

Patient Friendly Billing



*PATIENT FRIENDLY BILLING*SM is the healthcare field's approach to making patient bills more clear, concise, correct and patient friendly.



hfma[™]

healthcare financial management association





Dear Colleagues,

We are pleased to provide you with this first progress report on the *PATIENT FRIENDLY BILLING*SM project. This effort was established to help hospitals and health system leaders create a more patient-focused (and friendly) healthcare billing and collection process. This initiative is led by the Healthcare Financial Management Association (HFMA), in partnership with the American Hospital Association (AHA) and several leading provider and consulting organizations.

To gain the patient's perspective, focus groups were conducted around the country. Patients and their families told us they think the healthcare system needs a fundamental overhaul, and they see the patient bill as a symbol of confusion, high costs, and there is a perception of overcharging. Healthcare workers agree and say that the billing process is time consuming and frustrating.

It is clear that patients and their families want an increasing role in determining where and how their healthcare needs are met. And it is clear that non-clinical interactions with the patient have as much impact on patient satisfaction as clinical interactions. Since current patient billing practices create dissatisfaction, this area needs attention.

To assist in this effort, the *PATIENT FRIENDLY BILLING* Task Force spent the past year examining billing issues and developing a report for hospitals and health systems. The report summarizes billing problems, shares the patient's perspective, identifies barriers to billing simplification, offers successful billing practices, and proposes solutions.

This brochure highlights the *PATIENT FRIENDLY BILLING* project findings and

recommendations. The complete report provides general guidance to hospitals and health systems about how to respond to consumer concerns about the billing process. For a copy of the complete *PATIENT FRIENDLY BILLING* report, visit the project's web site at www.patientfriendlybilling.org.

To make billing more patient friendly, HFMA, AHA, and the other project supporters are asking hospitals and health systems to adopt the *PATIENT FRIENDLY BILLING* philosophy and to consider implementing the actions we have identified.

The Task Force has made significant progress toward outlining means and opportunities to make billing more patient friendly. We have substantial work ahead and look forward to sharing more updates with you. The *PATIENT FRIENDLY BILLING* project is one of many efforts in the healthcare field under way to simplify administration and improve communication with patients and consumers.

We'd like you to:

1. Route this brochure to those involved in the billing process.
2. Review your billing process and identify ways to make bills more patient friendly.
3. Regularly visit the web site at www.patientfriendlybilling.org. This web site will be frequently updated with the tools you need to succeed.

Thank you in advance for your support!

Sincerely,



Richard L. Clarke, FHFMA
HFMA President and CEO



Richard J. Davidson
AHA President

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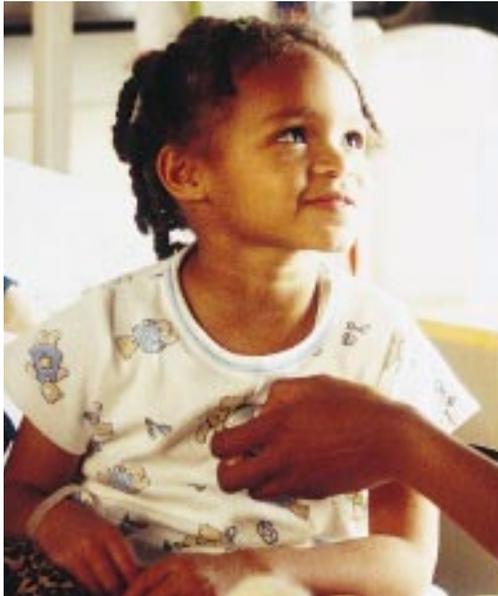
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“The biggest problem with the bills that I’ve seen over the years is that you will get one bill for the surgical procedure and then you will get something else from the anesthesiologist. To me it is all a part of the same ball of wax. And you wonder if you are going to get another bill from somebody else, too. And then you have to try to put it all together into one big picture.” —A *PATIENT FRIENDLY BILLING* focus group participant

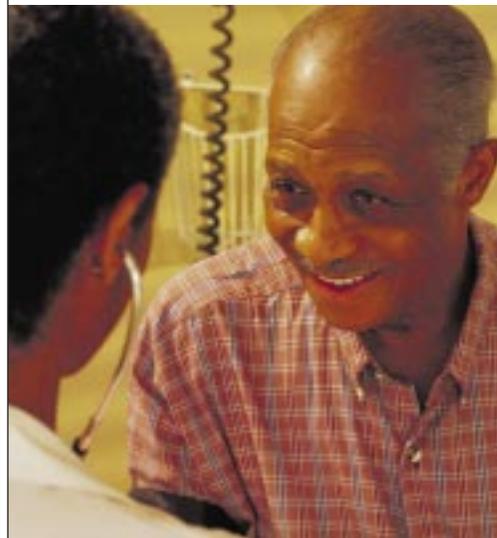
The Purpose of the *PATIENT FRIENDLY BILLING* Project

Because meeting the needs of the patient—the consumer—is our first priority, the *PATIENT FRIENDLY BILLING* Task Force commissioned a series of focus groups to obtain feedback from patients, caregivers, and family members about how patient billing can be improved. Seventy-five people from diverse backgrounds participated in this research, which resulted in a strong, uniform message: consumers are frustrated and distrustful of the current system of financial communication regarding their medical care and want a billing process that is **clear, correct, concise, and patient friendly**.

- **Clear:** The bill should be easy to understand and written in clear language. The general type of service provided to the patient should be documented. Patient and payer responsibilities should be clearly stated, necessary actions described, and a source of additional help and information provided. Instructions on how patients can get more information about or question their bill should be specific and accurate.
- **Correct:** Bill items should correctly reflect the financial aspects of the episode of care.
- **Concise:** The bill should contain just the right amount of detail necessary to communicate the message.

- **Patient Friendly:** In addition to being easy to read and understand, the bill should be easily matched with the payer’s explanation of benefits. It should be consistent with everyone’s understanding of the insurance benefits and the episode of care. Information about other providers who may also bill the patient should be included. Finally, helpful information should be readily available from the hospital’s patient representative or from various written and Internet sources.

For more information about the focus groups, please see the full *PATIENT FRIENDLY BILLING* report at www.patientfriendlybilling.org.



Strategies Hospital and Health Systems Should Consider

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Please let us know if you subscribe to the PATIENT FRIENDLY BILLING philosophy and the level of success you've achieved by implementing the steps suggested in the Hospital and Health System Checklist. We'd like to list your hospital on our web site as an example of a hospital making progress in this area. We'd also like to learn from your experiences and share successful practices with others.



The PATIENT FRIENDLY BILLING Philosophy

Changing the dynamics that drive patient billing requires a united commitment from our field. In support of that effort, the PATIENT FRIENDLY BILLING Task Force offers a series of philosophy statements that can help guide the changes that make the communications process more effective and friendly. They also provide a starting point for hospitals to focus efforts throughout their organization.

- 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 payers, 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 language and format of financial communications should be easily understood by the average reader.
- Continuous improvement of the billing process should be made by implementing better practices and incorporating feedback from patients and consumers.

“Clear, concise, and accurate billing information is an important part of a patient’s total healthcare experience. The Patient Friendly Billing Project is an important effort to directly address a significant problem and provide a patient-focused solution for hospitals and health systems to use.” —**Gary A. Mecklenburg, President and CEO of Northwestern Memorial HealthCare**

Hospital and Health System Checklist

Based on consumer research and expert analysis, the Task Force outlined some steps that hospitals and health systems should consider to promote more *PATIENT FRIENDLY BILLING*:

- ☑ Inform patients in advance about what they should expect from an episode of care, both medically and financially. Include insurance and payment issues.
- ☑ Implement systems to reduce redundant questions asked of patients. Validate data within the system to ensure completeness and accuracy.
- ☑ Simplify contractual relationships with managed care and other health insurers, since complex payment arrangements often lead to confusing bills. Develop ongoing communications with payers to simplify administrative processes.
- ☑ Give patients a clear bill with an easy-to-understand summary of the services. Use terms that are easily understood and avoid abbreviations, medical jargon, disease and procedure codes, and other specialized terminology.
- ☑ Immediately after the episode of care, send a letter explaining what the patient should expect (such as billing from an insurance company, payments, if any, that are due from the patient, and when payments are due).
- ☑ Study the unique needs of the marketplace and enlist suggestions from patients, family members, and the caregiver community to improve the patient billing process.
- ☑ Where possible, reduce the number of chargeable items by combining items and developing packaged prices. This will reduce complexity, provide the patient with more useful information, and reduce questions about individual services that are difficult for the patient to track.
- ☑ Provide patients with the names of any provider-based physicians who may also charge the patient, either on the bill or in a separate letter.
- ☑ Maintain billing office hours that match the needs of consumers (evenings and weekends may be necessary).
- ☑ Hire and train a well-motivated, service-oriented staff who can communicate effectively with various consumer groups and who have access to information necessary to answer questions and solve problems quickly.

Check your state requirements related to billing, to ensure state mandates do not conflict with these recommended approaches.

“A key measurement of Mayo’s performance is customer satisfaction. Receiving a bill for care and services provided is frequently the last Mayo–patient interaction. It is critical that we complete these important interactions on a positive note.”

— Hugh C. Smith, MD, Chair, Board of Governors, Mayo Clinic Rochester

Creating a More Patient Friendly Bill

Confusing, complicated, and incorrect billing can quickly destroy a positive hospital experience. Many institutions that have made their bills easier for patients to understand have adopted common “successful practices.” A study of these institutions has resulted in general guidelines for creating a patient friendly bill. In every case examined, these institutions developed a bill that reflected their patients’ viewpoint and desires. And in every effort, customer satisfaction with the hospital rose, accounts receivables and bad debt were reduced, and an increased number of consumers paid their bills quickly.

In each case, bills and other financial communications were redesigned for clarity and comprehension. The new bill included a large typeface for elderly and sight-impaired customers. Clear directions were provided about what actions need to be taken on payment.

The bill explained what services were included and provided an appropriate level of detail. The bill also included a summary of total charges, the amounts the insurance company and patient had already paid, and what the patient still owed.

Accompanying the bill was information to educate the patient, including clarification between a bill, statement, and an explanation of benefits (EOB). Additional resources such as billing and customer service numbers, Medicare and Medicaid web sites, and contact information about local patient advocates were provided.

The Patient is the Customer

Many hospitals view the government and the insurer as the financial customer, not the patient, according to Leslie Bank, who led the redesign effort at Greenwich Hospital, a 160-bed facility located in Greenwich, CT. “Ninety percent of the time, the needs of the patient are not considered,” Bank said. “However, the patients are the users of that system because they’re the ones who have to pay the bill. That type of mindset can revolutionize the billing process, lower bad debt, and raise people’s impressions of the hospital.”

Each of the hospitals that was examined in the *PATIENT FRIENDLY BILLING* successful practices study conducted focus groups to better understand their consumers’ perspective. In each case, the ideas and synergy created went far beyond the billing process and positively affected other operational areas within the hospital.



Components of a Patient Friendly Bill

The bill contains appropriate language, a large typeface, and an easy-to-read layout.

Friendly Hospital
123 Patient Friendly Way
Anytown, ST 12345

Bill For Services

Mr. John Doe
2005 Hill Street
Anytown, ST 12345

Account Number: 123-234
Invoice Date: 11/1/2001
Primary Insurance: Medicare
Secondary Insurance: None

Bill For Hospital Services for your 10/15/2001 Visit

Service Date	Service Description	Amount	
10/15/2001	Xrays	\$ 200.00	
10/15/2001	Lab Services	\$ 254.00	
		\$ 454.00	Total
		\$ 354.00	Insurance Pending
		\$ 100.00	Due From Patient

Please Pay This Amount

The bill elements have been simplified to a concise outline of packaged and bundled services, without internal codes and medical jargon.

Clear directions are provided about what actions the patient needs to take to ensure payment.

Thank you for using Friendly Hospital. Your satisfaction is our primary concern. We have billed your insurance company; however there is a remaining amount, as shown. Please send the amount shown to the address above. Again, thank you for visiting us.

Billing Questions:
Weekdays 9 am–8 pm
Saturday 9 am–2pm
Phone: 555-555-5555
Fax: 555-555-5555

To request an itemized bill:
555-555-1212

This bill is part of a suite of consistent financial communications to the patient, including letters and statements.

Basic billing system demographic and insurance information is presented to ensure data integrity, completeness, and accuracy.

Details of customer support services and information is indicated.

The back of the bill contains definitions and explanations to help the patient understand the billing process.

Coordinate Bills, Letters, and Statements

All of the institutions that were examined sent a coordinated series of consistent bills, letters, and statements. A letter would be sent to the insured patient explaining that the insurance company was being billed and listing the account number, date of service, and insurance information. A detailed description of services would either be sent or made available upon request.

The *PATIENT FRIENDLY BILLING* Task Force recommends the use of package pricing and summaries. They are easier to explain and display than listings of every individual item charged during the encounter. Obviously, the needs of the patient should be considered when developing this charging philosophy.

Finally, a statement or invoice would be sent that would predict or actually detail the patient's responsibility, based on anticipated payer reimbursement and contractual guidelines. It is critical that this estimate be as accurate as possible. One successful practice is holding the statement until all insurance has been paid.



The use of this approach depends on the organization's ability to estimate insurance coverage and cash flow needs. This statement would list total charges, credits and adjustments, insurance pending, and amount due. In addition, information on customer service and access to more details would be provided.

Create a User-Friendly Design

A patient friendly bill has a typeface and a font size that is easy to read and understand. The text on the front and back of the bill is legible and easy to read.

Words should be spaced for easy reading. Please visit the web site www.patientfriendlybilling.org for more details.

Be Consistent

All the billing correspondence should have the "same face"—a common look and feel, and incorporate the same terms and vocabulary. Calling one document a bill and then referring to the same document as an invoice can only confuse the customer. Using the same font, support materials, and customer service process will enhance the effectiveness of billing documents. Where possible, it may be necessary to explain how various documents are related.

Generally all the documents need to tell or complete a story. Each document supports the other, and gives supplemental information. Each document is also part of a timeline that gives a history of the account from beginning to end.

Change Your Vocabulary

Materials for the general public should be written at a junior high reading level. The healthcare lingo that most health professionals use (and is currently on most bills) is confusing to patients, and should be eliminated or explained. Part of the

problem that consumers have with hospital bills is that they contain too much data and information. People don't always have a good strategy for organizing the data, sorting out the relevant from the irrelevant, or reaching a conclusion. Problems can be minimized by using more common words and by knowing the reader's characteristics (age, gender, ethnicity, community).

Most word processors have tools to calculate the grade level of written materials. The real obstacle is to translate the lingo and acronyms into a more common and understandable English language. Beware that even English can be a problem. Many parts of the U.S. have ethnic populations that speak little or no English and may need their bills translated. Obviously, the approach used should be based on the population served by your organization. State departments of education may be helpful in providing localized information.

Provide Support and Customer Service

Behind the bills and statements should be a patient-focused support process. This includes trained staff who can explain the bills in more detail, resolve problems, and provide valuable feedback to further refine the process. All patient communications should have a clearly stated support process, including hours of operation. Analysis of your population may show that night and weekend support may be necessary. Another successful practice is having a volunteer group available on Saturdays to help patients understand and resolve billing concerns with the hospital and the payer.

For steps to revise your own facility's bill, go to the web site www.patientfriendlybilling.org.



“Patient friendly billing has had a positive effect on our patients, our staff, and our bottom line. The small investment Greenwich Hospital made has returned a measurable increase in patient satisfaction and a decrease in accounts receivables.”

—Gene Colucci, CFO, Greenwich Hospital

Case Study: Greenwich Hospital, CT

The *PATIENT FRIENDLY BILLING* Task Force examined several hospitals that have already undertaken steps to provide clear, correct, concise, and patient friendly bills. Several case studies of leading institutions’ efforts are presented in the full report (available on the web site www.patientfriendlybilling.org) in hopes that their experiences and solutions will benefit others. There is no “cookie cutter” approach to *PATIENT FRIENDLY BILLING* implementation, but the Task Force did find similar practices in each case.

In November 1994, Greenwich Hospital undertook efforts to improve the patient friendliness of their bills. A Continuous Quality Improvement (CQI) team interviewed several patient focus groups and examined the existing process to identify characteristics that patients require for responsive billing. The team found that there were complaints centered around a lack of customer service and support, difficulty in retrieving billing details, jargon-laden and hard to understand accounting statements, and “considerable confusion” among insured patients on what was owed and by whom. The CQI team developed solutions and a hospital billing philosophy to address these issues.

The solutions implemented included improvements to the end-to-end process, staff and physician training, development of patient educational materials, and a newly designed and coordinated series of financial correspondence that patients receive from the start of their hospital encounter until their account reaches zero.

As a result, complaints declined dramatically, pricing and billing questions were answered more easily, “bad debt” was approximately \$500,000.00 under budget, and accounts receivable declined significantly.

Greenwich Hospital did not stop there. They continued to focus on their patients to promote further improvements in communications and have subsequently made changes to both their processes and documents. Patient questions continue to be logged and examined to promote further improvements in communications. The ability to focus on the patient’s perspective has expanded to shape their approach to the market in other areas as well.

Greenwich Hospital is committed to helping patients and their families meet their financial obligations via:

1. Accurate, timely, and understandable bills,
2. Sincere, friendly, concerned communications, and
3. Easy access to billing and financial information and assistance.

For more information about this case study and others, see the full *PATIENT FRIENDLY BILLING* report by visiting the web site www.patientfriendlybilling.org.



Greenwich Hospital, CT

For more *PATIENT FRIENDLY BILLING* case studies and success stories, visit www.patientfriendlybilling.org

Next Steps

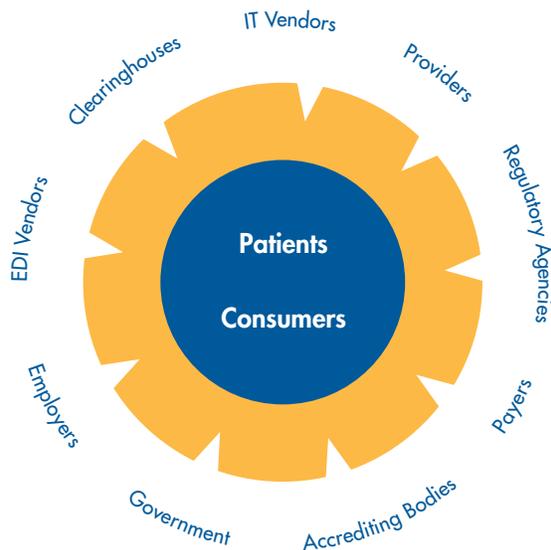
While short-term fixes can be made to improve patient financial communications, the ultimate solution involves making significant changes to our billing system. That is why the *PATIENT FRIENDLY BILLING* Task Force will expand on existing efforts to achieve our goals of billing that is clear, concise, correct, and patient friendly. We will communicate with hospitals, legislators, and the public about ways we can partner in the spirit of creating a healthcare billing system that is more patient friendly. Specifically, we will:

- Continue to develop and distribute resources that will help provider organizations implement and improve their patient billing processes. These will be available on our web site, www.patientfriendlybilling.org, which will be updated regularly.
- Work through the impediments to a more patient friendly billing process, as identified in the course of this project. We will continue to investigate the causes of those barriers and develop methods for addressing them.
- Work with major players including providers, payers, government, and consumer advocates to determine how the system as a whole can better function to meet the needs of the consumer.
- Develop and work to implement a long-term vision of how to accumulate and communicate transactions in a way that is consumer-driven.

We have just begun implementing our action steps and reaching out to the healthcare community. We have more to accomplish to heighten the public's trust and confidence in the healthcare billing system. We are committed, both collectively and individually, to the 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.

The patient billing process is complicated and often ambiguous. It involves many different parties whose expectations, incentives, standards, and communications are often misaligned. A single episode of care can result in many bills from a variety of providers that must be coordinated among several payers. The current patchwork of benefit plans, payment systems, and billing formats creates a system that is expensive to operate and results in financial communication that is confusing, complex and, too often, incorrect. Unfortunately, the patient bill is often not designed with the patient in mind.



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PATIENT FRIENDLY BILLING Task Force meeting



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