TheAcademy

The Health Management Academy

Strategic Survey Q4 2019: Price Transparency at the Point of Care

December 2019

Price Transparency at the Point of Care

Introduction

Evolving consumer expectations continue to demand greater price transparency prior to receiving and at the point of care (POC). Additionally, political momentum is driving an increased need for price transparency, culminating in CMS' recent proposed and final rules requiring pricing information be publicly available.[1] However, Leading Health Systems (LHS) cite significant technological and cultural barriers to meeting these growing demands. Simultaneously, LHS are working to both understand and reduce the total cost of care for the patient and the system, while navigating a combination of fee-for-service and risk-based payments.

In this special topic report, The Health Management Academy (The Academy) explores price transparency at the POC across LHS, seeking to understand the difference in perception of price transparency versus cost transparency and the tools implemented for both purposes.
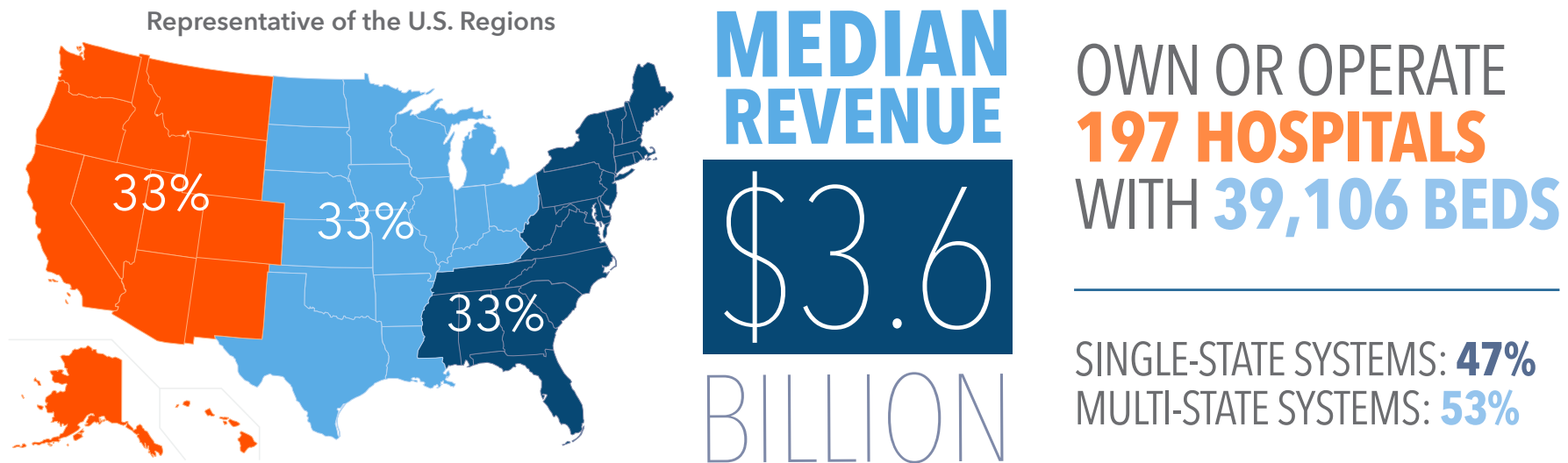
Methodology

In October and November 2019, The Academy conducted the twenty-first round of phone interviews for its quarterly strategic survey among LHS executives, including: CEOs, COOs, CFOs, CMOs, CNOs, and CSOs.

The survey for the interview consisted of:

1. A tracking section that provides insight into trends around primary strategic areas; and

2. A special topic area that allows for an in-depth look into a timely developing issue.

Profile of Participating Health Systems

Representative of the U.S. Regions

33% 33% 33%

MEDIAN REVENUE **$3.6 BILLION**

OWN OR OPERATE **197 HOSPITALS** WITH **39,106 BEDS**

SINGLE-STATE SYSTEMS: **47%**
MULTI-STATE SYSTEMS: **53%**

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[1] Trump Administration Announces Historic Price Transparency Requirements to Increase Competition and Lower Healthcare Costs for All Americans. US Department of Health & Human Services. Press Release. 15 Nov 2019.

Key Findings

1

Price vs. Cost Transparency

While executives recognize the importance of both consumer-facing price transparency and internal cost transparency for the health system, two-thirds of executives (67%) indicate initiatives for price transparency are a higher or equal priority compared to those for cost transparency.

2

Cost Transparency Tools

Most health systems (80%) have implemented cost transparency tools that tie together clinical with financial data to improve visibility into the total cost of care; however, only 33% have made this cost data visible to physicians at the point of care.
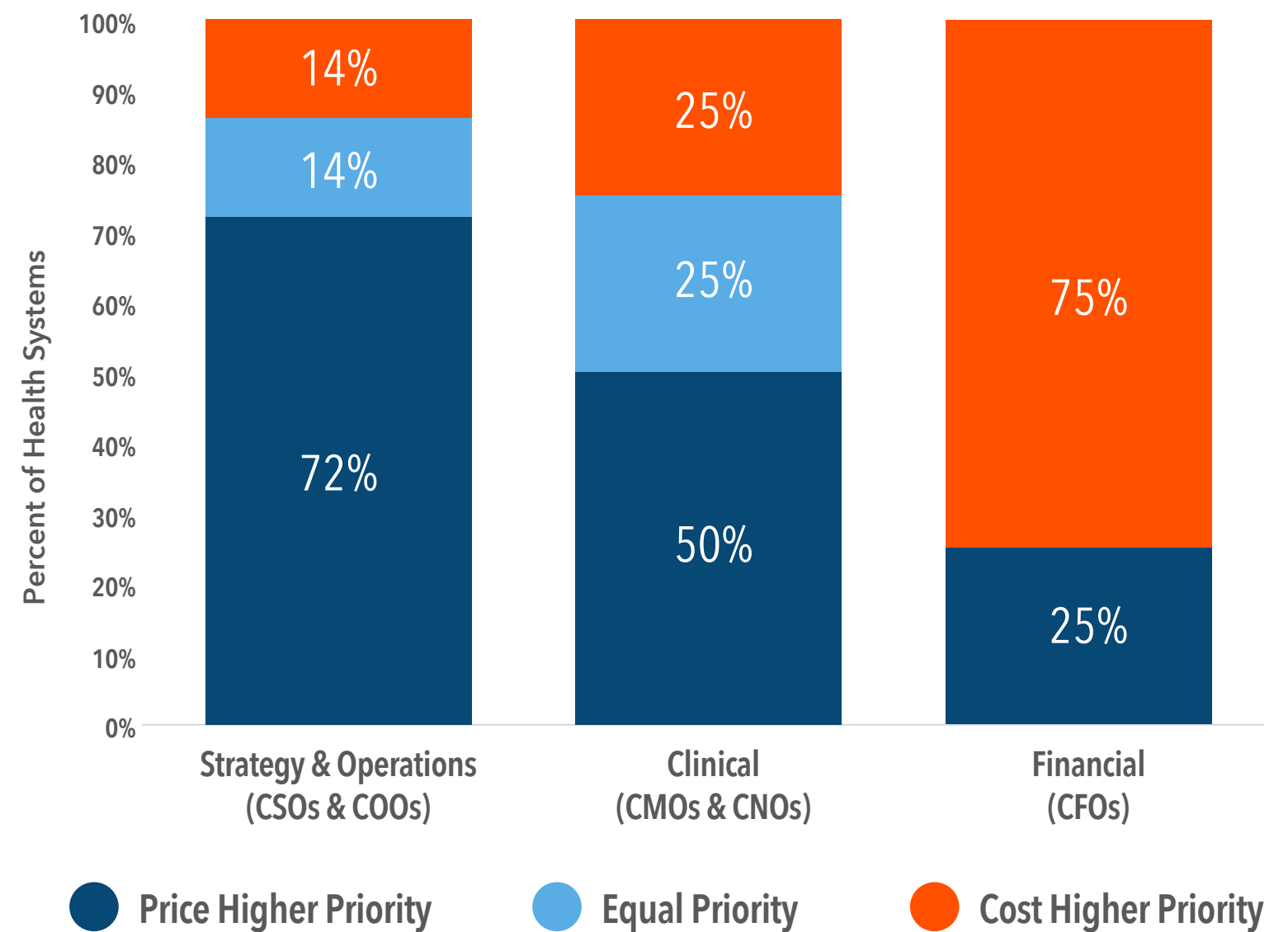
3

Price Transparency Tools

Similarly, relatively few health systems (33%) have implemented consumer price transparency tools at the point of care, largely due to a lack of competitive pressure as well as clinician apprehension around having price conversations with patients.

Price Transparency is Highest Priority for Strategy & Operations

Price vs. Cost Transparency Prioritization Across the C-Suite

Percent of Health Systems (y-axis, 0% to 100%)

Strategy & Operations (CSOs & COOs): 72% Price Higher Priority, 14% Equal Priority, 14% Cost Higher Priority

Clinical (CMOs & CNOs): 50% Price Higher Priority, 25% Equal Priority, 25% Cost Higher Priority

Financial (CFOs): 25% Price Higher Priority, 75% Cost Higher Priority

Legend:
- Price Higher Priority
- Equal Priority
- Cost Higher Priority

Most C-Suite Executives Prioritize Consumer Price Transparency Over Internal Cost Transparency

Overall, C-suite executives (67%) tend to prioritize price transparency higher than or equivalent to cost transparency efforts. However, there is distinct variation in prioritization across executive roles. Notably, CSOs and COOs are much more likely to consider price transparency a higher priority than cost transparency due to pressure to meet consumer demands. On the other hand, CFOs more often focus on cost transparency to ensure cost efficiency across the system.

Clinical executives (e.g., CMOs, CNOs) are split in their approaches to price and cost transparency. While these executives have visibility into the front-line impact of poor price transparency by way of their clinicians, clinical executives are also responsible for leading initiatives to better understand the cost of care by service line, clinical episode, and distinct patient cohorts.

"Given the way insurance works across the country, there's not always a simple answer when a patient asks, 'How much does this test cost?', and consumers contrast that with other companies. They'll ask, 'Why can't you tell me?' and the answer is, 'It depends.' That's a hard answer to give to people. It puts patients in a difficult position, so we need to work on this both proactively and retroactively." – CNO

Multiple Factors Impacting Commitment to Price Transparency

Health systems are in varying states of maturity around price transparency, with 54% of health systems reporting an average level of price transparency and only 20% reporting strong price transparency.[1] As health systems work to improve this issue, there are numerous system and market characteristics that influence systems' approach to price transparency.

Factors Influencing LHS Commitment to Increase Price Transparency

System Strategic Goals	Regulatory Requirements	Market Dynamics	Payer Collaboration
Organizations that have implemented pricing tools and have reached a level of price transparency in line with their mission and strategic goals tend to prioritize cost transparency equal or greater than price transparency. These organizations indicate they have made progress in price transparency, and have shifted focus to internal cost transparency.	Health systems are motivated by regulatory requirements around price transparency, and ensure they are compliant with new policies. However, those that have met regulatory requirements at the state and federal levels note there is no longer a strong need to focus in this area. For these organizations cost transparency and managing cost at scale has become the higher priority. Executives note that were legislation to be passed, they would be required to reprioritize efforts to improve price transparency.	Market competition is a significant factor in LHS' prioritization of price transparency. In markets where a health system's competitors are not significantly focused on price transparency, the health system is less likely to see a need to dedicate additional resources to initiatives around this issue. These health systems are more focused on meeting regulations, rather than expanding transparency beyond what is required.	Payer involvement and collaboration is often a limiting factor in increasing price transparency among LHS. Few LHS are working with payers in an attempt to bring a higher level of price transparency, commonly due to the complexity of navigating varying insurance products and benefits within markets, as well as mutual hesitancy to publish negotiated rates and bring transparency to private contracts.
"We developed an online price estimator tool to provide patients with a range of out-of-pocket expenses based on selected insurer, facility, and procedure. Cost transparency represents an internal initiative to understand and communicate the underlying costs of providing care. Our efforts in price and cost transparency may differ but both are important to the organization." – COO	"As long as there is not federal or state legislation in this area, we have no plans to do anything more. We have several big consumer initiatives for 2020, and [price transparency] is not one of them." –CMO	"Price transparency is a local thing. If no one else is doing anything about it, we aren't doing it either. If one of our competitors started doing something about it, that would shake things to the core and then we would do it." – CMO	"We are in discussions with payers, but I don't know if they will end up being productive because it will require transparency on their part. But this is a very complex issue." –CMO

[1] Strategic Survey Q2-Q3 2019: Consumer Engagement. The Health Management Academy. 2019.

Most Have Implemented Cost Transparency Tools

Few Have Cost Data Available at the Point of Care

Reflective of the increasing focus on cost transparency, the majority (80%) of health systems have implemented tools to tie together clinical and financial data to improve visibility into the total cost of care. However, only one-third (33%) of health systems make this cost data visible to clinicians at the POC.
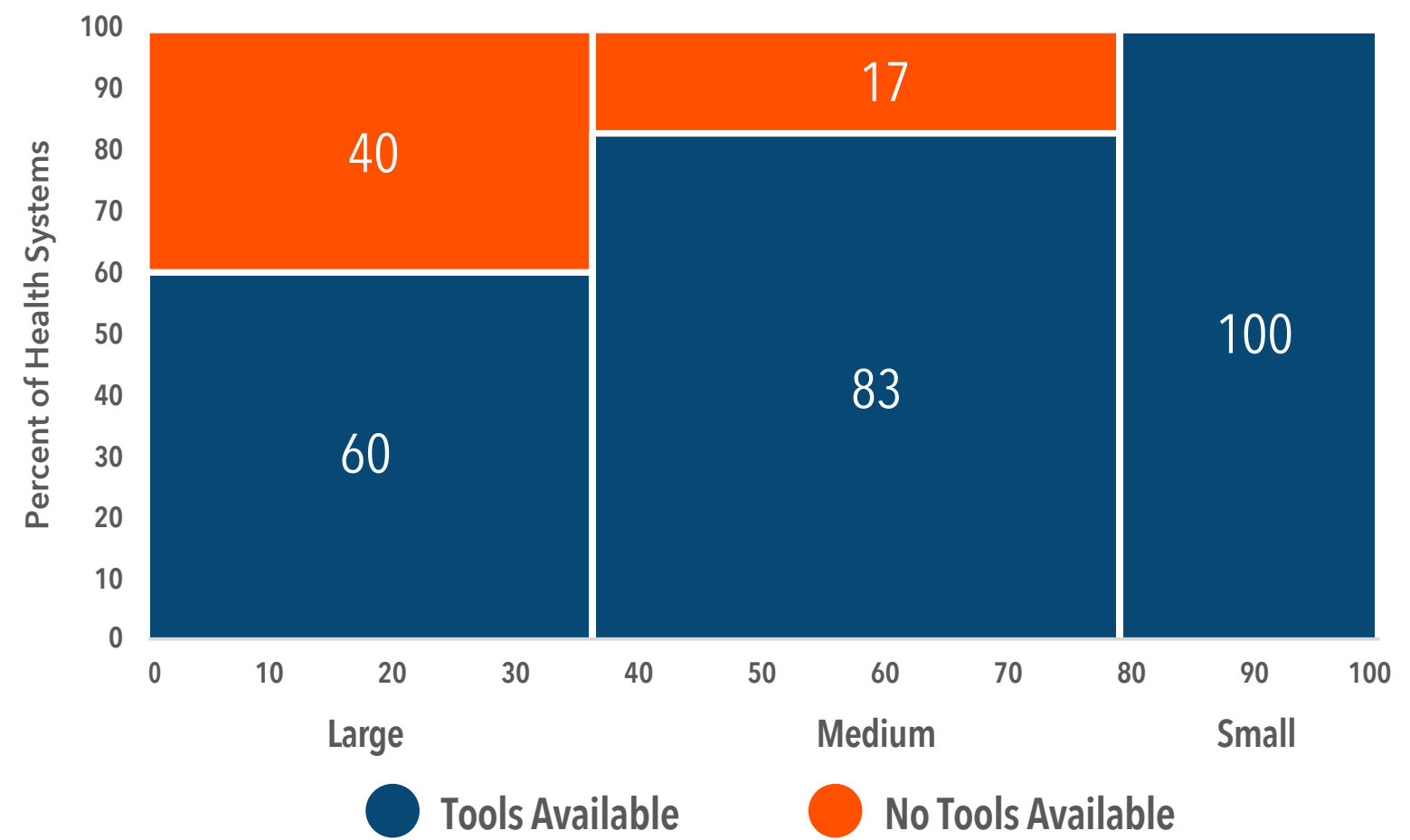
For health systems that do have this data available at the POC, it is typically built into the EHR, sometimes through an integration with third-party software. Some organizations selectively limit cost data to specific cohorts of physicians in instances where the data can drastically influence total cost without impacting patient outcomes (e.g., orthopedics, operating room).

Limited Impact of Risk Contracting on Cost Transparency Efforts

While executives report that their organizations' participation in risk contracting has been an impetus to create greater cost transparency internally, it has not been the main driving factor. The need to understand the total cost of care and the margin impact for the financial health of the system has generally been the driving force.

Cost Transparency Tools by Health System Size

Legend: ● Tools Available   ● No Tools Available

"Our participation in risk contracts has intensified cost transparency strategies, but medical necessity is still the primary driver for decision making. For example, in bundled payments, understanding the cost and outcomes of post-acute services has informed our organization's decision making." –COO

Few LHS Have Price Transparency Tools Available at the POC
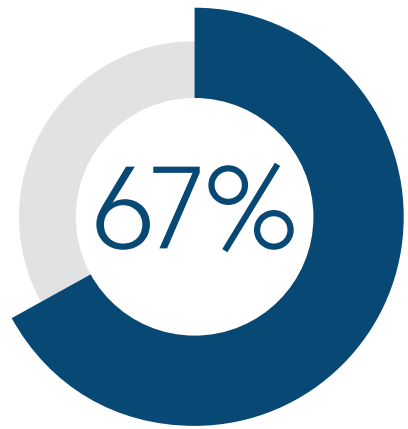
67% of health systems do not have price data at the point of care.

50% of health systems that do not currently have price data at the point of care are working to incorporate this data in the future.

Majority Do Not Have Pricing Data Available to Clinicians at the POC

A majority of health systems (67%) do not currently have price transparency tools at the POC to assist clinicians in having conversations with patients about out-of-pocket costs at the time of care delivery. Among health systems with such tools, the most common area of focus is pharmaceutical cost estimation. Health systems have cited a lack of competitive pressure as a reason for not pursing pricing data at the POC. Executives also report the aversion of their physicians to having conversations about price with patients at the POC. Culturally, some health systems maintain that these conversations should happen between patients and financial advisors rather than clinicians.

Half of LHS Plan to Implement Pricing Tools in the Future

Among health systems without pricing tools currently available for front-line physicians, 50% intend to implement such tools in the future. These health systems indicate a desire among their clinicians to have both price and cost data available at the POC to best serve their patients, elevate the brand of the system, and make decisions that keep in mind the cost impact on the system. Health systems are in different stages in terms of reaching their ideal state, but many realize there is a lot of work still to be done in this area.

"Costing starts with the EHR, and all that data is managed in a massive data warehouse. We have a national support team that works on decision support and informatics. They have created predictive analytics tools driven off all that clinical data, so we can look at a patient record and know ahead of time what is likely going to happen next in their life." –CFO

# Feedback Collection for Price Transparency is Variable

LHS Predominantly Rely on Focus Groups and Surveys for Patient Feedback on Transparency

Among participating health systems, 53% collect formal feedback from patients on their perception of price transparency when receiving care from providers within the health system. Largely, health systems collect this feedback through focus groups and surveys. Less frequently, this feedback comes from patient advocacy committees, which are community-based forums for collecting patient perspectives. Of the health systems that collect this feedback, executives indicate that patients are frequently confused and dissatisfied with their experience. This feedback provides leverage to put more resources into improving price transparency across the organization.

Few Collect Formal Feedback from Physicians Regarding Transparency

A majority of participating health systems (73%) do not collect formal feedback from physicians on whether they feel confident having conversations about out-of-pocket costs at the time of delivering care. Of the 27% that have collected this feedback, executives indicate using surveys and physician steering committees. Anecdotal feedback from clinicians suggest that without sufficient cost transparency tools, physicians feel uncomfortable addressing the topic of price with patients due to the complexity of the issue.

Methods for Collecting Patient Feedback on Price Transparency

- None — 47
- Focus Groups — 20
- Surveys — 20
- Patient Advocacy Committee — 13
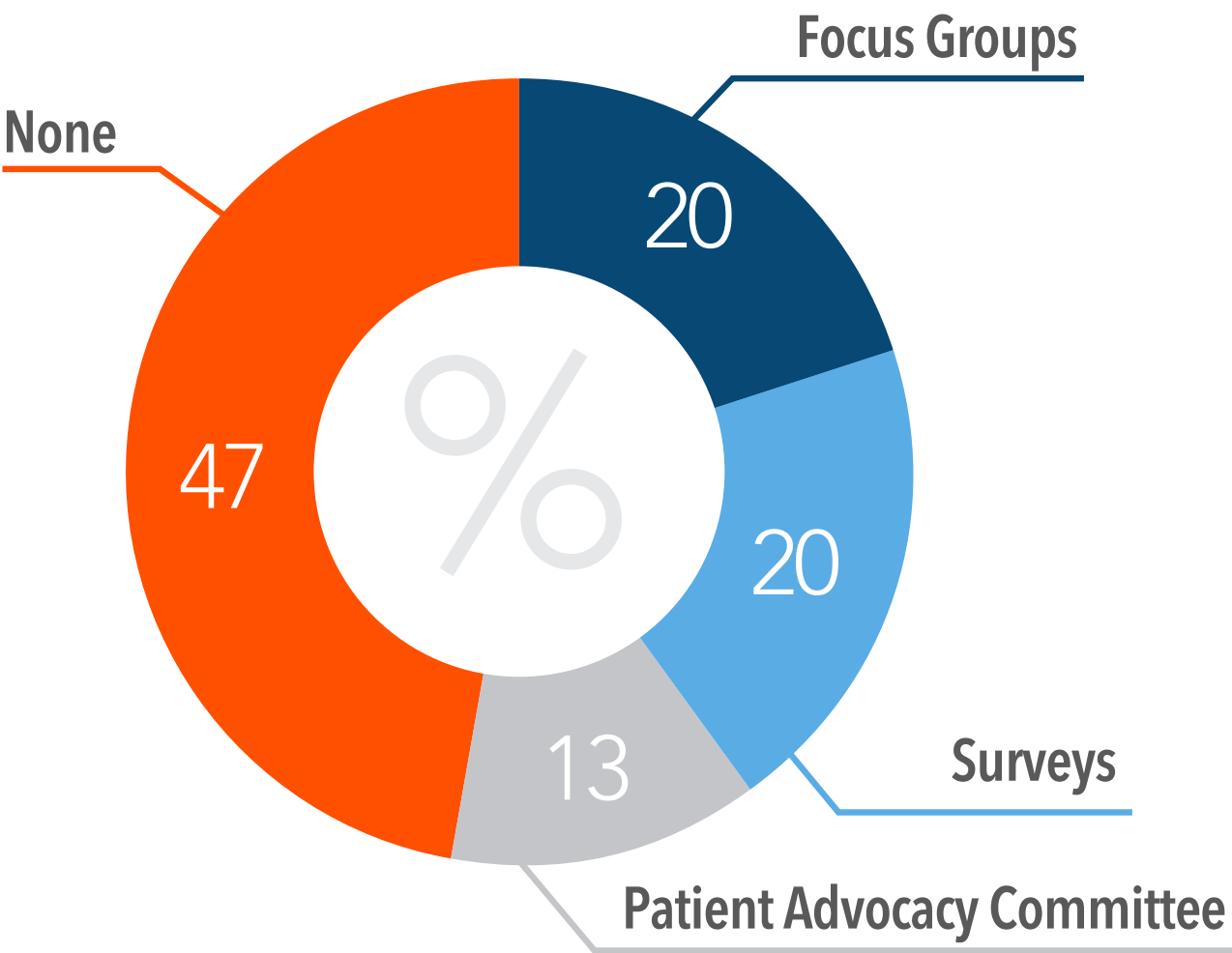
Lumeris Commentary

As seen in the survey results, most health systems have tied together financial and clinical data, but few have implemented cost transparency tools at the point of care. However, to truly succeed in a value-based environment, it is also essential to empower physicians with cost and quality information to help inform their actions and work with patients to achieve better health. Lumeris understands the need for transparency, collaboration, and alignment in healthcare to deliver improved clinical and financial outcomes.

In addition, it is understandable why health system executives place different priorities around price versus cost transparency, especially with multiple factors—both internal and external—impacting their strategy. It is anticipated that regulatory and market pressures will continue to push for further transparency in healthcare, indicating that change will keep coming as the industry continues its march toward value.

About the Academy

The Health Management Academy (The Academy) is a membership organization exclusively for executives from the country's Top-100 Health Systems and most innovative healthcare companies. The Academy's learning model identifies top priorities of health system leaders; develops rich content based on those priorities; and addresses them by convening members to exchange ideas, best practices, and information. The Academy is the definitive trusted source for peer-to-peer learning in healthcare delivery with a material record of research and policy analysis. Offerings include C-suite executive peer forums, issues-based collaboratives, leadership development programs, research, advisory, and media services. The Academy is an accredited CE provider. More information is available at hmacademy.com.

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About Lumeris

Lumeris is a value-based care managed services operator for health systems and providers seeking extraordinary clinical and financial outcomes. Lumeris aligns providers and payers across populations with technologies, processes, behaviors and information to achieve high-quality, cost-effective care with satisfied consumers – and engaged physicians. Lumeris with Essence Healthcare, its inaugural client with more than 60,000 Medicare members in Missouri and Illinois, has averaged a CMS rating of 4.5 Stars for the last ten years and produced the highest consumer and physician satisfaction scores in the industry along with significantly better clinical outcomes and lower costs. For more information, go to www.lumeris.com.

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