



North Carolina Department of Health and Human Services  
Division of Health Service Regulation  
Office of the Director

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS  
  
Drexdal Pratt  
Division Director

MEMORANDUM

TO: North Carolina Hospitals Licensed Pursuant to G.S. 131E, Article 5  
North Carolina Hospitals Licensed Pursuant to G.S. 122C, Article 2  
North Carolina Ambulatory Surgical Centers Licensed Pursuant to G.S. 131E, Article 6,  
Part 4

FROM: Drexdal Pratt, Director  
Division of Health Service Regulation  
  
Azzie Conley, Section Chief  
Acute & Home Care Licensure & Certification

DATE: August 29, 2013

RE: Health Care Cost Reduction and Transparency Act of 2013  
North Carolina General Assembly Session Law 2013-382, House Bill 834

As directed in Session Law 2013-382, Section 10.3, this memo is to inform you of the status of the implementation of the requirements established in the Health Care Cost Reduction and Transparency Act of 2013.

As you will note in Section 10.3 of the Session Law, the North Carolina Medical Care Commission has been charged with adopting rules to implement the provisions of this law. Currently, the Division of Health Service Regulation, in collaboration with the Medical Care Commission, is in the preliminary stages of the rulemaking process and will be communicating with you in the near future on our progress, including draft rule language and timelines for implementation.

A copy of the Health Care Cost Reduction and Transparency Act of 2013, Session Law 2013-382, may be obtained at <http://www.ncleg.net/Sessions/2013/Bills/House/PDF/H834v7.pdf>.



<http://www.ncdhhs.gov/dhsr/>

Phone: 919-855-3750 / Fax: 919-733-2757

Location: 809 Ruggles Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603

Mailing Address: 2701 Mail Service Center • Raleigh, North Carolina 27699-2701

An Equal Opportunity / Affirmative Action Employer



Session Law 2013-382 reads in relevant part:

## **PART X. TRANSPARENCY IN HEALTH CARE COSTS**

**SECTION 10.1.** Chapter 131E of the General Statutes is amended by adding a new Article to read:

"Article 1B.

"Transparency in Health Care Costs.

### **"§ 131E-214.5. Title.**

This article shall be known as the Health Care Cost Reduction and Transparency Act of 2013.

### **"§ 131E-214.6. Purpose; Department to publish price information.**

(a) It is the intent of this Article to improve transparency in health care costs by providing information to the public on the costs of the most frequently reported diagnostic related groups (DRGs) for hospital inpatient care and the most common surgical procedures and imaging procedures provided in hospital outpatient settings and ambulatory surgical facilities.

(b) The Department of Health and Human Services shall make available to the public on its internet Web site the most current price information it receives from hospitals and ambulatory surgical facilities pursuant to G.S. 131E-214.7. The Department shall provide this information in a manner that is easily understood by the public and meets the following minimum requirements:

- (1) Information for each hospital shall be listed separately and hospitals shall be listed in groups by category as determined by the North Carolina Medical Care Commission in rules adopted pursuant to G.S. 131E-214.7.
- (2) Information for each hospital outpatient department and each ambulatory surgical facility shall be listed separately.

(c) Any data disclosed to the Department by a hospital or ambulatory surgical facility pursuant to the Health Care Cost Reduction and Transparency Act of 2013 shall be and will remain the sole property of the facility that submitted the data. Any data or product derived from the data disclosed pursuant to this act, including a consolidation or analysis of the data, shall be and will remain the sole property of the State. The Department shall not allow proprietary information it receives pursuant to this act to be used by any person or entity for commercial purposes.

### **"§ 131E-214.7. Disclosure of prices for most frequently reported DRGs, CPTs, and HCPCSs.**

(a) The following definitions apply in this Article:

- (1) Ambulatory surgical facility. - A facility licensed under Part 4 of Article 6 of this Chapter.
- (2) Commission. - The North Carolina Medical Care Commission.
- (3) Hospital. - A medical care facility licensed under Article 5 of this Chapter or under Article 2 of Chapter 122C of the General Statutes.
- (4) Health insurer. - As defined in G.S. 108A-55.4, provided that "health insurer" shall not include self-insured plans and group health plans as defined in section 607(1) of the Employee Retirement Income Security Act of 1974.
- (5) Public or private third party. - Includes the State, the federal government, employers, health insurers, third-party administrators, and managed care organizations.

(b) Beginning with the quarter ending June 30, 2014, and quarterly thereafter, each hospital shall provide to the Department of Health and Human Services, utilizing electronic health records software, the following information about the 100 most frequently reported admissions by DRG for inpatients as established by the Commission:

- (1) The amount that will be charged to a patient for each DRG if all charges are paid in full without a public or private third party paying for any portion of the charges.
- (2) The average negotiated settlement on the amount that will be charged to a patient required to be provided in subdivision (1) of this subsection.
- (3) The amount of Medicaid reimbursement for each DRG, including claims and pro rata supplemental payments.
- (4) The amount of Medicare reimbursement for each DRG.

- (5) For the five largest health insurers providing payment to the hospital on behalf of insureds and teachers and State employees, the range and the average of the amount of payment made for each DRG. Prior to providing this information to the Department, each hospital shall redact the names of the health insurers and any other information that would otherwise identify the health insurers.

A hospital shall not be required to report the information required by this subsection for any of the 100 most frequently reported admissions where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(c) The Commission shall adopt rules on or before March 1, 2014, to ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the Department in a uniform manner. The rules shall include all of the following:

- (1) The 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section.
- (2) Specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's Internet Web site.

(d) Beginning with the quarter ending September 30, 2014, and quarterly thereafter, each hospital and ambulatory surgical facility shall provide to the Department, utilizing electronic health records software, information on the total costs for the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and HCPCS codes. Hospitals and ambulatory surgical facilities shall report this information in the same manner as required by subdivisions (b)(1) through (5) of this section, provided that hospitals and ambulatory surgical facilities shall not be required to report the information required by this subsection where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

(e) The Commission shall adopt rules on or before June 1, 2014, to ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the Department in a uniform manner. The rules shall include the list of the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in a hospital outpatient setting and those performed in an ambulatory surgical facility, along with the related CPT and HCPCS codes.

(f) Upon request of a patient for a particular DRG, imaging procedure, or surgery procedure reported in this section, a hospital or ambulatory surgical facility shall provide the information required by subsection (b) or subsection (d) of this section to the patient in writing, either electronically or by mail, within three business days after receiving the request.

cc: Adam Sholar, Director, DHHS Office of Intergovernmental Relations