



Pricing Transparency Project

Summary Recommendations from HFMA's National Advisory Councils

The demand for price transparency is a fundamental characteristic of the growing shift toward consumer-focused business dynamics. Consumers today are more aware of the costs of their healthcare and are paying more out of pocket, so many of them are seeking pricing information before they receive healthcare services and making care decisions based on that data. However, providing patients with healthcare price estimates can often be a complex task, because of the variety of factors that go into a hospital's charges, as well as the variability of patients' care needs for what might appear to be the same diagnosis.

Despite the difficulties, HFMA believes that pricing transparency must be a priority for healthcare financial leaders, as the needs of patients should be paramount in the healthcare financial accounting process. Financial communications with every patient should adhere to high customer-service standards and be clear, concise, correct, and caring. (For more on how HFMA can help in your pricing transparency efforts, see Appendix A.)

Meaningful price transparency ideally involves giving patients estimates—before service—of the total amount the patient will actually owe for treatment after taking into account the patient's specific condition and insurance coverage. To help healthcare executives understand this issue more completely, the **PATIENT FRIENDLY BILLING® PROJECT** issued the report *Consumerism in Healthcare*. In this report are 11 recommendations that serve as a call to action for healthcare organizations to begin working toward more transparent pricing. To build on this work, HFMA brought together members of its National Advisory Committees to discuss the report's recommendations and delve deeper into how healthcare financial leaders can promote pricing transparency in their organizations.

Recommendations from the PATIENT FRIENDLY BILLING® PROJECT Report

There is much that each hospital can do alone to improve the patient's experience with the healthcare system. It is imperative that healthcare financial managers become part of the consumerism solution by adopting, or promoting, the following recommendations put forth in the Patient Friendly Billing Project's report on consumerism. (For more on the Patient Friendly Billing Project, see Appendix B.)

The recommendations are:

- Review the guiding principles of the Patient Friendly Billing project consumerism initiative and use them as a basis for discussion within your organization
- Embrace the opportunities consumerism presents to help patients better
- understand and more effectively use health services
- Work toward transparency in pricing
- Simplify charge and payment systems
- Make your access and scheduling functions seamless, respectful, and convenient
- Upgrade consumer service skills among financial services employees
- Improve communication with patients concerning quality, prices, and payment responsibilities
- Work with payers to promote healthy lifestyles and, during the normal renewal periods, reformulate contracts based on updated pricing that is more easily understood by consumers
- Collaborate with payers on systems to facilitate real-time, electronic exchange of key information, including patients' benefits, coverage, and status
- Engage with government to develop national standards for comparability of quality
- Advocate for regulatory revisions in line with the key objectives of consumerism in health care

Of course, adopting and implementing these recommendations will have some significant implications for your organization, the community you serve, and the healthcare profession in general. The following are some of the issues that your organization's leadership will need to discuss before moving forward with pricing transparency:

General implications

- **Patient communication:**
Once your organization implements a policy of pricing transparency, you must communicate it to your patients. Develop a formal communications plan for informing patients about the change, how it will benefit patients, and the process for requesting pricing information from your organization. For insured patients, be sure to emphasize the importance of understanding their benefit plans, including what they do and do not cover, what the deductible is, what the in- and out-of-network benefit is, what their co-insurance amounts are, and whether they have secondary coverage through a spouse. Consider using letters, e-mails, posted notices within your facilities, audio "on-hold" messages, and leaflets with mailed patient invoices.
- **Legislator education:**
Federal, state, and local lawmakers should be made aware of your organization's efforts to better serve patients through greater price transparency, as well as the complexities of providing this information to patients. Work with your organization's advocacy staff to develop a plan for contacting and educating

lawmakers, including your federal and state senators and representatives, and local regulatory agencies, on the benefits of price transparency. Local professional associations may also be able to provide some guidance on contacting and working with legislators.

- **Collaboration:**

A system of pricing transparency will be far less valuable to patients if they are unable to make useful comparisons between the various data provided by different organizations in their area. Form collaborations between government, hospitals, associations and other stakeholders to agree upon a common system so that patients can take full advantage of the information you provide.

Legal and competitive implications

- **Antitrust issues:**

Making pricing information publicly available is going to present a host of new legal concerns that will need to be addressed by the courts and other regulatory bodies. Until there is some clarity on the legal issues of sharing price information among providers, use caution regarding the sharing of pricing data with other care providers in your market.

- **Legal Risks:**

When pricing information is provided to patients before healthcare services are rendered, it should include a clear statement noting that the actual, final bill may be different than the estimate because of variations in individual medical cases, complications that could not be anticipated, and other factors. Legal counsel should be consulted on other steps that may be deemed necessary.

- **Price negotiation:**

When patients are able to obtain pricing information ahead of time, they may feel that prices are then open to negotiation, particularly if your organization shares a market with other providers that offer similar services. This may also be true for third-party payers. Organization leadership should evaluate the benefits this practice holds for the organization's position, such as gaining patient's business or maintaining contracts with payers, and must develop policies and processes for these negotiations.

Revenue cycle system implications

- **Payer price structures and coding:**
Different pricing structures with different third-party payers will result in wide variations in patient estimates for the same services. In addition, as there are changes in billing and coding requirements, particularly with CMS, consistency may be difficult to achieve. Working with payers, especially during the planning stage of transparency improvement, may yield positive results for both provider and payer.
- **Unpredictability:**
Because care will vary for patients being treated for the same condition, developing price estimates can be difficult and complex. Consider including disclaimers with quotes as well as an additional price increase range that could be necessary if complications occur. Develop a process to communicate changes to a patient's price quote if complications occur with the ability for the patient to renegotiate resolution of their balance.
- **Phase-in:**
Pricing transparency may need to be phased in, so that dealing with obstacles and process problems can be addressed effectively and efficiently while not overwhelming staff. The earliest stages of the process should focus on organizational and communication strategies and simplifying processes.

Taking Action on the Recommendations

While it will take some time to address these implications, HFMA encourages healthcare organizations to do so as quickly as possible in order to begin taking concrete actions toward pricing transparency. HFMA's National Advisory Councils have suggested the following steps to implement the recommendations of the PATIENT FRIENDLY BILLING® PROJECT:

General recommendations

- **Train and certify staff:**
Those staff members who will be providing quotes will require specific skill sets and additional training on how to develop those estimates as well as how to discuss them with patients. These individuals should be involved in the patient communication processes discussed earlier in this document
- **Explain the financial benefits of healthier lifestyles:**
Most hospitals already promote healthy practices to patients through publications, seminars, and other efforts. Added to those communications should be information on how a healthy lifestyle can directly affect a patient's cost of care (for example, how a weight management or smoking cessation program will reduce the likelihood of serious complications). Consider offering incentives, such as a discount on services for individuals who have attended one of your

organization's health seminars. Hospitals should also develop internal programs to promote healthier lifestyles for their staff, ensuring that similar incentives apply for staff members that maintain a healthy lifestyle.

- **Involve and educate the board:**

Because achieving pricing transparency will likely require some additional financial and personnel resources, support from the board is important to its success. Therefore, the board must be educated on the value of such an initiative. In particular, focus on the community benefits of pricing transparency, which ultimately affect the budget. In addition, stress the importance of beginning this initiative now, so that your organization will be ahead of the game as other hospitals begin addressing the trend toward consumerism.

Legal and competitive recommendations

- **Involve legal counsel:**

Because of the extensive legal issues that will arise during and after implementation of pricing transparency, hospitals should directly involve legal counsel throughout the entire process. Legal advice should come from those qualified to deal with the specific legal issues surrounding price transparency. In addition, there should be a price transparency assessment, to include review of state and federal mandates that the organization must adhere to when setting prices.

- **Consult federal, state, and local regulatory agencies:**

Establish dialog with regulatory agencies, particularly in the early stages of the process, to help ensure that your organization gives due consideration to laws affecting physician and care-provision, the uninsured, rules of negotiation, contracts, and other issues.

- **Educate physicians about pricing:**

Many physicians are not aware of how the costs associated with their work translates into the final bill. Therefore, it is important that hospitals work with physicians on this issue, a process that can help allay some of their concerns about price transparency.

A key factor in this process is ensuring that there are physician advocates of the price initiative who will speak to their peers about this issue at medical staff meetings. Physicians should also have the opportunity to participate in the hospital's pricing transparency discussions: They should be involved in the strategic planning aspect, as well as in conversations about capital allocation, such as information technology purchases (since increased pricing transparency will necessitate better IT connections between physicians' offices and the hospital).

Payer/managed care contracting recommendations

- **Involve payers:**
Increase the balance of scrutiny, so that the pressure of pricing transparency doesn't lay solely on the providers. In addition to the contractual arrangements which may require modification, payers should take on some of the responsibility for informing and educating their health plan members on how information can be helpful to them.

Revenue cycle recommendations

- **Decide what price quotes should include:**
HFMA's Thought Leadership NACs recommend that price quotes provided to patients should include the following:
 - Physician orders on a standardized form, including diagnosis and CPT/HCPCS codes and narrative as well as authorization or confirmation of medical necessity.
 - All charges associated with the service, as well as a description of charges that are not included, such as physician services or ancillary services.
 - Include all relevant charges associated with the service included in the quote.
 - An estimate of the patient's out-of-pocket expenses, including co-payments, deductibles, and uncovered costs.
 - Payment options, including information on how to apply for financial assistance, payment plans, loans, and discounts.
 - A disclaimer stating that the quote is an estimate, and pricing may change due to factors such as medical complications or other needs that cannot be predicted
 - A timeframe for which the quote is valid

In addition, quotes should be written in ***PATIENT FRIENDLY BILLING***© language and available in multiple languages, to ensure maximum understanding by the patient. The document should be no more than one page, and should focus on the patient's out-of-pocket costs. Be wary of getting caught up in legal and financial jargon, which will make the quote difficult for most patients to interpret.

Pricing FAQ for Patients

As you develop a pricing transparency strategy, it may be wise to also create an FAQ on pricing for your patients. This FAQ could be included as a handout with price quotes, distributed at registration and physicians' offices, and might also be posted on the hospital's web site. It should be kept to one page, with simple language (at approximately an eighth-grade reading level and should be tested by a small group of patients before being widely released. Of course, it should also be reviewed by legal counsel.

The patient FAQ should include the following five components:

1. An overview of the pricing system

This should include an explanation and/or graphic representation of the various entities involved in the system, including: the patient, the hospital, others providing services (such as physicians, transportation, anesthesiology, laboratory, etc.), payers (including Medicare, Medicaid, and private insurers), and other elements of the continuum of care (such as rehabilitation, long term care, or home health).

2. The elements that can affect the patient's final cost

These elements can include the various services to be received, the kinds of unanticipated services or complications that are possible, the caregiver who will be providing the services, the reimbursement rates established by the payer, hospital payment policies, the type of hospital, if appropriate, and the location or service area of the care that was delivered, i.e., outpatient clinic versus emergency room.

3. The communications the patient can expect to receive

These communications might include a price quote, the explanation of third party benefits, the final hospital bill, and bills for services other than the hospital's (such as transportation, anesthesiology, laboratory, or services provided by physicians not employed by hospital).

4. Contact information

Phone numbers and web addresses should be included for patients who need to inquire about pricing or respond to a communication regarding pricing.

5. Other resources

Other sources for patient information might include web sites with information about healthcare pricing and care quality, as well as links to pages on your hospital's own site.

Conclusion

Hospitals alone will never be able to work out the interrelated set of issues that make pricing transparency such a complex issue. Meaningful pricing transparency requires collaboration among government, providers, payers, employers, and the consumers themselves. HFMA is committed to helping build the collaborative environment with providers, payers, consumers, and government leaders that is essential to achieving that important goal.

About The *PATIENT FRIENDLY BILLING*® Project

The Patient Friendly Billing Project is a national initiative to make financial communications to patients clear, concise, and correct. This collaborative endeavor is spearheaded by HFMA, with support from the American Hospital Association, the Medical Group Management Association, providers, and other interested parties. Reports and other valuable tools can be found at www.patientfriendlybilling.org.

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