



I can see clearly now:

The increasing value of price transparency

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Defining healthcare consumerism

Patients become more involved in the economics of healthcare when they have:

- To pay a greater portion of their healthcare bills
- Have comparative quality information

Then patients will:

- Choose providers that provide the highest quality at the lowest price
- More prudently utilize healthcare services

Patients as consumers

Will provider choices change?



WITTMANN 2012

Economic theory supports increased patient involvement

Nobel Laureate economist, Milton Friedman identified four ways consumers buy goods and services

The decision factors are:

- Who is the purchase for?
- Who is paying for the purchase?

Friedman's consumer purchasing

Who is the purchase for?

Yourself

Someone else

Who is paying for the purchase?

Yours

Care about quality
and price

Care about price
more than quality

Someone else's

Care about quality
more than price

Does not care about
quality or price

Historic quality comparisons



Quality comparisons are more readily available

- CMS –Medicare
- Medicaid
- National Healthcare Quality Report
- NCQA
- Joint Commission
- Payors and Innumerable others ...

HHS CAHPS survey measures

- Nurses "**Always**" communicated well
- Doctors "**Always**" communicated well
- Patients "**Always**" received help as soon as they wanted
- Patients pain was "**Always**" well controlled
- Staff "**Always**" explained medication before administering
- Their room and bathroom were "**Always**" clean

HHS CAHPS survey measures

- The area around their room was "**Always**" quiet at night
- “**Yes**”, they were given information about what to do during their recovery at home
- Patients "**Strongly Agree**" they understood their care at discharge
- Patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest)

HHS CAHPS survey measures

Only two of the questions had a direct relationship to medical care

- Patients were given information about what to do during their recovery at home
- Patients "**Strongly Agree**" they understood their care when they left the hospital



Pricing transparency

How did we get here?

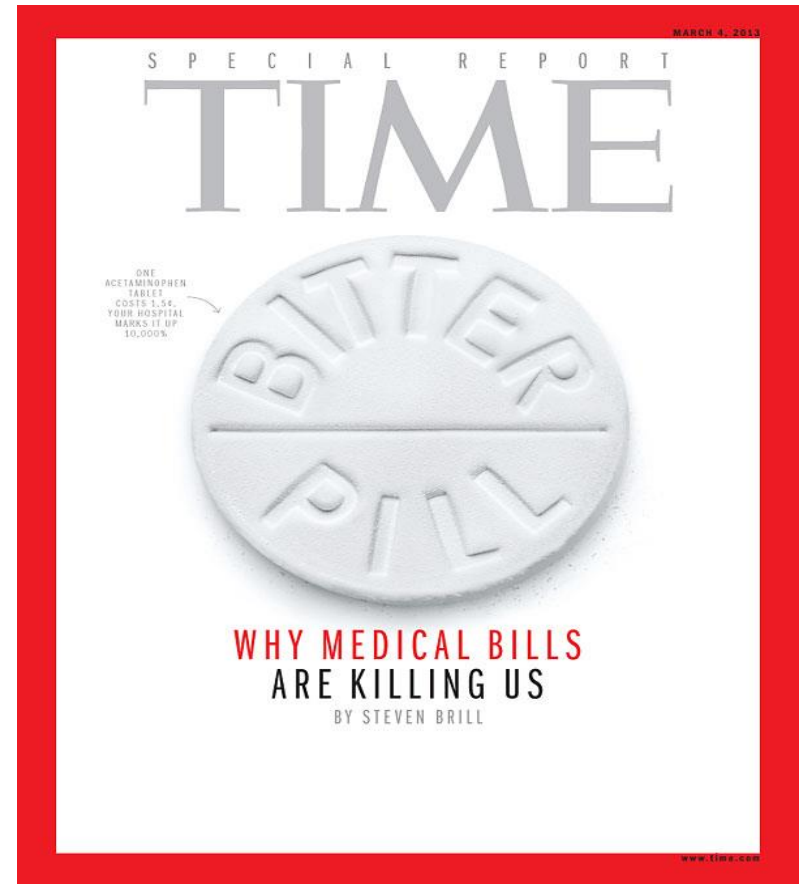
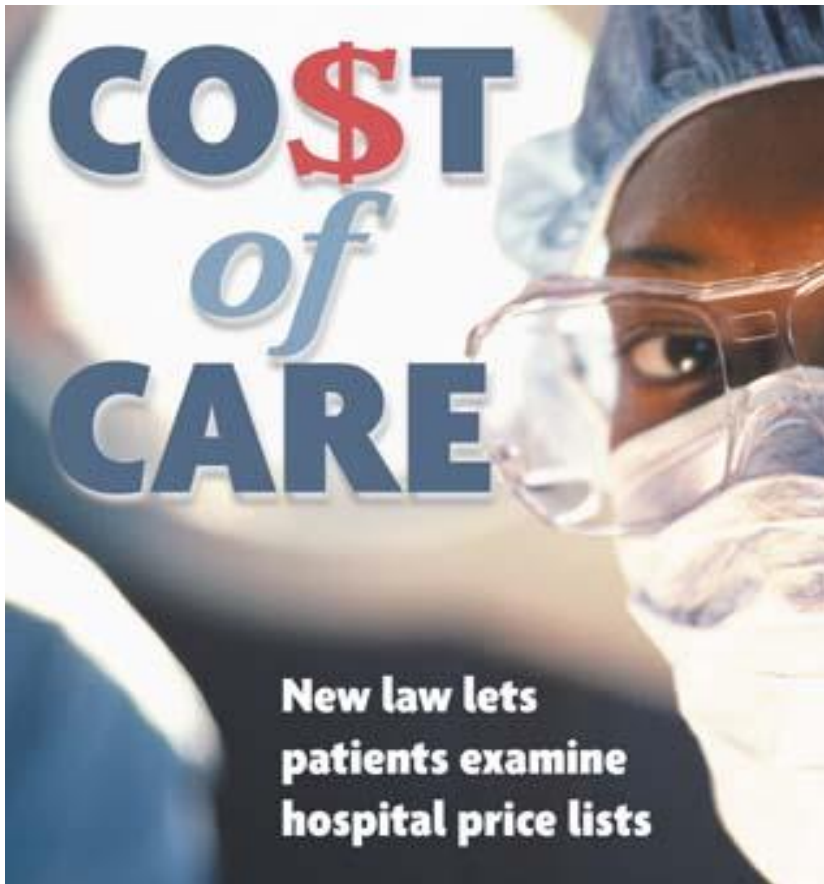


Pricing transparency

Can patients find prices?

- There are still different definitions of “**prices**”
- The terms “**prices**” and “**charges**” are used interchangeably and usually inaccurately
- The media and politicians demand to see “**prices**”, even when they don’t know what the term means





Historic pricing transparency

Illinois gets failing grade for price transparency

State price transparency laws based on 2014 legislation graded Illinois an F.

Patch.com

Massachusetts hospitals fail to comply with price transparency law

Survey suggests many are ill-equipped to respond to patient queries

Fiercehealthfinance.com

Historic pricing transparency

Hospitals failing to meet state law on price inquiries

“Massachusetts hospitals seem to lack a culture of price transparency,”... “extracting a price from hospitals posed significant challenges,”

Boston Globe

64% of the survey participants said that it is difficult to find the cost of medical treatments and procedures...
76% of uninsured survey participants reported that it is difficult to find cost information.

Kaiser Family

Historic pricing transparency

Why do we continue to tolerate price secrecy?

Modern Healthcare

“If I was in HHS, I would interpret it as being the amount that is actually paid,” ... “... my reading of congressional intent, that they wanted actual price transparency.”

Gerard Anderson, Johns Hopkins University



Executive order

Improving price and quality
transparency



The executive order

What is in it for the patient?

“...the report describes the characteristics of the most effective price transparency efforts.”

“...they distinguish between the charges that providers bill and the rates negotiated between payers and providers.”

“...they give patients proper incentives to seek information about the price of healthcare services”

The executive order

What is in it for the patient?

“...and they provide useful price comparisons for
“shoppable” services”

“...(common services offered by multiple providers
through the market, which patients can research and
compare before making informed choices based on
price and quality)”

The executive order: “shoppable services?”

“Of the categories of medical cases requiring inpatient care, 73 percent of the 100 highest-spending categories were shoppable.”

“Among the categories of medical cases requiring outpatient care, 90 percent of the 300 highest-spending categories were shoppable.”

Additional frequently asked questions regarding requirements for hospitals to make public a list of their standard charges via the internet



The executive order: improving price and quality transparency

As CMS said when the 2 Midnight Rule was rolled out...
“Further guidance shall be forthcoming”

Frequently asked Questions

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ProsperMedicareFeeSvcPmtGen/Downloads/Additional-Frequently-Asked-Questions-Regarding-Requirements-for-Hospitals-To-Make-Public-a-List-of-Their-Standard-Charges-via-the-Internet.pdf>



Pricing changes and patient decisions





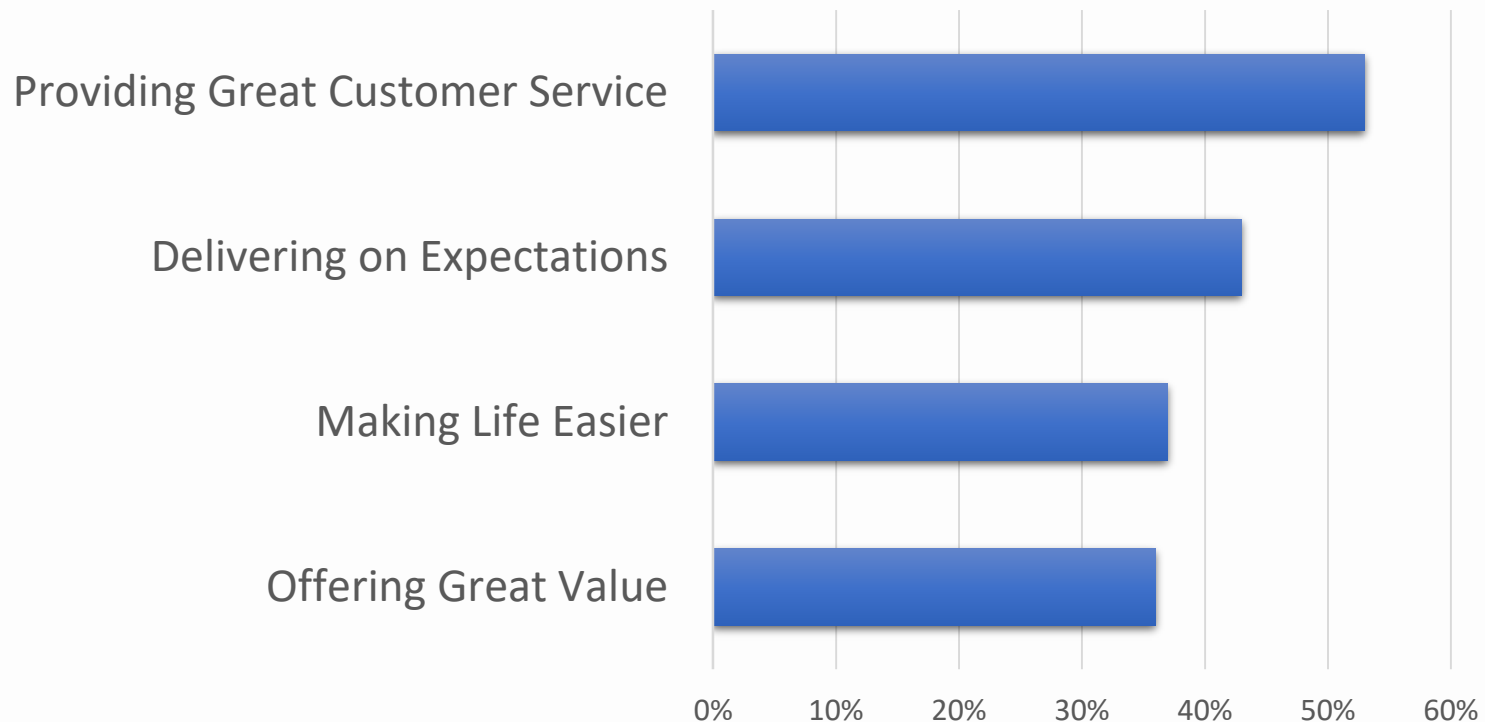
Are prices really changing patient healthcare decisions?

McKinsey and Company

“Debunking Common Myths about Healthcare
Consumerism”

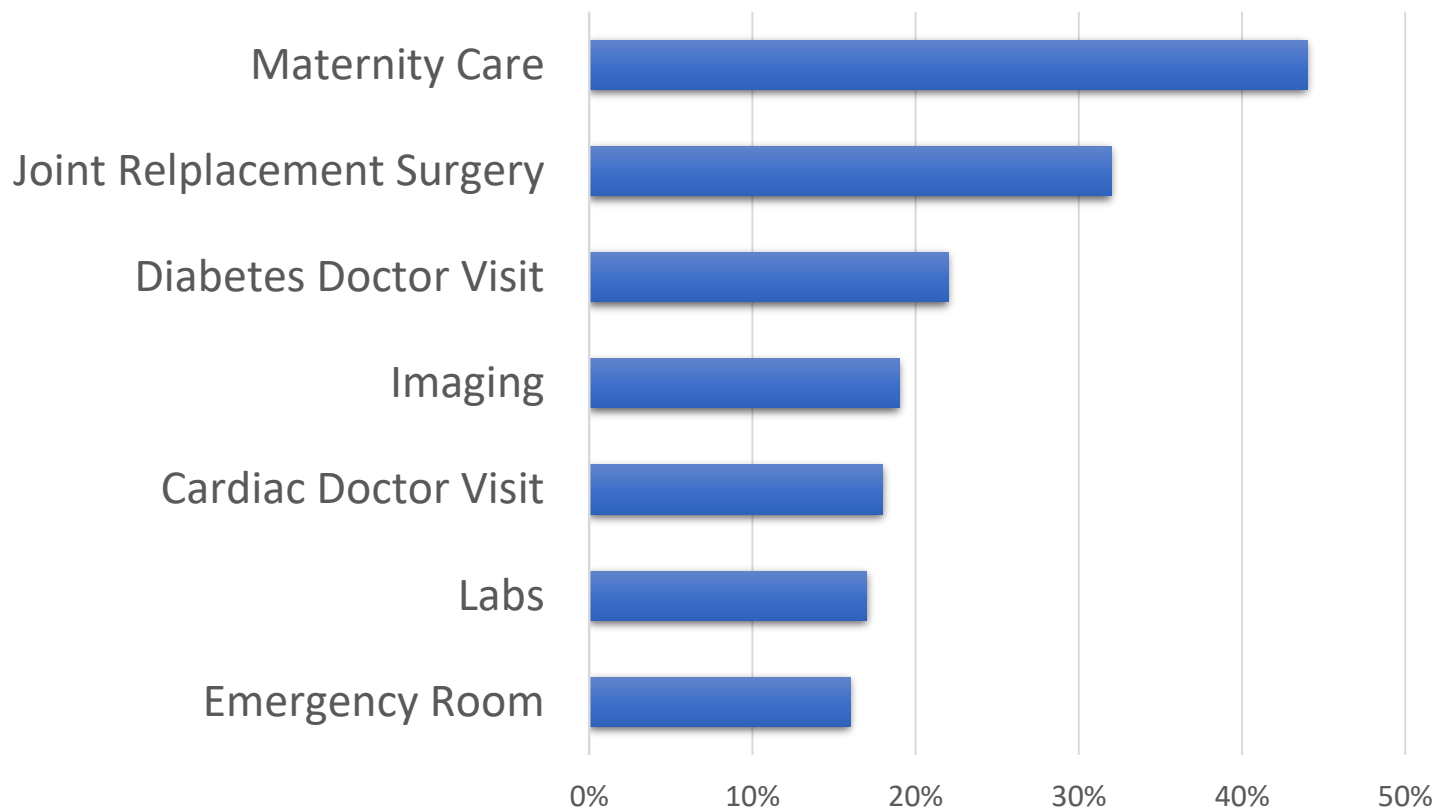
McKinsey study

Qualities Customers Value in Healthcare



McKinsey study

% of Patients Who Researched Costs



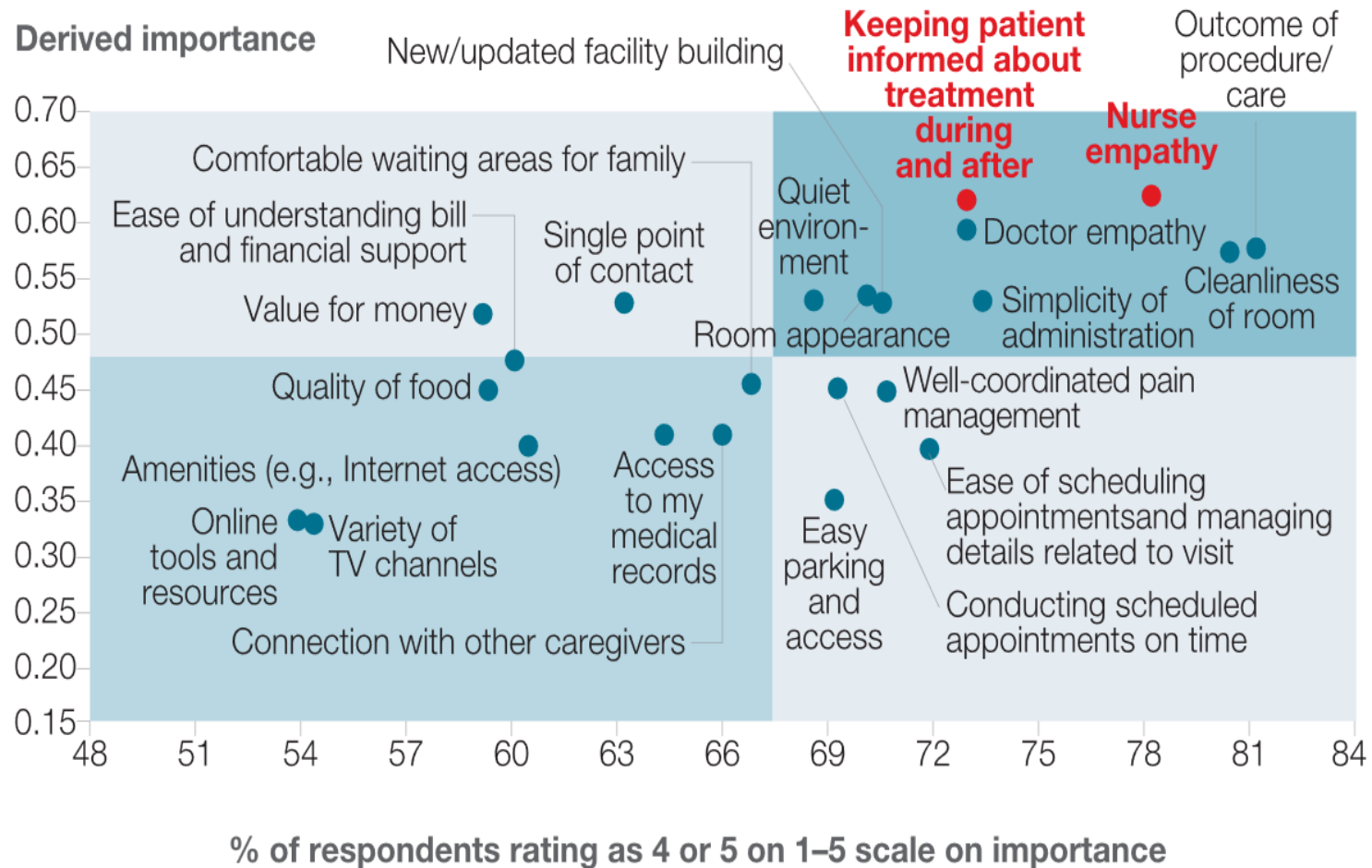
McKinsey study

Patients said they valued one thing as much as “value for money”

“Ease of understanding bill and financial support”

Assisting patients with their bills is as important as cost/quality

McKinsey study





Payor disclosure and provider prices



Pricing transparency: payor response

If few patients are shopping for lower cost providers,
then what is the value of price transparency?

Because if providers don't give patients cost estimates
then...

Payors can and already are

Pricing transparency: payor response

Payors are providing prices to subscribers

- Subscribers can contact the payor for an estimate
- Payors proactively provide prices for particularly for high-cost services such as:
 - CT, MRI, and special imaging
 - And other high-cost/high-margin services

Pricing transparency: payor response

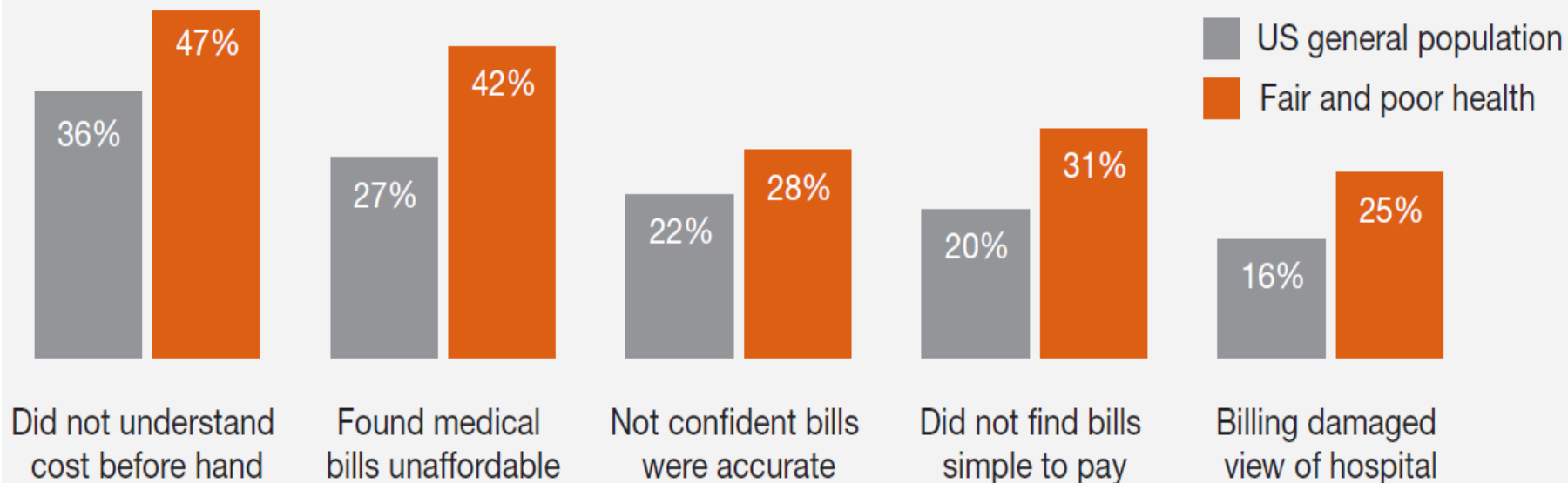
An authorization sent to the payor triggers a communication to the patient showing...

- Other providers that meet the payor's quality standards and...
- HAVE LOWER PRICES
- The payor then offers to cancel the scheduled service and reschedule with the lower cost provider

The need for a payor response

Patients

Consumers in poor or fair health report more dissatisfaction with hospital billing.



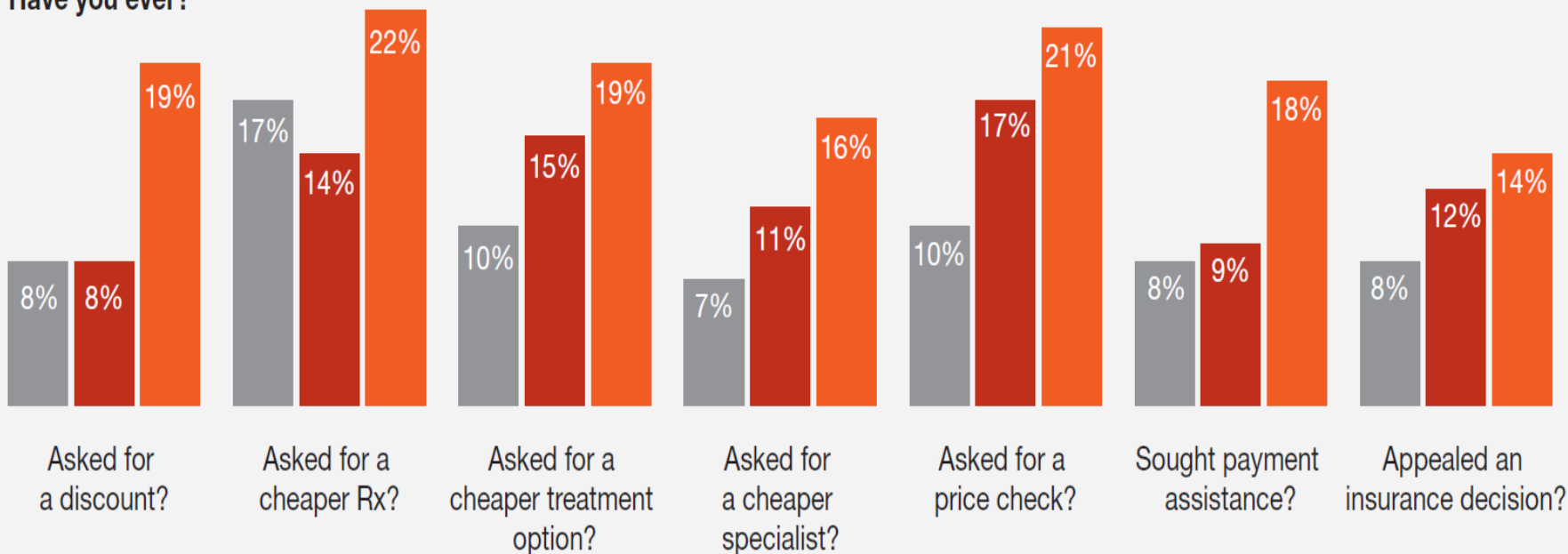
The need for a payor response

Millennials

Millennials are most likely to challenge their bills.

Have you ever?

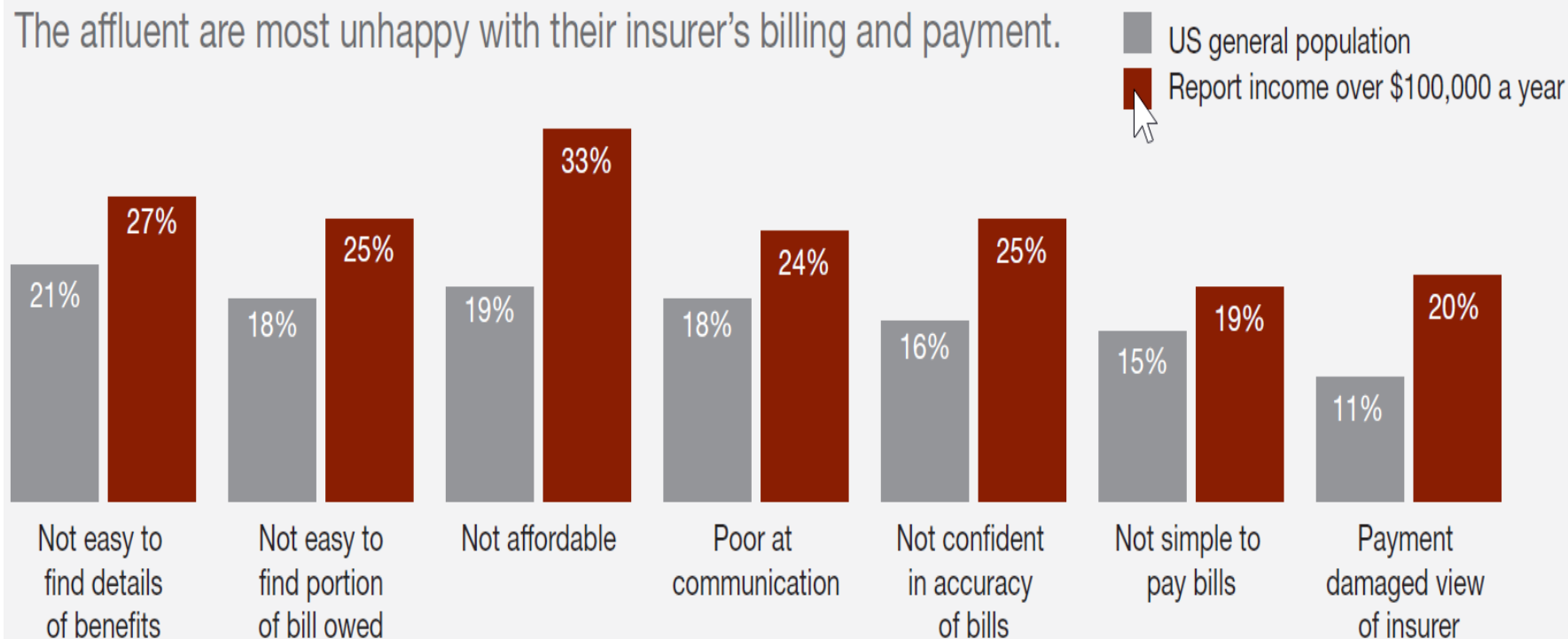
US general population 18–24 years old
25–34 years old



The need for a payor response

Affluent

The affluent are most unhappy with their insurer's billing and payment.



Pricing transparency: provider response

Reasons to provide price estimates

- Maintain a positive patient–provider relationship. As seen previously, patients value...

***“Ease of understanding bill and
financial support”***

- Providing prices is key to optimizing collections of higher patient balances

Pricing transparency: provider response

HFMA has noted...

... “Advisory Board experts estimate that institutions need to collect 5 percent of net patient revenues at the point of service to remain financially healthy amid expanding patient responsibility for payment.”

Rich Daly, October 27, 2015

Pricing transparency: provider response

Software tools can create reasonably accurate estimates

Once the service is identified, the combination of...

- The average of previous charges for the service
- Expected payer reimbursement
- The 271 transaction information

These will result in a fairly accurate estimate

Pricing transparency: provider response

When should estimates be provided?

- Patient collection rates are higher when the patient pays before the service is rendered
 - The inverse is true; collectability declines over time
- Point of service collections often result in higher collection rates

Pricing transparency: provider response

When should estimates be provided?

- With the estimate, the patient should also be presented with payment options
- If the patient is unable to pay the bill, they can be referred to a financial counselor
- The financial counselor can set up payment plans or initiate financial assistance applications



POS collections vs. Patient Access goals



POS collections

- Providing estimates will extend registration times
- Most Patient Access employees are evaluated on productivity
- Many providers do not have dedicated financial counseling at the POS
 - Most financial counseling services are provided subsequent to billing
- There is an inherent conflict between speed and counseling

POS collections

POS financial counseling implementation

- Determine the additional financial counseling workload
- Calculate the ROI of adding financial counselors at the POS
- Stage the transfer of financial counselors to POS based on the roll out of providing estimates
- Outsource financial counseling to fill gaps in staff availability



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Collections

discounts



Collections: discounts

Patients/consumers will impact collections

- A common patient comment is
 - “How much will you discount my bill if I pay it all today?”
- Prompt pay discounts are allowable
 - Historically based on the subsequent reduction in collection

Collections: discounts

However...

- Most payers and employers **want** the patient to pay a portion of the bill
- Most payor contracts prohibit “**discounting**” patient deductibles
- Payors want greater patient obligations to discourage using higher cost services, (emergency rooms), and incent using lower cost services, (primary care physicians)



Collections

payment plans



Collections: payment plans

- High-balance patient obligations decrease the ability of the patient at one time
- Payment plans were typically shorter durations because:
 - Monitoring, managing, and modifying plans is time consuming and costly
 - Shorter payment plans accelerate cash flows

Collections: payment plans

- Patients favor extended plans to pay balances
 - To consolidate multiple provider bills
 - To lower monthly payments
- Interest free plans are especially attractive
- When patients become aware of long term payment plans (frequent healthcare users), it will be difficult to not allow them to use them

Collections: payment plans

- Patients that need prolonged healthcare services will add new balances to existing payment plans
- Long-term payment plans will evolve into revolving lines of credit

So, should providers charge interest for long term plans?

The government: payment plans

New agency: the Consumer Financial Protection Bureau
(CFPB)

- The CFPB study highlighted the negative impact of medical bad debt on patient credit scores
- The CFPB Director, Richard Cordray stated:
“The CFPB is taking action to improve credit report accuracy. Getting medical care should not make your credit report sick.”

The government: payment plans

.... if a patient's debt arises from an “extension of credit” such as a payment plan, or a similar arrangement, the hospital may be providing a “consumer financial product or service” in certain circumstances and therefore subject to the CFPB's authority

American Hospital Association

One of the “certain circumstances is charging interest on medical debt”



Rational Pricing



Current state: irrational pricing



Rational pricing: revenue cycle issues

.... Financial counselors consistently deal with patients that are dissatisfied because the provider's **charges** are too high

- Many patients believe that the charges drive what they owe
- There are negative impacts on...
 - Patient satisfaction
 - Cost of collections
 - Bad debt

Rational pricing: reporting issues

Management of bundled payments and population health management require accurate cost estimates

- Cost allocations begin with charges
- Over time, the charge changes have not been synchronized with cost variances
- Internal cost accounting is distorted by the use of inaccurate cost to charge ratios
- Cost estimates will not be accurate

Rational pricing: charge issues

If charges are irrational and have little effect on net revenue, the why not just lower charges?

It is not easy

- Charge Masters house massive amounts of data, are complex and difficult to maintain
- Many health systems have multiple Charge Masters
- Don't forget the Service Master

Rational pricing: charge changes and contracting

Payor contracts usually limit charge changes

- Charge changes need to be negotiated
- Outcome modeling is essential prior to and during negotiations
 - Create multiple models in advance of negotiations
 - If the provider lacks contract modeling capabilities, external consulting assistance should be engaged

Conclusions

Managing consumerism will enhance patient satisfaction as well as to optimize financial outcomes

- Assist patients in managing ever increasing payment obligations
- Provide transparent pricing information as early as possible
- Provide multiple and flexible payment tools
- Provide counseling in applying for financial assistance