



# The case for price transparency

Why it pays to empower patient choice



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# Introduction

## The time has come for price transparency

As consumers become more responsible for footing their own healthcare bills, they have an urgent need to know upfront costs associated with their medical needs. While enabling a more transparent system poses risks to both patients and providers, consumers are ready for a more open environment when it comes to healthcare pricing.

A vast majority—89 percent—of patients want to know their medical costs before they receive any care, according to research from the Advisory Board. And in a competitive healthcare landscape, the facilities that discover how to provide patients and their families with a simple, intuitive way to find pricing information on their own will be better-equipped to attract new patients and retain existing ones.

Growing numbers of healthcare facilities and providers are committed to providing price transparency so that patients can make informed decisions—but it can be puzzling to determine how to do this effectively. This report will inform providers and facilities of the latest news, trends and developments in the movement toward price transparency to help revenue cycle managers and other healthcare leaders design their own effective price transparency programs.



89%

of patients want to know their medical costs before they receive any care.

30%

of hospital revenue comes from patients.



# The case for price transparency

High-deductible health plans, intended to reduce overconsumption of healthcare by giving patients more responsibility for their care, have transformed the healthcare payer market. In 2017, nearly 40 percent of Americans between 18 and 64 had high-deductible health plans, up from 26 percent in 2011, according to the Centers for Disease Control and Prevention's (CDC) National Center for Health Statistics.



This transformation means that uninsured patients aren't the only ones struggling to pay medical bills; many of those with high-deductible plans are scrambling to pay them, too. Among privately insured U.S. adults with high-deductible plans in 2016, 15 percent reported difficulty paying medical bills in the past 12 months, the CDC found.

Similarly, a study by the National Bureau of Economic Research shows that high-deductible health plans reduce healthcare spending—but not because consumers are becoming better healthcare shoppers. Instead, they are simply steering clear of the high costs by avoiding going to the doctor, filling prescriptions or getting needed services.



**\$222.9  
Billion**

of healthcare spending is  
considered “shoppable.”

**\$37.7  
Billion**

is paid out-of-pocket  
by consumers.

The CDC report also found that privately insured adults with employment-based high-deductible plans were more likely than those enrolled in traditional plans to forgo or delay medical care. In 2017, 9 percent of privately insured adults with high-deductible plans either didn't receive or delayed medical care due to cost, compared to 5 percent of those with traditional coverage.



Much of healthcare spending in the United States is still not paid by consumers—or doesn't encompass services that could be shopped around. However, research shows that almost 43 percent of U.S. healthcare spending—representing \$222.9 billion—is actually on services that can be considered “shoppable,” allowing consumers to sift through choices for the best bargains just like any other service or product. Roughly 15 percent of this amount, or \$37.7 billion, is paid out-of-pocket by consumers.

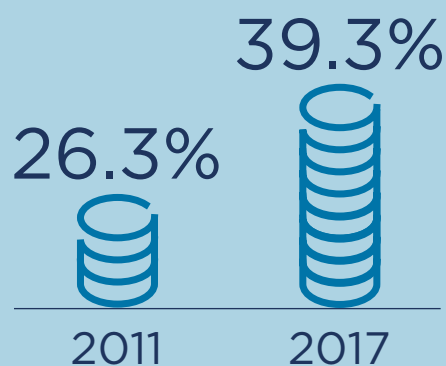
To empower patients with cost and quality information, the Centers for Medicare and

The Centers for Medicare and Medicaid Services (CMS) released a proposed rule in April 2018 that would require hospitals to post their chargemasters online.

Medicaid Services (CMS) released a proposed rule in April 2018 that would require hospitals to post their chargemasters online. While hospitals are already required to provide a list of standard charges upon request, the new rule would require them to post that information publicly. The CMS proposal requested input from all stakeholders about the challenges hospitals face in providing price transparency and the types of pricing information that should be published.

Though the proposed rule is bound to encourage lengthy debate, progress continues toward a value-based system and more transparent pricing. With the rise in high-deductible health plans, insurance companies are no longer healthcare providers' chief customers. Healthcare consumers must shoulder the responsibility for much of their own care, and many are unable to pay for expensive procedures without planning ahead for those costs. To continue running profitable businesses, hospitals and providers must help consumers plan for healthcare costs appropriately by providing clear, accessible and accurate information about pricing.

The percent of Americans with high-deductible health plans between the ages of 18-64



9.2%

of enrollees in high-deductible health plans are more likely to delay or forgo care.





# Rethinking your customer



## 26%

of American adults said they had contacted different doctors or medical facilities about prices.



When they want to purchase a TV, mattress or new car, most consumers start by comparing prices online so they can make an informed decision. It's a process that makes sense—but in most cases, it doesn't work in healthcare. That's because the healthcare industry has not traditionally been a consumer-facing industry, so facilities and providers have not needed to provide access to standard prices for services.

Because consumers are more frequently the ones paying the fees for healthcare services, it only makes sense they need and should expect reliable, upfront pricing for those services. According to PwC's Health Research Institute (HRI), U.S. hospitals are losing customers to retail clinics, standalone surgical centers and walk-up medical facilities. Remaining competitive means they must make their prices more transparent, accessible and defensible.

However, a paradigm shift is required for hospitals to start making their pricing practices more consumer-friendly. And now is the time to get started, as healthcare consumers are becoming increasingly interested in shopping around for medical services: In 2014, 26 percent of American adults said they had contacted different doctors or medical facilities about prices, according to a survey conducted by HRI. One year later, that number had climbed to 30 percent.

Though challenging, some healthcare facilities, such as Advocate Health Care based in Downers Grove, Illinois, are finding a way to provide standardized pricing for a number of common services. The

organization recently instituted what Chief Strategy Officer Scott Powder calls the "Jiffy Lube" model of posting standard prices with add-on charges for extra services. It also recently posted flat prices for an array of services for self-pay patients at its urgent care clinics and outpatient centers.

Advocate started by analyzing 35 different reasons patients frequently come in for care, looking carefully at the system's usual charges to insurance or out-of-pocket expenses to patients. It used that data to determine average prices for a number of common services, including \$60 for children's physicals for sports teams or camp, \$70 for adult physicals for employment or life insurance, and \$89 for a nurse practitioner visit for a variety of common illnesses and injuries such as earaches, respiratory infections, urinary tract infections and joint pain. The system may not earn as much on a strep test, but the flat pricing is likely to bring in more paying patients, leading to a neutral effect.



“Our strategy is not prompted by competition but rather by what the future will be, and we need to catch up to that curve,” Powder told *Modern Healthcare*.

Other hospital systems are using technology to provide transparent pricing to healthcare consumers. For instance, St. Clair Hospital in Pittsburgh wanted to provide better answers to the numerous patients with high-deductible plans who were increasingly questioning how much their care would cost them out-of-pocket. The hospital worked with an outside vendor to develop an online tool that asks questions about the patient's healthcare needs, insurance coverage and other details, and provides a personalized cost estimate for 135 common procedures.

Similarly, INTEGRIS Health System in Oklahoma City, Oklahoma, developed its Priceline tool, which provides about 240,000 price estimates for outpatient procedures each year. Not only does the tool provide accurate quotes, but it also helped INTEGRIS improve patient communication and, when necessary, steer

patients to lower-cost providers that operate within its network. The system's price transparency efforts have paid off in higher revenues. In 2008, INTEGRIS collected \$1 million at the point-of-service, and in 2015, point-of-service collections had risen to \$18 million, according to PwC.

“Our strategy is not prompted by competition but rather by what the future will be, and we need to catch up to that curve.”

Scott Powder, Chief Strategy Officer, Advocate Health Care

# Adopting price transparency best practices

Even if adopting price transparency makes logical and fiscal sense, making such a system work in your facility may seem daunting. But it doesn't have to be: Hospitals can start with these eight proven best practices already effectively enabling price transparency.



## **Start with technology.**

Whether you implement standalone software or utilize an electronic medical record add-on, there are a variety of ways to develop or implement a tech tool that can streamline your efforts to provide accurate pricing for services. A simple, web-based pricing tool is most effective for providing personalized costs for a particular service or procedure.



## **Make the tool available on various technology formats.**

Once your tool is developed, it can be easily optimized for desktop or mobile. If you use an app, make sure it's available for customers who use either Apple or Android devices.



## **Accommodate patient types, services and insurance plans.**

Make sure you cover all the bases so that when customers use the pricing tool, they can select the appropriate answers. For instance, make sure your selections include all insurance companies or private pay groups they might use. Include all types of options for patients to describe themselves such as self-pay, private pay, high-deductible plan and others.



## **Strategically determine which service lines to include.**

The prices of some healthcare services are heavily dependent on an individual's particular situation—but that isn't the case for all services. Even if it takes a mindset change, force yourself and your team to determine the services that could be distilled to a standard price. Some hospitals have started with a relatively short list of 30 or so services, only to find that eventually, as leaders grow more accustomed to thinking of healthcare services in a customer-facing light, they can gradually expand the list to include hundreds of services. Consider starting with the 25 or 30 most commonly billed services, such as chest X-rays and MRIs.





### **Ask only for needed information.**

Using a personalization tool allows for a more accurate cost estimate—but it also means that hospitals must request personal information from consumers to provide that estimate. Make sure your tool only requests information that is absolutely necessary for providing a fee-for-services, and never use the information collected for marketing or other purposes.



### **Provide an accurate number.**

Because healthcare pricing has traditionally fluctuated greatly and depended on a number of factors, it's tempting to provide customers with a pricing range rather than a specific number. But a pricing range can be confusing and does little to help healthcare consumers plan, budget or make an informed decision.



### **Make it easy for patients to take the next step.**

Once patients have located the pricing information they need, they'll be better able to make a decision. Hospitals that are truly capitalizing on their customer-facing status will take a page from retail environments like Amazon that make it simple to move toward purchasing. That could include booking an appointment directly from the pricing tool, completing patient paperwork online, paying online for the service, or providing a list of doctors or outpatient centers who can provide the service you need (along with contact information or online booking options).



### **Track metrics to make improvements.**

Don't go to the trouble of adopting price transparency if you're not going to measure the effectiveness of the strategy. Keep track of how many consumers are using the tool, how many of them ultimately book appointments, and how many are prepared to pay promptly or at the time of service. If you see that your standard price for a particular service is losing money for the hospital, adjust it. But if the standard price for another service appears to be too high, adjust it as well. Transparent pricing is not a one-and-done opportunity; it must become an ongoing part of doing business for hospitals operating in a consumer-facing healthcare environment.



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