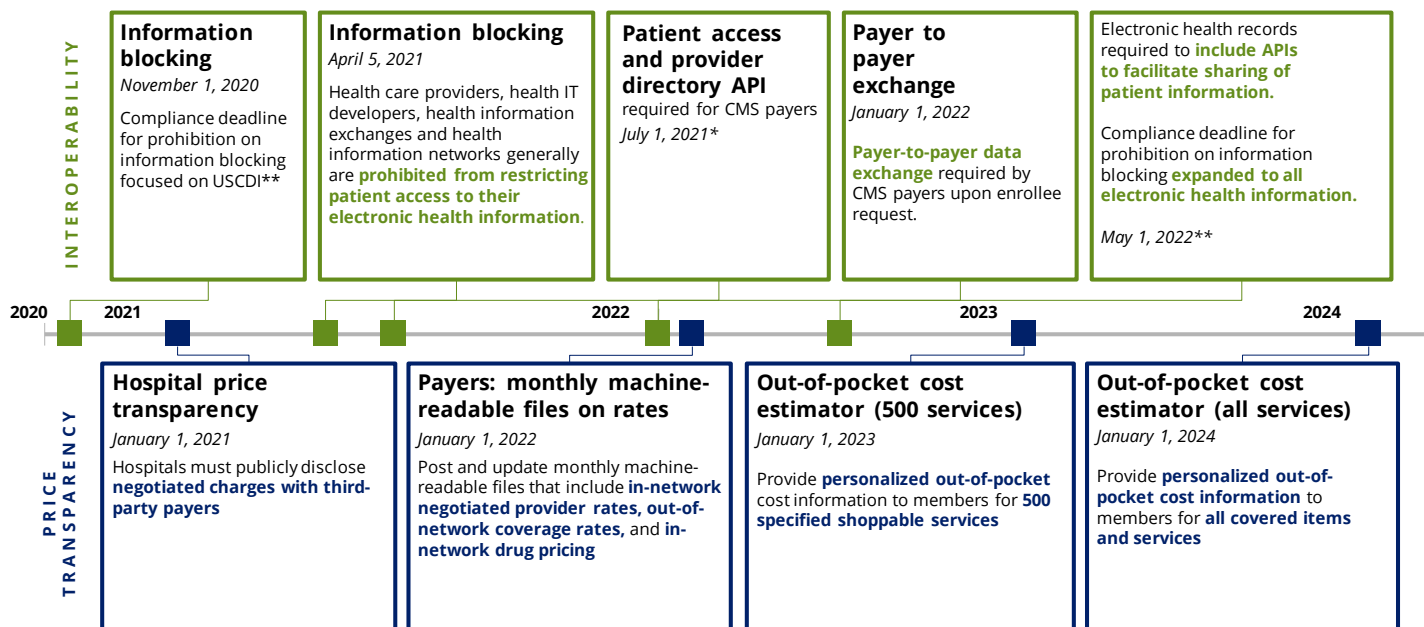
*The Transparency in Coverage Rule** (published jointly by the Departments of Health and Human Services (HHS), Treasury, and Labor), and the *Interoperability Rules* (from the Centers for Medicare and Medicaid Services (CMS) and the Office of the National Coordinator for Health (ONC))—are part of a broad regulatory effort aimed at payers, providers, and health IT vendors. The regulations cover price transparency, interoperability, prohibitions on information blocking, and criteria for health information exchanges (see figure 1). The intent is to bolster both competition and consumerism by giving individuals largely unfettered access to their own health care data and pricing information.

The Transparency in Coverage Rule focuses on commercial health coverage. Beginning on January 1, 2022, health plans must publicly share machine-readable data about their negotiated rates with in-network providers, coverage rates for out-of-network providers, and prices for covered prescription drugs. Once the rule goes into effect, health plans will need to update this data at least monthly. Provisions in subsequent years will require health plans to provide a tool that helps members estimate out-of-pocket expenses for 500 shoppable services by January 1, 2023, and for all covered items and services by January 1, 2024.

The Interoperability Rules apply to health insurers that participate in government programs. The agencies will begin enforcing requirements on health plans on July 1, 2021. Health plans will need to provide members with free electronic access to certain claims, clinical data, and formularies. They will also need to make provider directories available electronically. By January 1, 2022, health plans are required to share up to five years of member-requested clinical information with other insurers.

*In the rest of the article, we refer to this rule as Transparency in Coverage Rule.

Figure 1: Timeline of regulatory activity



Source: Deloitte analysis

Notes:

*CMS exercising enforcement discretion for 6 months beyond compliance date

**ONC exercising enforcement discretion for 3 months beyond compliance date

Impact is likely to be profound, long-lasting

We anticipate that the transparency and interoperability rules will spur considerable and ongoing market disruption. It could also create new opportunities. Stakeholders should not think of these rules as discrete point-in-time requirements, but as continuous efforts intended to transform the industry over time.

The price transparency requirements are intended to pull back the curtain on health care prices that providers and payers have long thought were proprietary. While the new rules will require more work, they could encourage health plans to differentiate themselves in the marketplace by improving the way they serve members, employers, providers, and insurance brokers.

Employers and brokers might combine the pricing information with other tools to assess the value of the health plans they purchase or sell. The information could also be used to develop employee education materials, inform provider network and benefit design decisions, and launch new value-based payment models.

For consumers, the availability of price information—combined with easy-to-use and reliable decision-support tools—could be empowering. This is the first step to fully equipping them to weigh trade-offs in cost, quality, and accessibility as they seek greater value. We believe the transparency imperative could give health plans an opportunity to focus on consumer engagement, which can lead to

higher patient satisfaction and better experiences. It could also help health plans rebuild consumer trust, and, ultimately, increase market share.

The Transparency in Coverage Rule and broader regulatory activity could create a strategic opportunity for health plans to drive customer engagement, better decision-making, and greater value. Health plan executives should reimagine their business models as they move toward a [Future of Health™](#) that will be defined by radical interoperability and data sharing, consumerism, and scientific breakthroughs.¹

About this study

We sought to understand how health plan executives are viewing the opportunities created by recent regulatory activity. Between January 13 and February 12, 2021, we surveyed 25 health plan strategy executives (Chief Strategy Officers and VPs of Strategy). Participating organizations had at least 500,000 covered lives, and their lines of business included commercial products and government programs. We specifically focused on strategy leaders to understand the degree to which the Transparency in Coverage Rule and the Interoperability Rules play into their organizations' strategic initiatives.

Survey findings

Most executives are aware of the new rules

We found that overall awareness of the Transparency in Coverage Rule and its requirements is almost universal (92%). Nearly a quarter (24%) of surveyed strategy executives say they have in-depth knowledge of the rule, and 68% say they have some familiarity with it. Awareness of the Interoperability Rules is similarly high (88%). Twelve percent of respondents say they have in-depth knowledge of those rules, and 76% have some familiarity.

Respondents estimate that implementing each of the Transparency in Coverage Rule's three provisions will be of moderate difficulty (between 2 and 4 on a scale of 1 to 5) and will become easier over time, perhaps due to some learnings and efficiency gains. The 2022 provision that requires monthly rate files, is expected to be the most

difficult of the three provisions to implement (average rating 3.5). The 2023 provision requiring health plans to provide members with out-of-pocket expense estimates for 500 shoppable services is seen as less challenging (2.9), and the 2024 provision on all services is expected to be the least difficult (2.6 out of 5) of the three.

Most respondents (76%) expressed some concerns about their ability to extract data from their legacy systems, and 60% were worried about their possible legal liability. (See figure 2).

Figure 2: The ability to extract data from legacy systems and legal liability are the top concerns around the publication of negotiated rates



Source: Deloitte Health Plan Price Transparency and Interoperability Survey, 2021

Note: N=25

Survey question: What are the three biggest concerns at your organization around the publication of negotiated rates? (select top three)

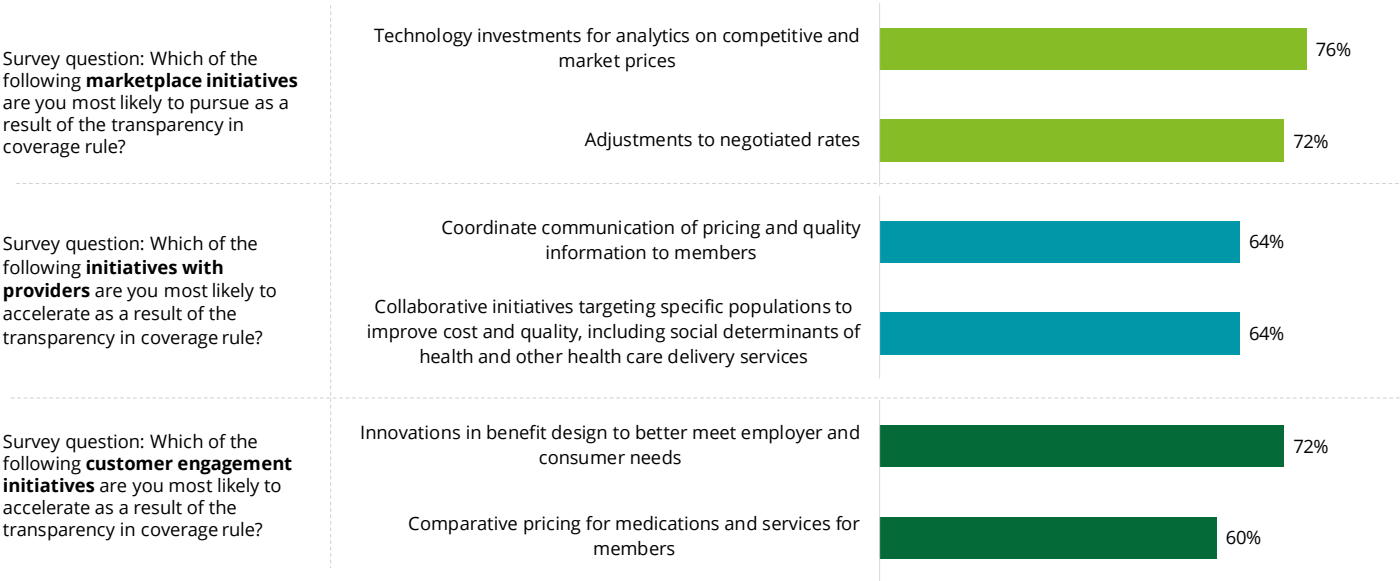
Strategy leaders see opportunities beyond regulatory compliance

Every executive we surveyed sees the Transparency in Coverage Rule as both a strategic opportunity and a tactical requirement. On average, the split is 46-54, for tactical requirement vs. strategic opportunity.

We asked executives to tell us about the initiatives they intend to pursue in three areas (marketplace, providers, and customers) as a

result of the Transparency in Coverage Rule. They told us the most likely activities might involve technology investments to support price analytics and resulting adjustments to their own rates; coordination with providers on communicating price and quality to members and targeting specific patient populations; and benefit design innovations and providing comparative pricing information to members. (See figure 3.)

Figure 3: Top activities as a result of the Transparency in Coverage Rule revolve around competitor prices, coordination with providers, and new benefit designs



Source: Deloitte Health Plan Price Transparency and Interoperability Survey, 2021

Note: N=25

Payers and providers share a desire to take strategic actions in response to regulatory requirements

The Hospital Price Transparency Rule went into effect on January 1, 2021. Last fall, we surveyed health system executives to assess hospital readiness and to identify activities connected with the price transparency and interoperability rules.

We found some similarities and differences between what health plans and health systems intend to do in response to the price transparency requirements. Just like health plan executives, health system leaders expressed interest in conducting competitor price analytics and in making price adjustments as needed. With customers, their top initiative was around patient scheduling—presumably to convert shoppers into buyers. When it came to their relationship with payers, health system executives said their top initiative was direct contracting with regional employers.²

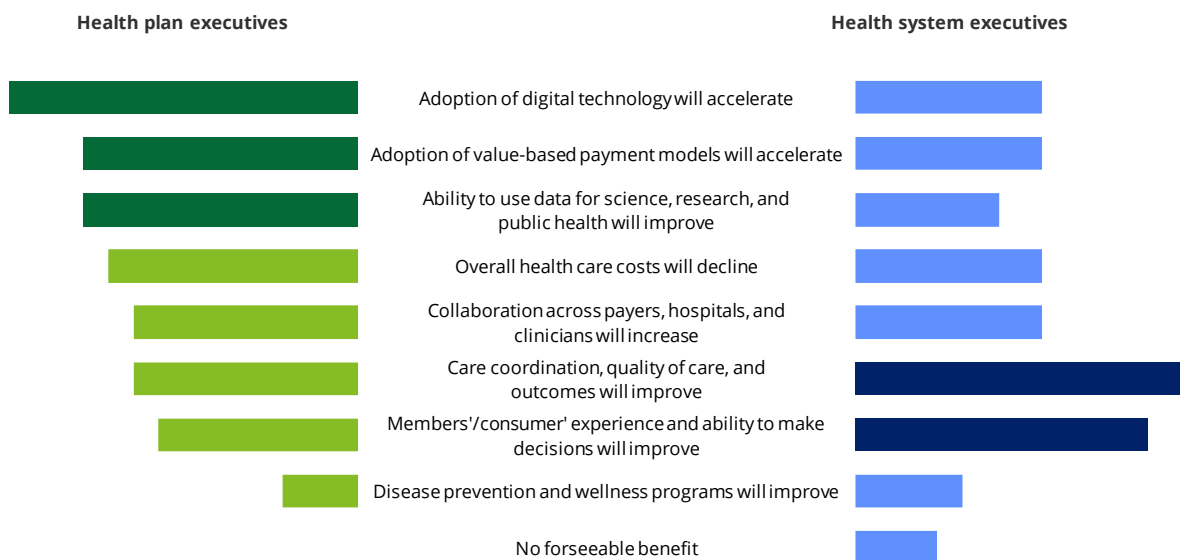
We also saw differences in how health plan executives and their health system counterparts rank the benefits of data sharing associated with price transparency and interoperability. Health

system executives said they expect the rules could lead to better care coordination and improved consumer decision making. Health plan leaders, by contrast, were more likely to cite accelerated adoption of digital technology and use of data as the main benefits.

About half of surveyed health system executives said they were not prepared to implement the price transparency and interoperability rules by January 1, 2021. Response to the pandemic was the top barrier to preparedness (57%), and many hospitals might have waited too long to see if the rules would be changed or postponed.³ For more details, see [Greater transparency and interoperability in health care](#).

Unlike hospitals that were hit hard by the pandemic, we expect health plans are better positioned to prepare for the implementation of the price transparency and interoperability rules, although not without challenges.

Figure 4: Health plans and providers expect different benefits from data sharing due to interoperability and price transparency requirements



Source: Deloitte Health Plan Price Transparency and Interoperability Survey, 2021; Deloitte Hospital Price Transparency and Interoperability Survey, 2020

Note: N=25

Survey question: What are the most likely benefits or outcomes to the health care industry in the next three years from data sharing efforts, including interoperability and publication of negotiated rates? (Select the top three)

Conclusions

The price transparency and interoperability rules are part of a bigger regulatory push that will create internal and external disruption with member, employer, and provider relationships. Health plan leaders should consider strategies to help their organizations stay differentiated in their markets and use the newly available data to their advantage.

Health plans should create replicable, scalable, and efficient processes that can be used every month. They likely will also need to anticipate the direction of future requirements to ensure compliance, support strategy, minimize cost, and improve the tools they develop for customers. Furthermore, these processes should support ongoing data capture and analysis of own data as well as data published by providers and other health plans. For instance, there could be value in understanding the relationship between the availability of price information, utilization, and referral patterns.

Externally, the interoperability and price transparency rules are creating mandates and opportunities for greater data-sharing in the industry. In response, health organizations should consider ways to incorporate this trend into their strategic plans. We expect the regulations will change the relationships between health plans and providers, and between health plans and their competitors. We believe strategic opportunities will be in the following four areas:

Innovations in care delivery, payment models, and network design: Health plans will likely have to navigate market reactions and increased competitive pressure to differentiate beyond the rate and pay equity for providers. Value-based care opportunities should increase as providers look to earn revenue through higher quality and lower costs. Interoperability could support quality reporting, gap closure, and performance measurement, as well as reduce administrative burdens. Health plans that effectively use the data to deliver greater care insights and influence behavior could have a strategic advantage.

Consumer-driven products and innovations: Members and large employer groups will increasingly shop for health plans that offer better rates and lower out-of-pocket costs. Consumers will likely look to health plans to provide tools for easy access to personalized pricing and clinical information made possible through interoperability standards. Health plans should prepare for a radically empowered consumer who has control over their data. They will need to determine how to transform the member experience beyond compliance to improve retention and loyalty.

Focus on trust and customer experience: Changes in consumer behavior are forcing a new consumer-engagement paradigm from sales to service. It is also creating more white space for new entrants to own the experience. Reputational risk and possible backlash related to increased transparency could cause employers to look for health plans that offer the highest value. Therefore, marketing of value-add services to brokers and third parties could become increasingly important.

Digital transformation: The new requirements are forcing organizations to evaluate interoperability within the enterprise, review their cloud and AI strategies, and balance near-term and long-term investments. The democratization of pricing and consumer data will likely create the need for continued digital transformation, including new sensing and data aggregation applications.

In our view, focusing only on the tactical requirement of achieving compliance could create an opening for competitors and new entrants to steal market share, and health plans should take a strategic approach to compliance. We see this as an opportunity for health plans to reimagine their business as they move toward the future of health.

Acknowledgements

Project team

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Endnotes

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