



Frequently Asked Questions: Honest Billing Policies

What is honest billing?

Did you know you can't tell where your health care was provided just by looking at the bill? Your health insurer can't either.

Hospitals and doctors (providers) include a National Provider Identification (NPI) number on the bills they send to the government or private insurers when they are seeking reimbursement for care provided to patients. Honest billing policies aim to increase transparency into hospital billing to ensure patients and payers can see the location where care was provided, not just who provided the care.

This layer of transparency is important because current Medicare and private health insurance payment policies make it difficult to tell whether a service was provided at a hospital or in an outpatient setting like a doctor's office, where care may be cheaper. Patients need to know where care was provided so they can know if their bill is fair.

How does honest billing change hospital billing practices?

As mentioned above, current Medicare and private health insurance payment policies make it difficult to tell where a service was provided. Hospitals that own outpatient facilities ("HOPDs") will use the main hospital's NPI and address on all claim forms -- even when care is provided outside the hospital at a hospital-owned doctor's office or facility. This makes it look like the care was provided within the hospital's walls even if the care was provided at an off-campus HOPD miles away from the main hospital.

Honest billing policies would require each individual off-campus HOPD to have their own unique NPI, allowing patients and payers to be able to tell exactly where the care was provided. And to reinforce that, honest billing would require the use of correct billing forms and electronic claims.

Does honest billing create additional burdens for providers?

Honest billing would require HOPDs to request and provide a unique NPI if they don't have one already, instead of relying on their hospital or health system's NPI. Honest billing also would require the use of correct billing forms. It's important to stress that this is a relatively small burden that for many HOPDs will be a one-time change because their billing processes are automated.

The burden this will place on providers is far outweighed by the financial burden the current system places on patients. Patients routinely cite rising health care costs as a top concern.

How does honest billing help patients?

Honest billing means patients will have more insight in to whether they are appropriately charged for visits based on location. This transparency will empower patients to dispute erroneous fees, unfair add-on costs, hospital upcharges and other junk fees. Honest billing also will lower patients' out-of-pocket expenses for medical services they receive, by allowing Medicare and private payers to correctly reimburse providers.

Further, honest billing has the potential to improve the ability to track quality outcomes by care location, which eventually could be used to help patients shop for quality care at a lower cost.

How does honest billing impact health care spending?

The Congressional Budget Office (CBO) has estimated a minimum of \$2.3 billion in savings over 10 years.¹ However, the Indiana Hospital Association has estimated over \$2 billion in savings per year through improved billing practices and mitigating unnecessary hospital charges in Indiana alone.

Why are both the CMS 1500 claim form and NPI needed?

Legislation addressing honest billing policies and creating new NPIs frequently requires the use of current CMS forms, specifically the CMS 1500 form and the HIPAA X12 837P electronic claims transaction.

HIPAA X12 837P is the standard data format used by health care professionals and suppliers to electronically transmit health care claims for professional medical services. Most providers have used this format to submit electronic claims for over 20 years.

Non-institutional providers or suppliers who are exempt from electronic filing requirements use the CMS 1500 form. This is the standard form used to bill Medicare fee-for-service using paper claims.

For more information on these forms, please see the below resources:

Fact sheet: <https://www.cms.gov/files/document/837p-cms-1500pdf>

Medicare billing: <https://www.cms.gov/medicare/billing/electronicbillingeditrans/1500>

Who is supportive of honest billing?

Honest billing practices are supported by a diverse array of stakeholders, including cancer and rare disease groups, such as the [Leukemia & Lymphoma Society](#); independent cancer centers and physician groups, such as the [American Medical Association](#); consumer groups such as [Families USA](#); employer groups such as the [American Benefits Council](#); insurers such as [BlueCross BlueShield Association](#); and conservative and liberal think tanks alike such as [Americans for Prosperity](#), [Third Way](#) and the [Brookings Institute](#). States like Indiana, Maine, and Colorado enacting their own honest billing laws will find utility in federal honest billing requirements.

Are there any bills in Congress addressing honest billing?

Yes, a number of bills have been introduced in Congress related to honest billing, including:

- The SITE Act ([S 1869](#)), sponsors Braun, Hassan
- The FAIR Act ([HR 3417](#)), sponsors Hern/Kuster
- Act to require each off-campus outpatient department of a provider to include a unique identifier on claims for items and services ([HR 3237](#)), sponsors Joyce/Sarbanes.
- Transparency in Billing Act ([HR 4509](#)), sponsors Foxx/Scott
- The PATIENT Act of 2023 ([HR 3561](#)), sponsors McMorris Rodgers/Pallone
- Preventing Hospital Overbilling of Medicare Act ([HR 2863](#)), sponsors Spartz/Brecheen

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¹ Congressional Budget Office, "[Estimated Direct Spending and Revenue Effects of H.R. 3561, the PATIENT Act of 2023](#)," July 11, 2023