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• price transparency •

Making price transparency easy for patients

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Although the goal of the Centers for Medicare & Medicaid Services (CMS) Jan. 1 price transparency regulation is to increase visibility into hospital prices so patients can make informed decisions, the result has been less than satisfactory.

A review of CMS price transparency goals is in order, as well as certain steps hospitals can take to make price transparency easy for patients.

As with any other goods or service, patient consumers have a right to know how much they will pay. Right now, healthcare consumers still have questions about the prices of healthcare services. For example, what is the total charge amount for a knee replacement and how does that relate to the patient's actual out-of-pocket cost? The price could potentially vary by thousands of dollars across different hospitals.

Price transparency as a strategic priority

CMS has made price transparency a strategic priority. As CMS Administrator, Seema Verma, stated, "We must do something about the rising cost [of healthcare], and a key pillar is to empower patients with the information they need to drive cost and quality by making our healthcare system evolve to one that competes for patients."

Verma made it clear that the requirement is an "important first step" to increased price transparency.

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“While many hospitals have said charge-master information can be confusing for consumers, let me be clear, hospitals don’t have to wait for us to go further in helping their patients understand what care will cost,” Verma said.

The regulation is designed to provide patients more information, but the confusion it may cause will likely outweigh the benefits created. For the average person, or even someone with a strong healthcare background, it is impossible to use the chargemaster alone to accurately calculate the total price for a service, let alone determine the estimated out-of-pocket cost.

Forward-thinking healthcare providers are meeting the goals of this CMS regulation and proactively providing the right tools for patients to make informed decisions. For example, hospitals are re-evaluating their pricing strategy to ensure it is reasonable and reflects accurate cost information. Also, hospitals are deploying technology to assist with providing accurate estimates using claim level detail.

As the requirement for price transparency grows, so does the need for compliance and accuracy.

What price transparency means for healthcare providers

Publishing list prices is a strong first step, so healthcare providers must ensure that their charges are defensible, related to the cost of the service provided and uniformly applied to all patients, whether inpatient or outpatient.

To ensure compliance, hospitals must develop chargemaster structures that reflect industry standards and establish defensible pricing strategies. Risk areas requiring defined protocols include, but are not limited to:

- > Clinic and emergency department evaluation and management services
- > Surgical services

- > Routine nursing
- > Screening tests
- > Equipment
- > Non-billable supplies

3 steps to providing accurate healthcare pricing

A defensible price strategy must be transparent and relative to cost. As the requirement for price transparency grows, so does the need for compliance and accuracy. High deductible plans have made patients more savvy consumers because they are paying a larger portion of the cost.

Access to simplified and accurate healthcare pricing is critical because healthcare consumers may use this information to make informed decisions on where they receive care. Hospitals can provide transparent and easy-to-use pricing by following these three steps:

Adopt patient bill estimation technology.

Providers should adopt processes, education and technology to create a positive financial experience that will improve patient satisfaction and accelerate cash flow associated with patient liabilities. How?

Make the process easier for patients to translate information from the chargemaster into a meaningful and accurate estimate. Implement patient bill-estimation technology that references historical account-level detail, empowering patients with the ability to create a customized estimate that incorporates insurance coverage on a user-friendly platform.

Develop a workflow.

Develop an operational workflow with a formalized education and training program. This begins with effective communication between all parties. Patient access must partner with managed care on the back end to make sure they are using the most current payer contracts to provide patients with accurate estimates. Closing this loop will help ensure precise contract updates and timely negotiations.

Even when utilizing technology, it is important for patients to understand that the calculated price is just an estimate. A disclaimer is necessary to explain the variables

that may impact their out-of-pocket cost, such as pending claims for other services provided.

To ease the burden of hospital employees having to deliver pricing information to consumers, provide online resources that are credible, accurate and readily available for consumers. Having good resources available also makes the most efficient use of employee time for responses to patient inquiries on pricing. It is also imperative for the hospital to deliver a consistent message in laymen’s terms and effectively communicate that the estimation is based upon previously processed claims.

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Price transparency is designed to improve satisfaction by helping patients better understand what their care will cost and allowing them to make educated decisions based on their ability to pay. Based upon our experience working with multiple hospitals to optimize their revenue cycle and establish best practice workflows, when patients have access to out-of-pocket cost information ahead of time, they are better equipped to make these decisions well in advance of the scheduled service date. Without this information, providers miss the opportunity to have patients reschedule and book another patient who is prepared to proactively pay for their planned visit.

Analyze resource costs. Ultimately, price transparency will result in more competition between hospitals for consumer-driven and/or shoppable services. According to CMS regulations, the price of a service should be based on the cost of the resources utilized. Historically, providers have either applied a blanket percent increase across

the board or have modeled pricing based on payer payment. Over time, providers have lost sight of what the cost of care truly means, especially when they do not have a cost accounting system directly linked to the chargemaster. Hospitals must develop a chargemaster structure that reflects the industry standard and establish a defensible pricing strategy that is current.

Do not assume that healthcare costs always increase. With advances in technology, it is not uncommon for service costs and pharmacy and supply items to decrease, and that should be reflected in the current pricing established. Hospitals with inflated prices are at risk of losing patients when

calculating patient estimates for shoppable services.

Recent executive order on price transparency

The recent executive order signed by President Trump on June 24 outlines preliminary plans for additional transparency measures, including expanded price disclosure requirements, rules requiring hospitals to release negotiated contract rates, expanded access to quality data and changes to flexible spending account rollover rules. The administration made its intent clear that price transparency is a priority, and broad, sweeping mandates are potentially on the way in *very* short order,

calling for draft price transparency policies by the Department of Health and Human Services within 60-180 days.

The proactive provider is preparing for these additional requirements to ensure they not only comply with government regulations, but also achieve the goal, which is to provide patients with enough information to make informed decisions. •

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