

Patient Friendly Billing



PATIENT FRIENDLY BILLING®

Making patient bills clear, concise,
correct, and patient friendly.

SUMMER 2003 REPORT

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Dear Colleagues,

We are pleased to provide you with this progress report on the *PATIENT FRIENDLY BILLING*[®] project. It contains a summary of the work to date, along with important new recommendations for creating patient friendly bills.

The Patient Friendly Billing project helps healthcare industry leaders create a friendlier, patient-focused healthcare billing and collection process. The Healthcare Financial Management Association (HFMA) leads the project in partnership with the American Hospital Association (AHA), the Medical Group Management Association (MGMA), and leading professional service and technology firms.

The project's ultimate goal is to improve the lives of patients and their families. However, the project also benefits providers. Hospitals and medical groups that adopt the Patient Friendly Billing philosophy see measurable operational and financial improvements, including lower days in accounts receivable, improved cash collections, reduced bad debts and past-due accounts, and reduced calls/complaints per account. Another key benefit is improved patient satisfaction.

The project's most recent output is a set of guidelines to improve technology support of Patient Friendly Billing. To help the industry adopt these recommendations, the project also provides guidelines for implementation.

To date, about 1,000 hospitals and health systems have signed onto the Patient Friendly Billing philosophy, and others continually join the effort. Industry professionals recognize the correlation between patient satisfaction and patient bills, and they are eager to help revolutionize this aspect of healthcare finance. Progress is possible because the right players are getting involved—providers, technology companies, government, insurers, and others.

We have substantial work ahead and look forward to sharing more updates with you. And if you aren't already participating in the Patient Friendly Billing project, please join our effort.

Sincerely,



Richard L. Clarke, FHFMA
HFMA President and CEO



Richard J. Davidson
AHA President



William F. Jessee, MD, CMPE
MGMA President & CEO

Origins

After the death of his father, HFMA President and CEO Richard Clarke received a pile of medical bills from his mother. The stack contained separate bills and statements from about 20 different providers involved in his father's treatment. Clarke's 86-year-old mother could not understand the bills. Neither could Clarke, who formerly was a hospital CFO.

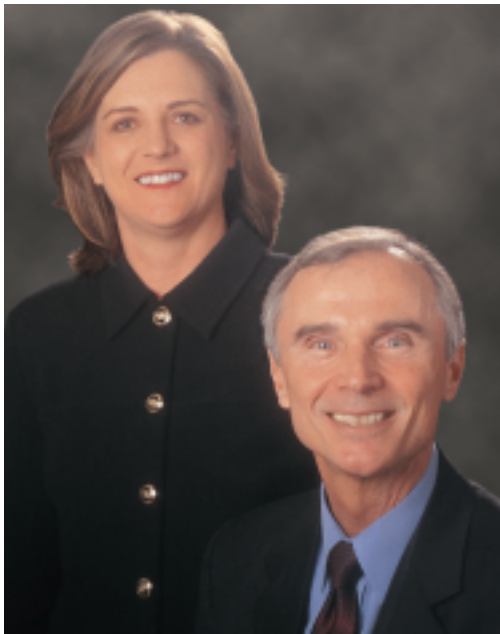
"I actually had to create a spreadsheet to track the bills," says Clarke. "The challenge of trying to make sense of it all reinforced the absurdity of the current healthcare billing system."

That moment marked the inception of the Patient Friendly Billing project.

Clarke says, "The time was right to launch an effort to make patient communications more clear, correct, concise, and patient friendly. HIPAA guidelines, new technology, and other modernizations now give the industry the ability to make the billing process less confusing and complex."

Terry Allison Rappuhn, Project Leader of the Patient Friendly Billing project, has been dedicated to clear, concise, and correct patient financial communications for years. Rappuhn joined the project at its inception, while she was CFO of a publicly held organization that owned and operated acute care hospitals and healthcare systems.

"Health care should be the most trusted industry in the country because we focus on helping people who are sick," says Rappuhn. "I am committed to Patient Friendly Billing because we can make patient financial communications more understandable—that's good for our patients and our industry."



HFMA President and CEO Richard Clarke and Terry Allison Rappuhn, Project Leader of the Patient Friendly Billing project

“HCA knows that as we continue to develop and improve our operating model, we must keep our focus on how patients experience our hospitals and our staff. We are in the process of revamping and redesigning our billing statements; these continuous revisions will bring us closer to what patients want and what we need.”—**Beverly Wallace, President, HCA Financial Services Group**

The Problem

The Patient Friendly Billing project began its work in 2001 by conducting focus groups of patients and healthcare workers around the country. The participants’ message was loud and clear: *Patient billing is a significant problem for patients and providers.* Participants said they see the patient bill as a symbol of confusion and high costs, and they found the billing process time-consuming and frustrating.

Consumers today expect to participate in their medical care and to be better informed about all aspects of their health. As the amount paid by consumers for medical care increases, patients more than ever demand and deserve financial information that is understandable. Health care lags behind many industries in adopting electronic billing options, even though many patients are comfortable with the concept of paying healthcare bills online.

The Patient Friendly Billing Response

The Patient Friendly Billing project is responding to these concerns with recommendations and tools to improve the patient billing process, and with the persuasive power of a group of committed organizations.

The Patient Friendly Billing project is committed to helping the healthcare system create patient bills that are:

- **Correct:** The bills or statements should not include estimates of liabilities, incomplete information, or errors.
 - **Concise:** The bills should contain just the right amount of detail necessary to communicate the message.
 - **Patient Friendly:** The needs of patients and family members should be paramount when designing administrative processes and communications.
- **Clear:** All financial communications should be easy to understand and written in clear language. Patients should be able to quickly determine what they need to do with the communication.

To date, the Patient Friendly Billing project has researched relevant billing issues and reported the findings and recommendations to hospitals, health systems, and medical group practices. The visibility of the project has skyrocketed, with Patient Friendly Billing becoming a sought-out topic at key industry events. Awareness about Patient Friendly Billing has also climbed because of hospitals’ and medical group practices’ own initiatives to implement the Patient Friendly Billing recommendations. Most recently, the project formed a Technology Task Force to ensure that technology vendors were involved in supporting improvements to patient billing.



Patient Friendly Billing Project Technology Task Force

The Patient Friendly Billing Philosophy

The Patient Friendly Billing project is based on the following ideals:

- The needs of patients and family members should be paramount when designing administrative processes and communications.
- Information gathering should be coordinated with other providers and insurers, and this collection process should be done efficiently, privately, and with as little duplication as possible.
- When possible, communication of financial information should not occur during the medical encounter.
- The average reader should easily understand the language and format of financial communications.
- Continuous improvement of the billing process should be made by implementing better practices and incorporating feedback from patients and consumers.



Resources

The Patient Friendly Billing project has yielded a variety of resources for use in creating patient-friendly bills, including:

- Reports
- Checklists
- Case studies
- Samples
- Listings of upcoming educational events
- Brochures
- News
- Registration for email updates

These resources form the basis for providers and other healthcare organizations to make significant strides in improving patient satisfaction and their own operations.

Organizations new to the Patient Friendly Billing process and philosophy will be especially interested in accessing the *Patient Friendly Billing Checklist*, designed to help organizations start achieving the goals of Patient Friendly Billing.

You can access the Patient Friendly Billing resources at: www.patientfriendlybilling.org.

"Our mission at Mayo Clinic is to provide the best care to every patient every day through patient care, education, and research. Patient Friendly Billing is one aspect of this mission. Often the patient's first and last contact with an organization relates to financial matters, leaving a lasting impression of their experience. Mayo Clinic is very supportive of the Patient Friendly Billing initiative." —Lee Hecht, Chief Financial Officer, Mayo Clinic

Latest Recommendations

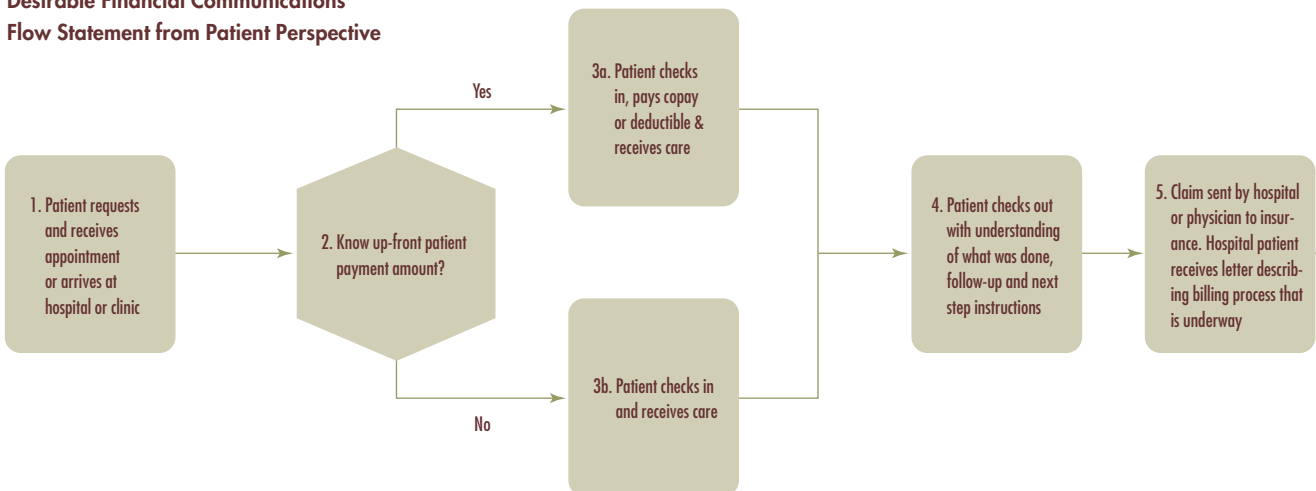
We are pleased to present the following recommendations based on our latest consumer and industry research and expert analysis. Hospitals, medical group practices, and (to the extent applicable) other care providers should consider the following actions to achieve the benefits of Patient Friendly Billing:

1. Establish customer service standards throughout the organization.
 - Identify and implement process improvements (along with staff training) that facilitate a positive patient experience. Improvements could target pre-registration procedures, communication techniques with patients, and other processes.
 - Promptly respond to patient requests for information by using standard terms, Internet automation, and telephone protocols and scripts.
 - Maintain convenient billing office hours that match the needs of consumers.
 - Study the needs of the community to improve the patient billing process. Enlist suggestions from patients, caregivers, employees, physicians, and other members of the community.
2. Inform patients in advance about financial expectations resulting from an episode of care.
 - Provide information and tools to help patients better understand how they can meet their financial responsibilities.
 - If the patient's portion of payment is known at or before the point of service, request payment at that time.
 - Assist patients who need to make financial arrangements.
3. Identify, establish a baseline for, and monitor measures of success, and make improvements as indicated.
 - Measures may pertain to (1) patient satisfaction, (2) days in accounts receivable, (3) cash flow, (4) bad debt and account aging, (5) billing/service calls per account, and (6) readability of financial communications.
4. Adhere to Patient Friendly Billing guidelines and models of letters, bills, and statements. (See www.patientfriendlybilling.org and the graphics on pages 9, 11, and 12.)
 - Use consistent terms and format styles across all patient financial communications.
5. Coordinate information-gathering processes to improve patient safety, increase accuracy, and reduce redundancy.
 - Increase the quality and safety of medical treatment by ensuring patient identification is correct. This will also help ensure a smooth billing process.
 - Educate patients on the entire financial communications process by providing staff with tools and training on how to let the patients know what to expect, where to go for help, and how they can make their experience better.
 - Implement data retrieval capabilities both internally and with other providers and health insurers to help ensure data accuracy and consistency.
6. Simplify contractual relationships with managed care and other health insurers; complex payment arrangements often lead to billing and payment errors.

“At Henry County Memorial Hospital, we’ve shortened the billing cycle by 50 percent. Our investment in advanced information technology has definitely paid off in streamlining our entire billing and payment operations in the business office and registration areas. Our patients report receiving billing statement information that is easy to understand from both a financial and medical perspective for each specific episode of care.” —Chere Riggs, Director of Business Office, Henry County Memorial Hospital

- 7. Consolidate billing whenever possible.
 - Consolidate billing across as many providers as possible and advise patients of other providers that may also bill.
 - Ideally, provide a consolidated bill for all patients for whom the responsible party is expected to pay (a family bill). When possible, include a separate page within the consolidated bill for each patient.
- 8. Standardize written communications with a limited number of information elements on all patient communications. Key information points are patient name, patient address, account number, responsible party, insurance company, and date of service. (See examples on pages 9, 11, and 12.)
 - Do not routinely publish patient-sensitive elements such as social security number, date of birth, or gender. This does not preclude requesting additional information for missing data, data needed to resolve insurance denials, etc.
- 9. Use written and spoken terminology that is readily understood by consumers.
 - Use the Patient Friendly Billing standardized glossary of terms as a model and make it available to patients to explain terms in a consistent manner.
 - Include with financial correspondence a list of frequently asked questions and, if necessary, a few glossary terms explaining any technical language on the bill.
- 10. Send the first financial communication from the hospital after the hospital encounter in the form of a letter, not a bill. (See patient narrative on page 9.)
 - This letter should highlight the billing process that is underway, provide useful information such as contact information and service hours, and verify or request information, if needed.
 - This communication should be sent to the patient at the time that the claim is sent to the insurer.

**Desirable Financial Communications
Flow Statement from Patient Perspective**



“Many hospitals have been skeptical about achieving Patient Friendly Billing. But after implementing automated revenue cycle solutions to improve our billing and revenue cycle processes, Wellmont experienced an improvement in patient satisfaction in the area of billing—and in 2002 we ranked No.1. We’re on our way to meeting the Patient Friendly Billing project’s mission of providing clear, correct, concise and patient friendly information.”

—Randy Cooper, System Director, Patient Financial Services, Wellmont Health System

11. To the extent possible, only send patients with insurance a bill after insurance has paid and the patient’s portion is known to be accurate. (See sample patient bills on pages 11 and 12).
 - Include a payment due date on the bill.
 - If the provider and health insurer have not resolved the claim within a reasonable amount of time, such as 45 to 60 days after the encounter, give the patient an update on the status of the account.
12. Provide financial communications that contain concise information and that are easily reconciled to the health insurer’s explanation of benefits. If a patient requests more information, such as a detailed bill, it should be promptly and cheerfully provided. (See sample patient bills on pages 11 and 12.)
 - Medical group practice bills should include charges at the procedure level, the portion paid by insurance, and the patient portion. After the initial bill for the encounter, medical group practices should send monthly balance-forward statements highlighting current month activity.
 - Hospital bills should include only total charges, portion paid by insurance, and patient portion. If patients request detail, they frequently want it grouped by category of procedure or service, such as by laboratory test or X-ray instead of numerous individual items, such as each supply item or individual drug doses. Verify state requirements, as some states may require more detail.
13. Billing and charge description masters should be reviewed periodically and designed so that the terminology helps both the patient and health insurer understand the medical services provided and eases the provider’s effort to record such information. Many of the descriptions on patient bills come from the billing/charge description master.
 - Standardized processes should be established to ensure the accuracy and appropriateness of each charge, its description, and its corresponding clinical code.
 - Reduce complexity by reducing the number of chargeable items in hospital charge description masters, especially for supply items routinely given to patients.
14. Provide on-line billing and payment capabilities.

Issues to Consider

Patients and healthcare workers tell us that information gathering is uncoordinated, redundant, and sometimes inaccurate. Additional efforts are needed to facilitate consistent, industry-wide data gathering and coordination. To deal with these issues, healthcare providers, IT vendors, and others should (1) investigate the appropriateness of technologies currently in use by other industries that have successfully solved these issues, (2) develop standards for use of that technology and for development of the applications, and (3) develop business rules for security, access and updating information among healthcare organizations. We also encourage the enhanced use of standard transactions and code sets by healthcare providers, IT vendors, and others to meet the needs of the patient, to improve the accuracy and effectiveness of information and to reduce the overall cost of healthcare services. Various groups are working on these issues including the National Alliance for Healthcare Information Technology. HFMA, AHA, MGMA, McKesson, Eclipsys Corporation, and Siemens are members of this alliance.

Sample Hospital Patient Bill



312 Simpson Avenue
Hometown, IL 60206

March 1, 2003



Mr. John McGuirk
520 Pleasant Street
Hometown, IL 60610

Patient Name
John McGuirk

Responsible Party
John McGuirk

Account Number
0123-4567-89

Date of Service
January 27, 2003

Insurance/Plan Name
Major Medical Corp.- PPO

BILL

For questions or information, please call 1 800 555-5555
or visit www.hometownhealth.com

DATE OF SERVICE	ITEM	AMOUNT
01/27/2003	CURRENT HOSPITAL CHARGES	\$5,399.50
	Patient Payment	\$0.00
	Adjustments	-\$1,079.90
	 Amount Paid by Insurance	 -\$3,887.64
	 DUE FROM PATIENT: Please Pay This Amount	 \$431.96
<p>This bill represents hospital charges only. You may receive additional bills related to your visit. For billing inquiries: 1-800-555-5555, weekdays 9:00 a.m. until 8:00 p.m., and Saturday 9:00 a.m. until 2:00 p.m.</p>		

Please return bottom portion with your payment (Allow 7-10 days for postal delivery)

Due Date March 21, 2003	Account Number 0123-4567-89	Please write your account number on your check. Make check payable to Hometown Health.	Please Pay This Amount \$431.96
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Fill out below for credit card payments

PRINT NAME ON CARD _____
 CARD NUMBER _____ EXPIRATION DATE _____
 SIGNATURE _____



Hometown Health
312 Simpson Avenue
Hometown, IL 60206

For the most current recommended example, see www.patientfriendlybilling.org

Sample Glossary Terms

If necessary, include a few glossary items explaining any technical language on the bills

Glossary Terms

Explanation of Benefits (EOB/EOMB) The notice you receive from your insurance company after getting medical services from a doctor or hospital. It tells you what was billed, the payment amount approved by your insurance, the amount paid, and what you have to pay.

Claim Your medical bill that is sent to an insurance company for processing.



312 Simpson Avenue
Hometown, IL 60206

March 1, 2003



Mr. John McGuirk
520 Pleasant Street
Hometown, IL 60610

BILL

Patient Name
John McGuirk

Responsible Party
John McGuirk

Account Number
0123-4567-89

Date of Service
January 27, 2003

Insurance/Plan Name
Major Medical Corp.- PPO

For questions or information, please call 1 800 555-5555
or visit www.hometownhealth.com

DATE OF SERVICE	ITEM	AMOUNT
01/27/2003	Patient: John McGuirk Evaluation/Management Level 3 Established Diagnosis: 37515 Dry Eye Syndrome Moore MD	
	Current Charges	\$109.50
	Patient Payment	\$0.00
	Adjustments	-\$10.95
	Amount Paid by Insurance	-\$88.55
	DUE FROM PATIENT: Please Pay This Amount	\$10.00
	For billing inquiries: 1-800-555-5555, weekdays 9:00 a.m. until 8:00 p.m., and Saturday 9:00 a.m. until 2:00 p.m.	

Please return bottom portion with your payment (Allow 7-10 days for postal delivery)

Due Date	Account Number	Please write your account number on your check. Make check payable to Hometown Health.	Please Pay This Amount
March 21, 2003	0123-4567-89		\$10.00

Fill out below for credit card payments

[] [] [] []

PRINT NAME ON CARD _____

CARD NUMBER _____ EXPIRATION DATE _____

SIGNATURE _____



Hometown Health
312 Simpson Avenue
Hometown, IL 60206

For the most current recommended example, see www.patientfriendlybilling.org

Next Steps for the Project

Although targeted process improvements can improve patient financial communications, the ultimate solution involves making significant changes to the billing system of the healthcare industry as a whole. That is why the Patient Friendly Billing project will expand on existing efforts to achieve our goals of billing that is clear, concise, correct, and patient friendly. We will communicate with healthcare industry leaders,

legislators, other stakeholders, and the public about ways we can partner to create a healthcare billing system that is more patient friendly. Specifically, we will:

- Continue to develop and distribute resources to help provider organizations, technology vendors, and insurers implement and improve patient billing processes. We will issue regular project updates.

“It is my heartfelt desire that I live long enough to see meaningful changes in the manner in which healthcare billing is delivered. It is time that we reach out with our hearts to the most important asset in the healthcare industry: our patients.”—**Jeffrey W. Shutak CHFP**, Director Patient Financial Services, The Memorial Hospital

- *Work through the impediments* to a more Patient Friendly Billing process. We will continue to investigate and research the causes of those barriers and develop methods for addressing them.
- *Work with major players*, including providers, insurers, government, and consumer advocates to determine how the system can better function to meet consumer needs.
- *Facilitate industry adoption* as more organizations sign on to the project.
- *Develop and implement a long-term vision* of how to execute and communicate transactions in a way that is patient friendly.

The next phase will look at the overall healthcare billing system and how it can be made as seamless as possible to the patient.

We have begun reaching out to the healthcare community. But we have more to accomplish to increase the public’s trust and confidence in the healthcare billing system. The project’s long-term vision is to help create a patient friendly system that consolidates and coordinates patient communications. The solution will involve all major stakeholders. We are committed to continuing efforts to improve the billing experience for patients and their families and ultimately to strengthen the American healthcare system.

Thank you for joining us.

What You Can Do

The Patient Friendly Billing project will only work if you are involved. Here is what you can do.

- *Become involved*. Ask those involved in the billing process if they are aware of the Patient Friendly Billing project and its resources. Share this brochure with them.
- *Review your organization’s billing process* to identify ways to make bills more patient friendly.
- *Introduce Patient Friendly Billing* to others in your organization using the PowerPoint presentations available on our website.
- *Attend upcoming Patient Friendly Billing events* featured on our website.
- *Ask project representatives to talk to your organization* about their experiences. You can submit this request via our website.
- *Sign up to receive our e-newsletter—Patient Friendly Focus*—and regularly visit our website, which is frequently updated with the tools you need to succeed.
- *Tell us about your financial communications situation*—the current status, what’s been done, future plans. The more case studies we hear about, the better equipped we are to help improve the country’s healthcare billing system.



PATIENT FRIENDLY BILLING® YEAR-TWO Supporters

The sponsors, technical supporters and associations of the Patient Friendly Billing project's year-two initiative support the recommendations in this report, and are committed to the goal of improving the healthcare system through Patient Friendly Billing.

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Technical Supporters



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& Medicaid Services



HFMA PFS Forum Advisory Council



If you would like to support the project,
get involved, or implement Patient Friendly
Billing practices in your organization, contact:



hfma[™]
healthcare financial management association

Two Westbrook Corporate Center, Suite 700
Westchester, Illinois 60154-5700

For more information:

Web: www.patientfriendlybilling.org

Email: info@patientfriendlybilling.org

Phone (708) 492-3367