

QUICK-HIT SURVEY:

PRICE TRANSPARENCY AT LARGE HEALTH SYSTEMS

INTRODUCTION

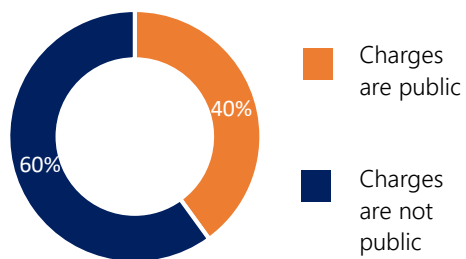
The Centers for Medicare and Medicaid Services (CMS) is requiring large providers to publish their standard charges online beginning on January 1st, 2019. CMS's sub-regulatory guidance suggests that providers will be required to post standard charges, as reflected in their chargemaster, for all items and services provided by the hospital in a machine-readable format. These charges will have to be updated annually, and the requirement applies for all US hospitals. The Health Management Academy surveyed 20 Senior Financial Executives on their reactions to the CMS requirements and existing strategies around communicating price information to patients. Respondents represent health systems with an average Net Patient Revenue of \$3.6 billion.

KEY FINDINGS

- 40% of Leading Health Systems currently provide a public list of their standard charges, and 65% actively communicate charges to patients.
- Many health systems compare their prices with competitors, primarily for inpatient DRGs (65%) and ancillary outpatient procedures (55%).
- Respondents believe the requirement to communicate inpatient charges will not provide meaningful cost information to patients and could lead to confusion. Helping consumers understand the difference between price, charges, and reimbursement will require additional educational efforts on the part of providers.

SURVEY RESULTS

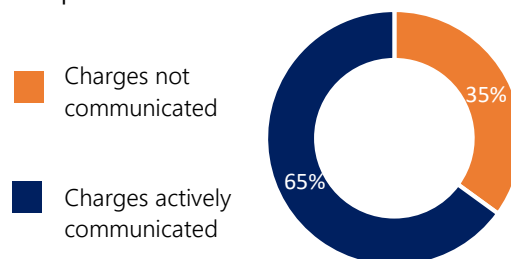
Forty percent of health systems currently make public a list of their standard charges.



40% of health systems currently make a list of standard charges public. Most organizations report charges through their websites, hospital associations, and state associations. Some respondents only make charges available upon written request. Executing these transparency requirements falls most often to revenue cycle and revenue management executives.

Sixty-five percent of health systems actively communicate charges to patients.

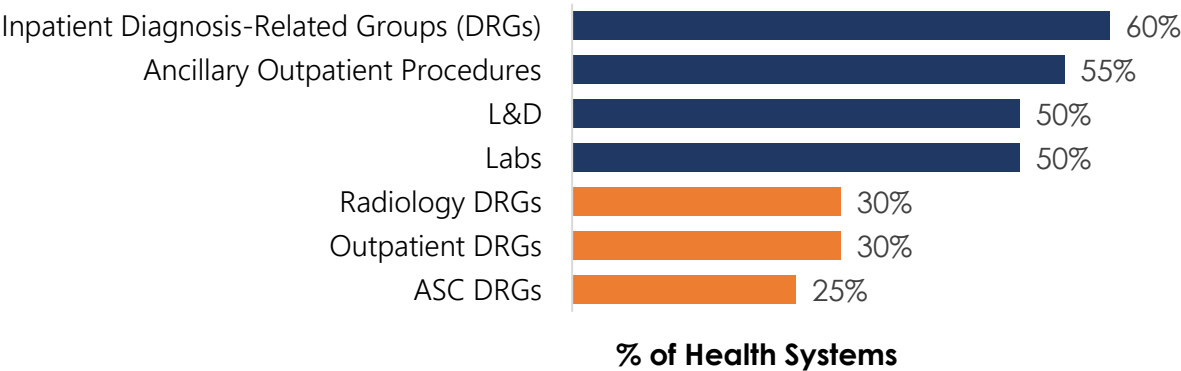
Health systems communicate charges to patients through central phone lines, email, and through price estimate tools embedded in their websites and patient portals. Some health systems rely on patient requests before estimated charges are communicated, while others provide cash pricing information and out of pocket cost estimates for all insured patients prior to or at the time of service.



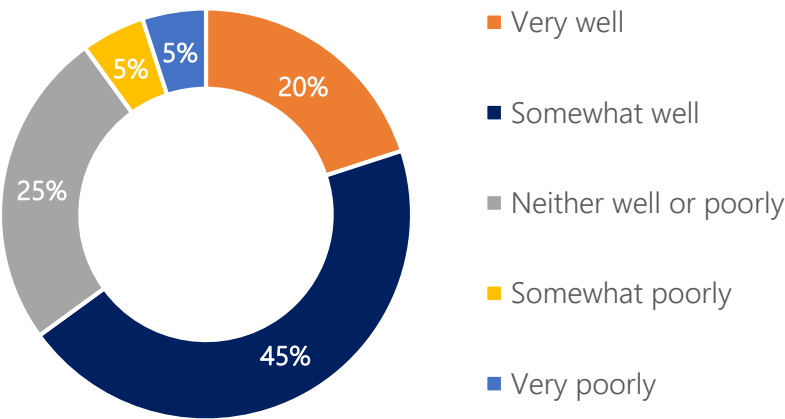
A vast majority of health systems report comparing their charges with competitors (90%); however, the procedures compared vary.

A majority of surveyed health systems compare inpatient procedures (60%), ancillary outpatient procedures (55%), labor and delivery costs (50%), and labs (50%) with their competitors.

What types of procedures/DRGs do you compare with your competitors?



Ten percent of health systems believe they very poorly or somewhat poorly defend their charges in a rational and consumer friendly manner.



Although 20% of systems believe their organizations can defend charges very well, health systems still have significant concerns about the impact that broadly releasing their standard charges will have on patient perception. 95% of survey respondents have considered the impact of releasing their charges on their reputation and commitment to the community they serve. Respondents predict releasing charges could exacerbate patient confusion, increase in the volume of calls to providers, and ultimately lead to explicit price comparison with competitors as patients shop for care.

However, a number of respondents recognize that the pressure to disclose price will continue to mount—while respondents question the impact of releasing charges on care-seeking behaviors, they recognize the importance of having a defensible pricing strategy and clarifying the difference between price and reimbursement. Of the systems surveyed, 80% have proactively made public charges outside of their standard chargemasters. One respondent emphasized the considerable education efforts necessary to improve physician, patient, and other stakeholders’ understanding of price and charges moving forward.

BARRIERS TO COMMUNICATING PRICE

Health system respondents noted the complexity of regional markets and the lack of prioritization of communicating price among executive leadership as key barriers to engaging with consumers on service pricing. Respondents articulated a number of internal challenges in helping patients understand costs—particularly as it relates to defining fully-allocated costs, the communicating the difference between gross and net charges, and providing information on the cost responsibilities a patient may face depending on their insurer. Respondents took issue with the Administration's focus on inpatient charges, noting that charges do not bear a historical relationship to cost and misconstrue the relationship between charges and provider reimbursement. Pricing strategy has typically been confined to finance departments and administrative teams, and respondents recognized that frontline caregiver understanding of price is variable at best. Understanding price across different payer contracts and investing in adequate education, messaging, and strategic communication with stakeholders were all noted as key strategies to improve transparency.

IMPLICATIONS FOR LEADING HEALTH SYSTEMS

Price transparency, for both payers and providers, remains a major priority for this Administration. CMS's focus on additional price transparency efforts is expected, particularly as they implement new digital platforms to communicate price with Medicare beneficiaries. Though only 30% of survey respondents believed key stakeholders in leadership, clinical, and billing understood the rationale behind prices, improving internal understanding and external education around service pricing will be an imperative for large health systems as regulatory scrutiny and pressure to provide patients information in a transparent and accurate manner increases.

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