

## BRIEF HISTORY OF THE HOSPITAL CHARGE DESCRIPTION MASTER (“CHARGE MASTER”)

The hospital charge description master, or “charge master,” is a list of procedures and products representing 100 percent of services used by patients in a hospital setting. The use of charge masters began in the early 1950s with the advent of indemnity insurance products; in this environment, hospital rates were set based on billed charges for individual services.<sup>1</sup> As the health insurance industry matured, hospitals moved to payments based on negotiated rates, and the billed charges expressed in the charge master remained largely as a rate schedule for those patients who were private pay or uninsured. Although the charge master has come under attack in recent years for its extreme privacy, hospitals defend the charge master as an artifact of public reporting requirements. Unfortunately, the majority of public reporting in the press is based on the infrequently used but publicly available billed charges from the charge master rather than negotiated rates.

The process for updating the charge master is not intended to ensure that it is a comprehensive document for tracking relative prices. Instead, hospitals focus on adding new services and calibrating highly competitive services rather than updating rates for older services. This is driven by two of the main purposes of the charge master: compliance with public reporting and establishing baseline rates in negotiations with insurers. Viewing the charge master simply as a list of prices that hospitals adhere to is problematic and can lead to incorrectly concluding that charge master privacy is an enemy of price transparency.

---

1. Tompkins CP, Altman SH, Eilat E. The precarious pricing system for hospital services. *Health Affairs*. 2006;25(1):45–46.