

Hospital Strategies for Communicating Pricing and Quality



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Each week, the managed care staff at St. Cloud Hospital in Minnesota fields calls from patients who want to know what it will cost them to visit the hospital. Some may be expecting a baby, while others are planning for a knee replacement or some other type of surgery.

What such healthcare shoppers all have in common is a desire to know how much they will need to pay and whether this is a fair price. As trends toward high-deductible health plans and consumers' increasing control over healthcare decision making continue to gain steam, value-focused transparency is the name of the game. Hospitals are facing increased pressures to take their pricing and quality data public—or risk losing business to others who will.

■ Additional Pressures

Consumers aren't the only ones calling for improved transparency efforts to serve value-based healthcare purchasing. Demands are building from initiatives on multiple levels.

Federal influence. In August 2006, President Bush issued Executive Order 13410, which calls on federal health agencies to increase transparency in pricing and quality, encourage adoption of health information standards, and provide options that promote quality and efficiency in health care.

Since then, the government's Hospital Compare web site, www.hospitalcompare.hhs.gov, has grown to cover a variety of measures for quality of care and outcomes as well as information about the number of certain elective procedures that hospitals provide to Medicare patients and what Medicare pays for these services. The site lists comparisons of care processes related to heart attack, heart failure, pneumonia, surgical infection prevention, and asthma (children only). Also provided are outcome measures for common medical conditions and surgical procedures, including 30-day risk adjusted mortality rates for heart attack, heart failure, and pneumonia, and scores on patient satisfaction based on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey.

State initiatives. Moves at the state level to give consumers more hospital pricing and quality information also are picking up. As of June 2008, at least 38 states have signed laws or started pilot programs to promote public reporting of hospital charges.

Among notable efforts: The Minnesota Hospital Association's pricing web site, www.mnhospitalpricecheck.org, lists state hospital prices for 50 common inpatient hospitalizations and 25 common same-day procedures. It also provides a link to a sister site on quality, www.mnhospitalquality.org, where the public can compare individual facility performance against others in the region in terms of appropriate care measures for heart attack, heart failure, pneumonia, and surgical care. The Louisiana Hospital Association's voluntary reporting program, www.lahospitalinform.org, reports pricing data for the state's 100 most common inpatient and outpatient services as well as quality data on surgical infections, 30-day mortality, and most frequent causes of hospitalization. It also offers a side-by-side hospital comparison tool, so users can peruse three hospitals' data at once.

Managed care activities. Additional push toward pricing and quality transparency is coming from health plans. In Minnesota, several health insurers—Medica, HealthPartners, and Blue Cross Blue Shield of Minnesota—have web sites that allow members to compare pricing and quality data for common treatments and services.

In May, Cigna revamped its online provider directory from what was primarily a look-up tool to a resource that integrates pricing and quality information. The tool, called Care Connections, is available to enrollees via their personal myCIGNA.com web sites. The pricing resource offers coverage, eligibility, and cost ranges for procedures based on claims data that reflect the insurer's negotiated rates. Estimated costs are available for more than 400 procedures and conditions. Through the web site, Cigna says enrollees can find high-quality providers that can save patients money, such as heart specialists that treat at up to 33 percent lower cost per episode and MRI providers that can save more than \$500 an image.

Given such an environment, many hospitals are realizing the importance of ramping up strategies to communicate pricing and quality information to the public. However, as many hospital executives are learning, it takes more than an organization's chargemaster data and an artful webmaster to make these efforts meaningful for users. As the following examples show, factors such as efficient call routing, dedicated pricing and quality staff, a defensible pricing strategy, and clear communication of factors involved in determining quality measures and individual out-of-pocket expense can be critical for success.

■ St. Cloud Hospital

Up until two years ago, patients who called Minnesota's St. Cloud Hospital to get a price estimate didn't always land in the right place. They might have been routed to surgery, X-ray, or even administration.

"Nobody knew where to route the calls, so we had to decide internally who was going to handle pricing questions," says Kathy Parsons, director of managed care. "We needed to be able to track the kinds of questions we were receiving and standardize the messages to patients." The biggest concern was that patients would get the wrong answers and become dissatisfied when they learned the real cost of their procedure.

St. Cloud's managed care department took on the role of handling pricing questions, and the hospital staff—operators, admissions staff, and the like—were informed to funnel calls to one location. Currently, the department maintains a database of the top 25 inpatient and top 25 outpatient procedures. When a patient requests pricing for a procedure that is not in the database already, then staff will calculate the price for the patient. Also, when a patient calls, staff will check contract terms and instruct patients to contact their insurance for benefit verification.

St. Cloud Hospital, part of the CentraCare Health System, also posts pricing and quality data on its web site, www.centracare.com/hospitals/sch/quality. Staff from quality, finance, marketing, and government relations all played a role in bringing the quality and pricing data online.

Pages dedicated to "Quality, Safety & Pricing" offer easy-to-understand resources designed to help put quality and pricing data in context. Featured are tips on how to judge quality, covering such things as the importance of the right physician credentials, technology use, and efforts toward patient satisfaction as well as an explanation of what quality scores mean for the posted structural indicators, process measures, and outcomes measures.

In the spirit of transparency, patient safety data are presented in the same section as quality information. The data include the hospital's adverse events, such as serious falls, pressure ulcers, and medication errors. Links to the latest reports on adverse events from the Minnesota Department of Health also are available.

The site also provides an opportunity for the organization to call attention to some of its successes. For example, St. Cloud's

laudable Press Ganey scores are on the same page that lists CMS quality measures. Viewers also see that from 2001–05, St. Cloud Hospital:

- Decreased patient deaths, complications, and adverse safety events
- Discharged patients almost a day earlier, while increasing patient understanding
- Increased its expenses by only 6 percent, while peer hospitals' expenses increased 18 percent

Pricing information on the site is based on a cold feed of the hospital's claims data by diagnosis-related group (DRG) to the Minnesota Hospital Association. For common types of inpatient hospital care, viewers can see how the organization compares in terms of length of stay, average charge, and average charge per day against all Minnesota hospitals and all Minnesota hospitals with similar patient volume. Information for outpatient procedures compares average charges among the same hospital groups.

When considering keys to the organization's success with transparency efforts, Parsons notes that members of the hospital's managed care team have been trained to use simple, patient-friendly language when talking price. They avoid using acronyms such as CPT and DRG.

Also, the organization welcomes opportunities to try to help patients make sense of their benefits. As an example, patients may not understand that the amount they pay for a colonoscopy could vary based on whether it's a diagnostic versus screening service. A good pricing counselor should be able to help the patient navigate through such differences. "If you put prices on your web site, then you can't just say 'it's out there,'" says Parsons. "The staff needs to be able to have a conversation."

■ Spectrum Health

In 2003, Spectrum Health was among the first group of hospitals to join the National Voluntary Hospital Reporting Initiative, a program designed to improve quality of hospital care through reporting performance data on heart failure, heart attack, and pneumonia. As such, the culture of data sharing was already in place when administrators at the Grand Rapids, Mich.-based organization decided to open their books to the public.

Spectrum Health soon became among the first in the country to post average prices online for many of its most common inpatient and outpatient procedures. Since October 2006,

the organization has listed average prices for nearly 250 adult procedures at www.spectrum-health.org. Typically, the pricing pages of the web site generate about 2,000 visits a month.

Spectrum Health's web site provides patients with an estimated average amount for a variety of adult inpatient and outpatient procedures, childbirth services, and the most common radiology and laboratory tests. These estimates include hospital prices for nursing care, room charges, supplies, and medication. They do not include physician fees.

Clinical quality data, too, are easily accessible. Quality data are available for procedures representing 30 percent of the organization's admissions and are updated quarterly.

Making this information public has led to some secondary benefits, says Joseph Fifer, FHFMA, CPA, Spectrum Health's vice president of hospital finance. Spectrum Health grew from the merger of two area hospitals in 1997, which initially led to many questions in the community. In many ways, the system's transparency efforts have reassured the public that healthcare services remain strong and have aided efforts to build trust. "We're not such a mystery anymore," Fifer says. "Now, the community views us as a very open organization."

Also, transparency efforts have improved the system's relationship with Blue Cross, one of its major payers. It was only a few years ago when contract talks between the two organizations had been very difficult, with battles occurring in the media. These days, transparency efforts have dramatically changed the tone of communications. "The past two negotiations with them have gone very smoothly," says Fifer. "I believe that's largely because they can go to the web site and check the validity of our information. Posting the information online was part of changing the whole tenor of our relationship with the Blues."

With its transparency efforts, Spectrum Health also hopes to educate lawmakers about the business of health care. In February, the system expanded its pricing web pages to include the average payments it receives from Medicare, Medicaid, and third-party payers for specific procedures. The move helps shed light on the hidden taxation issue, Fifer says. Some employers estimate that they pay a "hidden tax" of \$1,200 per employee each year to make up for the shortfall caused by underpayments or bad debt from patients who can't pay.

One example from the web site:

81.51—Hip replacement, total

Estimated Average Price	\$19,600.00
Average Medicare Payment	\$13,378.62
Average Medicaid Payment	\$ 8,428.53
Average Insurance Payment	\$15,918.62

Commercial insurance payments included on Spectrum Health's web site represent the average payment received from all commercial payers. Individual commercial insurers and their payments are not identified.

All together, Fifer believes the information provided shows that Spectrum Health understands the needs of its market. "We do believe that when someone looks at the entire package of pricing and quality information on our web site, what they find is value. That is the message that we are trying to get across."

■ Henry Ford Health System

In Michigan, a continued recession and an 8.5 percent jobless rate have impacted hospitals across the state. In particular, demand for health services in the southeastern region, which is served by Detroit-based Henry Ford Health System, has softened while, at the same time, there has been an increase in the number of uninsured and underinsured patients. From 2006 to 2007 alone, Henry Ford saw its amount of uncompensated care increase from \$105 million to \$132 million.

To help the growing numbers of uninsured in the community, Henry Ford posts a pricing page at www.henryford.com. Listed are average charges for many high-volume procedures and services, as well as the discounted charge offered to uninsured patients. The same information is available in brochure form at the system's clinics.

The site also features a section to help the public understand pricing information. Topics covered include how a hospital determines how much to bill a patient, explanation of what a hospital charge is and the factors that can influence it, ways hospitals determine pricing, what physician charges are and why they are listed separately on price lists, and definitions of commonly used terms in health care, such as facility charge, DRG, length of stay, CPT code, Medicaid, and Medicare. Contact information for the hospital's pricing department also is featured prominently throughout so viewers can address questions to appropriate staff.

Because of the complexities of hospital pricing, presenting consumer-friendly pricing information for those with coverage can be a challenging task. Therefore, the web site emphasizes that the charge information applies only to uninsured patients and encourages insured patients to contact the system's pricing department for an estimate of their out-of-pocket costs.

Henry Ford's pricing department is composed of specially trained members of the hospital's existing insurance-verification staff. The pricing department, backed by financial analysts for non-routine inquiries, provides estimates of out-of-pocket expenses for both insured and uninsured patients.

The department has been in place since January 2008 and is seeing interest in pricing grow, notes Jim Connelly, Henry Ford's senior vice president and CFO. During July 2008, the pricing department received 350 inquiries, with about 30 percent of these inquiries from insured patients.

"Early on, our team reached the conclusion that transparency was more than publishing our chargemaster," Connelly says. "For most healthcare consumers, charge information is meaningless. True transparency means providing an accurate estimate of out-of-pocket costs. That said, because we have dozens of contracts with payers—and those payers have a multitude of plan and benefit packages—determining the out-of-pocket costs for an insured patient is a tremendous challenge."

Another universal challenge is the basic complexity of both healthcare delivery and healthcare reimbursement. An accurate cost estimate requires the consumer to describe complex, detailed medical information. When a patient calls for the cost of a CT scan, is it with contrast? Or both with and without contrast? Is it with angiography? And so forth. Addressing this issue is an ongoing effort, Connelly says. "Our pricing department stresses the fact that the estimate is precisely that—an estimate. Staff encourages patients to confirm the procedure with their providers."

Henry Ford also is working on scripting and training its pricing specialists so they can explain common deviations from the quoted price. "We are in the process of comparing the price estimates given to patients with their actual out-of-pocket costs to see if there are areas where we can improve accuracy," Connelly says.

That's the next frontier of pricing transparency. Soon, Henry Ford hopes to implement an automated tool that uses the hospital's contract management system and historical claims

Are You Ready to Take Your Pricing Public?

Successful efforts depend on a defensible and sustainable pricing structure. If you answer "yes" to any of the following, it may be time to review the quality of your organization's pricing efforts.

- Has it been two or more years since your facility last changed pricing?
- Do you increase prices across the board, year after year?
- Have you made multiple price changes without a significant difference in net revenue?
- Are you concerned that some of your prices may be significantly different than the competition?
- Does the same service lack consistent pricing when provided in multiple areas/departments?
- Are you incurring negative public reaction to your pricing for services?

Source: 3M Health Information Systems.

data to provide coinsurance estimates. "We still have work ahead of us to do this as efficiently as we think we need to," Connelly says. "As costs shift to insured consumers through higher copays and deductibles, they are increasingly asking for this information as part of their medical decision making. We think it's an investment we need to make."

The finance team at Henry Ford also is working with the system's customer service department to more effectively respond to customer inquiries on its charge structure after patients receive their bill. On the web front, Henry Ford plans to enhance the quality section of its web site by adding the following:

- Explanations of how patients should interpret quality data
- Comparisons of Henry Ford's data to national averages
- Patient satisfaction data, including Press Ganey and HCAHPS measures
- Specific disease data
- Measures that are relevant to patients, including ease of getting appointment, safe and effective care, and shared decision making

Henry Ford also is exploring ways to integrate the pricing information with its quality data to convey value. "Transparency is something consumers appreciate and increasingly expect," Connelly says. "While we all face increasing and

competing demands, transparency by providers of health care is a very meaningful and important commitment.”

■ Oakwood Healthcare

Oakwood Healthcare, based in Dearborn, Mich., posts comprehensive pricing information for hundreds of surgeries, tests, and procedures on its web site as well as significant quality information at www.oakwood.org/value.

When developing the pricing portion of its web site, Oakwood partnered with insurance payers and employers such as Dearborn-based Ford Motor Company. The auto company, like many employers, offers consumer-driven health plans to its workers and has an interest in bringing hospital pricing and quality information online so that its employees will be increasingly involved in value-based healthcare decisions.

Currently, Oakwood’s web site provides charge information without reimbursement information and is limited to mammograms, knee replacements, and other procedures that are fairly well defined. Listed costs do not include physician and other professional fees, and the actual charge may vary based on pre-existing health conditions, severity of illness, insurance coverage, and the specific procedure performed.

Douglas Welday, CPA, Oakwood’s executive vice president and CFO, says the organization is finalizing processes to provide cost estimates for patients based on their particular coverage. In addition, Oakwood plans to add more financial education to the pre-registration and registration process. “The concept is to ensure patients have informed financial consent, similar to informed consent for medical procedures. We give patient estimates of out-of-pocket cost while also describing the cost of other professional fees and how costs might differ from the estimates.”



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Reinforcing a sense of what patients receive for their cost of care, quality information is presented alongside pricing information on the web site. Quality transparency has been a key initiative for the organization. Two years ago, Oakwood was the first healthcare system in southeast Michigan to post key quality outcomes. “Our first implementation was a fairly simple view of the CMS core indicators,” says Welday. “But over time, it has evolved both in the amount of data and also the sophistication of the data.”

Each facility’s achievement on process measures for common health services is compared with state and national averages as well as performance from years past. Also included are easy-to-understand descriptions of why the measures are important indications of quality of care.

Welday feels that posting the data is an important first step in controlling costs and achieving better health outcomes for patients. “We see this as a way to position ourselves in the market as a value provider to both payers and patients,” he says. In June, more than 1,100 visitors accessed the pricing and quality section of the web site, viewing more than 5,000 pages.

Oakwood also worked in partnership with the Michigan Health & Hospital Association to launch MIHospitalInform.org. The site includes pricing data on the top 50 Medicare inpatient and outpatient procedures by hospital in the state. Included is comparison of average hospital charges, average payments, length of stay (inpatient), and total number of patients.

■ Integris Health

Oklahoma City-based Integris, which was recognized as one of the most highly integrated healthcare networks in the country, offers a single, 24-hour toll-free phone number for hospital price inquiries. Staffers at the Integris Consumer Price Line contact physician offices to get procedure codes, so they can provide patients with the most accurate estimate possible. They also reach out to payers to determine benefit levels and out-of-pocket expenses. Integris guarantees to provide patients with estimates within two business days, followed by a written quote. Should the actual hospital charge not come close to the original estimate, then Integris provides a written explanation for the difference. The phone line, which receives about 1,000 calls a month, costs about \$65,000 to maintain each year.

The Integris web site, www.integris-health.com, devotes several pages to explaining pricing to patients. One notable inclusion is a section on “Understanding Your Hospital Charges” that explains factors influencing the system’s charge structure. Viewers see a breakdown of where funds from every \$1 charged are allocated. For example, .59 accounts for discounts taken by Medicare, Medicaid, Managed care companies and other insurers. In the same way, .02 goes toward providing free services/charity care.

Integris also has devoted significant effort toward reporting common measures of quality for each of its hospitals and medical centers in regard to treating heart attack, congestive heart failure, and pneumonia, as well as certain areas of surgical care. As just one example, comparisons for heart attack care processes, such as administering beta blockers at discharge, are compared against national averages, averages of the nation’s top 10 percent of achievers, and Oklahoma’s averages.

Leadership at Integris sees transparency as a motivating factor for the entire system, says Greg Meyers, system vice president of contracting and revenue cycle management. Putting the numbers “out there” makes everyone focus on quality improvement and patient safety.

Meyers says there’s been little internal pushback to the transparency effort, which he leads with the chief medical officer and vice president for quality. A key incentive for high-level performance is an organizationwide incentive program that links targets for quality, patient satisfaction, and revenue to receiving a bonus.

“The goal at Integris is to be both accountable and transparent to patients and the public,” Meyers says. “We intend to take full responsibility for how we care for patients and what we charges for healthcare services.”

Transparency Strategies for Providers

To support value-reporting efforts, those interviewed offer the following advice.

- **Make the organization’s prices mean something.** Not sure where to start? A comprehensive pricing analysis is usually the first step. Spectrum Health spent a year modeling its prices before taking them online. In many ways, the organization was in an enviable spot, with gross patient revenue per adjusted discharge numbers that stacked up favorably compared with peer hospitals. Inpatient prices were substantially less than those of competitors—but, in many cases, they were equal or less than Spectrum’s costs on several units. Also, some of the organization’s prices—particularly for outpatient services such as ambulatory care, rehab, and imaging—were too high for the market. That meant executives needed to lower outpatient prices and raise some inpatient prices. All in all, this fine-tuning took about a year.
- **Welcome patients into the process.** One of the biggest barriers to transparency is anxiety inside an organization about whether its pricing and quality-related processes will be understood by those outside of the industry. “When we first wanted to bring prices online, there were some people who did not want to do that, thinking they should ‘protect’ patients,” says Spectrum Health’s Fifer, noting that such a closed philosophy is just the opposite of where health care ought to go in terms of consumerism. “We shouldn’t shy away from educating consumers about how health care works.”
- **Partner with your state hospital association to make sure that the data reported are consistent.** Be sure to contact your state hospital association and be prepared to address the differences, if any, in the way data are reported. Collaborate whenever possible to report data on the same tests and procedures.
- **Commit to being current.** “A lot of public information, particularly on the CMS web site, is 12 or 18 months in arrears from when it is published,” Oakwood’s Welday says. Hospitals should have a process in place so they can update their own published information quarterly.
- **Invest in knowledgeable, well-trained staff who can answer questions about patient responsibility.** Staff should be benefit-savvy and know how to help patients understand their coverage and limitations, deductibles, in- and out-of-network benefits, copays, and secondary insurance coverage.
- **Have well-defined discounting policies.** Seek input from legal counsel to make sure the organization will be able to back its policies accordingly.
- **Scope out technology that can help provide some of the specific, out-of-pocket expense information that patients want.** For most hospitals, giving price estimates is a very manual process that requires collecting information from multiple sources, such as physician, cost-

accounting system, and health plan, and identifying potential financial assistance programs that might apply. Automated tools on the market can ease this process. Depending on the technology, payment responsibility estimation tools can be used to calculate what the patient will owe based on payer-specific contract rules, obtain benefit information about the remaining deductible, and create a patient-specific estimate that presents specific assumptions as well as caveats concerning contingencies, such as complications.

- **Use focus groups to test the strategy.** Spectrum Health delayed taking its pricing information public by two months after consumer focus groups said the hospital's beta site was confusing. Specifically, the system needed to remove some of the industry lingo and make the layout more intuitive.
- **Enhance the preregistration process.** In addition to calling insurance companies on the patients' behalf, some hospitals have armed their staff with scripts that help explain to patients what they can expect in their bill—and ensure a more positive, consistent message.
- **Work with payers to simplify contracts.** The fewer variances and exceptions to agreed terms, the easier it will be to abide by them and explain them to others.
- **Consider hosting a seminar on health plan administration for the community.** Workshops such as "Health Insurance 101" or "Understanding Your Managed Care Plan" help educate the community and can cement the hospital's role as a partner in helping patients determine their healthcare expense.



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- **Determine policy in the event costs don't match the estimate provided.** Some hospitals have guaranteed service policies. If they provide inaccurate information, then they might waive some of the charges.
- **Take advantage of opportunities to showcase your strengths.** Industry recognitions and awards received in particular clinical areas can add to a hospital's quality story. That said, don't be tempted to put forward only your best face. Successful hospitals recognize the importance of strictly adhering to accuracy and completeness. As Greg Meyers with Integris advises hospital executives, drop the filters. "You need to show good and bad results—it's necessary to gain consumer trust."
- **Realize that developing pricing estimates won't always make a hero.** In some cases, patients may not appreciate the lengths a provider has had to go to provide an estimate. For many consumers, the process of getting prices for hospital services can be extremely dissatisfying. Wait times, callbacks, and unclear information all can add to the frustration. Hospitals best position themselves for success by focusing on building a team with excellent customer service skills.

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