How Healthcare Providers Can Win in the New Age of Pricing Transparency

May 10, 2019
About Us

Michael Lohrer
Vice President, Revenue Strategy
PMMC

Michael has 19 years of experience in both clinical and the revenue side of healthcare. Michael is currently the Vice President of Revenue Strategy for the upper mid-west region for PMMC. Michael has experience in contract negotiations, operational management, managed care negotiations and product development. Michael is a graduate of the University of North Carolina at Chapel Hill where he was a Varsity letterman on the football team and has a Master’s Degree in Management from Pfeiffer University.

Brad Josephson
Director of Marketing and Communications
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Brad Josephson has eight years of experience in B2B marketing and communications. Brad is currently the Director of Marketing at PMMC, leading the company’s digital strategy and positioning in the healthcare revenue cycle market. Before PMMC, Brad led marketing and events at PayStream Advisors (now Levvel), a strategic consultant for Fortune 500 corporations. Brad received his Bachelor of Arts in Public Relations with a minor in Marketing from Drake University.
“Set your alarm clock, boy!”
Challenges of Healthcare Costs

Healthcare Spending (overall and specifically for the consumer) Continues to Rise


For an Average Family, Healthcare Costs...

$17,749/year

That’s like driving a nice car into a lake every year.
• Jan 1, 2019: hospitals officially required to publish their standard list of prices online in a machine-readable format

• Hospitals have to update the list of prices at least annually

• There are no hospitals operating within the United States with exemptions from this requirement under the current policy

“This payment proposal takes important steps toward a Medicare system that puts patients in charge of their care and allows them to receive the quality and price information needed to drive competition and increase value.”

- Alex Azar, Secretary of Health and Human Services

Remarks From HHS Secretary Azar

Source:
https://video.foxbusiness.com/v/5999985304001/#sp=show-clips
Key Takeaways from Secretary Azar

- “Restore the patient as the consumer”
- Market based competition
- Reduce Costs

Source: https://video.foxbusiness.com/v/5999985304001/#sp=show-clips
Then There’s This…

• CMS is aiming to make healthcare more like a retail experience when it comes to quality and price shopping.

• CMS issued a Source Sought Notice for a “web-based platform to support healthcare pricing comparison and bidding activity.”

• Posting standard charges appears to be just the first step.

• CMS launches their Procedure Payment Lookup tool.

“If you’re buying a car or pretty much anything else, you’re able to do some research. You’re able to know what the quality is. You’re able to make comparisons. Why shouldn’t we be able to do that in healthcare? Every healthcare consumer wants that.”

-Seema Verma, CMS Administrator
CMS Launches Outpatient Pricing Tool

The anticipated outcome is for patients to understand there can be a substantial out-of-pocket difference based on where the service is performed.
“We have an opportunity to transform an industry that has gotten way too complicated. We know we can do a better job of helping people achieve their best health at a lower cost.”
- CVS CEO Larry Merlo
CVS/Aetna Merger – Disruption is Inevitable

- Healthcare executives are expecting more disruption in the industry

- 81% of executives, clinical leaders and clinicians expect disruptive mergers to continue impacting the industry in the next three years

- Which company will have significant impact?
  - 50% said CVS
  - 42% said Amazon
  - 27% said Google
  - 22% said Apple

Patients want to know what it will cost THEM and how CMS is aligning to this direction.

**Charges**
The retail price of all charges that roll up to a particular service (the hospital’s CDM price)

**Price**
The discount price is a lower rate that payers / patients negotiate (the (‘contractual rate’ / ‘allowable’ / self-pay discount)

**Cost**
In this case, it is the patient’s financial responsibility (their cost for the service based on benefit coverage and the discounted price).

These are critical distinctions for the new mindset for a digital PATIENT-CENTRIC approach.
Taking Control of the ‘Price’ Message

Patient ‘shops’ for services

Patient with high-deductible health plan compares ‘Prices” for an abdomen CT scan

Patient is insured and responsible for:
- $50 copay
- 20% co-insurance
- $2,500 deductible/year
- $1,300 remaining OOP

Patient finds conflicting information

Gulf Coast Medical Center, a typical hospital with a standard CDM, has a price of $8,897

MedSolution, a non-hospital imaging center, has a price of $286

Pricing Reality

Gulf Coast’s charge is $8,897, the insurance allowable is $1,650, so the patient’s price is really $380 ($1,650*20% + $50)

MedSolution’s charge is $2,300, the insurance allowable is $1,186 so the patient’s price is $286 ($1,186*20% + $50)

Change the Narrative

Key Message
- Quality
- Convenience
- Outcomes

Minimize
- Price Differences

NPR Story on the price differences of an abdomen CT Scan
How Have Hospitals Responded to CMS Mandate?

For Patients
Detroit Medical Center

Pricing Info and Estimates

We understand that it can be confusing to estimate treatment costs before choosing care. We’re dedicated to navigating patients like you through complex healthcare decisions, which include financial decisions. As part of our Community Built on Care, our financial counselors are here to help you understand your costs, and your options for affording the care you’re looking for.

Every individual is different, and so is every condition. We believe in providing a personalized plan of care for each patient who comes through our door. Because we do not provide a “one size fits all” treatment to our patients, our costs vary based on each unique situation, too.

You can find the average for our standard charges for items and services the hospital provides, by visiting our Hospital Pricing Information page. This page provides a comprehensive list of the hospital’s “chargemaster.” There you will also find a spreadsheet that includes the hospital’s average charges for each diagnosis-related group (DRG).

A DRG provides a way to categorize the type of patients a hospital treats and covers all charges associated with a typical inpatient stay, from admission to discharge. We pulled this data in December 2018, and it reflects the average charges established by the hospital for individual services and supplies provided in the previous 12 months. It is important to note that every patient is different and their charges may be significantly different depending on the patient’s length of stay and interventions provided.

Visit the following pages to learn more about the hospital’s chargemaster:

- Access the hospital’s chargemaster and hospital average charges for each DRG by visiting the Hospital Pricing Information page.
- Receive a personalized estimate for your medical treatment by visiting the Price Estimate page.
- Learn more about hospital pricing estimates at our Hospital Pricing FAQ page.
How Have Hospitals Responded to CMS Mandate?

Texas Children’s Cost Estimate

Know the Cost of Your Healthcare

Receive your personalized cost of care estimate

Texas Children’s began efforts to improve transparency several years ago to improve the patient experience. We are committed to transparency and want to educate you, our patient families, regarding your financial obligations.

The pricing estimator below will allow you to calculate your out-of-pocket costs for upcoming procedures and get an accurate cost estimate for your procedure.

This is the most accurate cost estimate available and is personalized based on your health insurance plan. Select your procedure, location, and even compare pricing for multiple services.

Please have your insurance information ready before you begin. If you would like to talk to someone about your estimate, please call 532-234-2554.

Get your estimate here

List of Texas Children’s Standard Charges

Texas Children’s Hospital is required by Centers for Medicare and Medicaid Services (CMS) to provide a complete list of standard charges.

Texas Children’s Hospital is a full-service, free-standing pediatric hospital with the complete complement of services needed to care for children in an environment built and designed to specifically meet their needs.

While many other hospitals provide care to children, the breadth and depth of services available at Texas Children’s is unparalleled. Our mission, commitment to our patients, and commitment to the at-risk population of children and adolescents.

Hospital rates are evaluated by reviewing each charge versus our market peers for general services and our pediatric peers for specialized services.

Please note that the hospital charges will not help you determine your out of pocket costs, because the contracted allowable and benefits have not been applied.

To download a full list of our standard charges, click here.
How Did Hospitals Respond?

Posting Charges

87%
posted chargemaster in downloadable, machine-readable format

38%
included DRG information

100%
offered an online payment option

Offering Estimates

86%
included a phone number to contact for more information or an estimate

10%
include the ability to get an estimate directly from the website

Source: Survey of 84 hospital websites in 34 different states
Disclaimer & Consumer Education Material

Disclaimer

- I understand that the List of Standard Charges represents inpatient and outpatient hospital services that may be provided in the facilities listed at the top of this page.
- I understand that the List of Standard Charges includes hospital services only and does not contain professional fees for either Atrium Health or non-Atrium Health physicians or other advanced practitioners.
- I understand that a single line item charge may not represent a complete medical service; in general, multiple charge line items are necessary to represent all components of a service (i.e., procedures), supplies, and drugs.
- I understand the charges listed on this website may not fully reflect the most current charges or charge amounts, since additions and changes are frequently made to the listing.
- I understand that the List of Standard Charges is not intended for media use.
- I understand that Atrium Health provides price estimates for many common hospital services, and that I may call 704-355-0000 Monday through Friday 8:30 a.m. to 5 p.m. to speak with a patient financial services representative (first list consulting with my ordering physician to obtain the applicable procedure code) to obtain a service-specific price estimate based on my individual circumstances and patient responsibility.

I accept (view the list)
I do not accept (return to the Atrium Health homepage)
Acknowledgement / Information Request

NYU Langone Standard Charges File

To download our list of standard charges, please fill out the form below.

Name:

Email:

I'm not a robot

Submit

In accessing Renown's charge table, I acknowledge that:

* Charges listed do NOT represent the amount the patient is responsible for.

* Charges listed do NOT factor in insurance, deductibles, copays, coinsurance, out-of-pocket maximums or other variables.

* Charges listed do NOT factor in the complexities that are unique to each individual case.

* Charges are specific to the services listed and do not include physician charges or the cost of a hospital stay.

* Charges are current as of January 1, 2019.

* Charges are subject to change.

Contacting Renown Health at 775-962-3993 is the only way to get an estimate.
What Did Hospitals Include in CDM File?

100% included the description and the charge

14% included the CPT code

48% included charge code

5% included revenue code

88% included pharmacy and supply

Source: Survey of 84 hospital websites in 34 different states
What Are the National Media Headlines?

CNN

Hospitals must post prices online, but they may be more confusing than helpful

By Julie Appleby and Barbara Feder Ostrow, Kaiser Health News

“While more information is always welcome, the new data will fall short of providing most consumers with usable insight.”

Modern Healthcare

“Price transparency stumbled out of the gate last week…”
New year brings new rule requiring hospital prices to be public

Cynthia Fodor
KCCI Anchor-Reporter

Across the state, Iowa hospitals offer an excellent value in health care. The quality of care in Iowa hospitals has been documented in nationwide studies. In addition, Iowa hospitals' charges for care are among the lowest in the nation. Such high-value health care is the result of a statewide health care system that is especially patient-centered and actively coordinated by highly skilled professionals at all levels.

Iowa Hospital Charges Compare allows you to further explore and compare the value offered by Iowa hospitals.
What Will Be the Next Set of Requirements?
If you can’t find the price of a procedure at your local hospital on their website, I want to know about it. #CMSQualCon19

Where’s the Price?
Here’s the challenge:
Visit the website of your local hospital. If you can’t find their pricing information posted in an electronic format, let me know. Send me a tweet with the hashtag #WhereThePrice and help us drive #PriceTransparency!

#WhereThePrice

10:59 AM - 29 Jan 2019

25 Retweets 26 Likes

• CMS acknowledged…Some hospitals are combining the chargemaster price with a patient's individual insurance calculation to give them a better idea of cost

• "While many hospitals have said chargemaster information can be confusing for consumers, let me be clear, hospitals don't have to wait for us to go further in helping their patients understand what their care will cost”, Seema Verma, CMS Administrator.

• “We look forward to more facilities exceeding our requirements,” Seema Verma, CMS Administrator.
When it comes to helping plan out how to pay for a healthcare service, what are the most important things your doctor, hospital, or medical facility can provide you? (% rank in top 3)

- **Estimate of bill prior to care with out-of-pocket cost**: 79%
- **Flexible payment plan options**: 64%
- **A consolidated bill that includes total cost of visit**: 56%
- **Discount for prompt payment**: 46%
- **Ability to pay bill online / on mobile device**: 33%
- **Counselors to determine if you qualify for financial assistance**: 22%

46% ranked as #1 most important

Florida Hospital presentation at the Becker’s Healthcare Conference 2018
(Transparency Consumer Survey | advisory.com)
Instead of providing an estimate for individual services, CMS anticipates requirements to move to a total cost-of-care estimate.

Our mindset and goal should be to provide an Expedia experience…

‘Bundle and Save’
Dramatic rise in smartphone ownership is revolutionizing the consumer experience

13% → 84% in less than 9 years

1 Verizon market research
Why an Integrated Retail & Discount Pricing Strategy?

Consumers are searching

CMS is Demanding it

Consumers don’t feel obligated

36% Are Shopping

100% of Charges

90% Expect It

Consumers will Vote with their Wallet
Example Patient Estimates

Start with Patient Education

Gather Patient/Insurance Information

Provide Consumers with an Accurate Cost Estimate
Example Patient Estimates

Patient Information

Insurance Information

Benefit Information and Facility Selection
Example Patient Estimates

**Patient Information**

- **Contact Information:**
  - First Name:
  - Last Name:
  - Date of Birth:
  - Gender:
  - Phone Number:
  - Email:

- **Patient Information:**
  - Are you an existing patient of MetroHealth?
  - Have you been a patient at MetroHealth within the last 5 years?

**Service Information**

- **Estimate**
  - Technical and Professional

**Estimate – Combined Technical and Professional**

- **Service Information**
  - **Procedure Name:** BONE DENSITY
  - **Co-Pay Amount:** $20.00
  - **Co-Insurance Amount:** $17.41
  - **Deductible Amount:** $0.00
  - **Your Responsibility:** $42.41

The above is only a good faith ESTIMATE based on the best information known and provided at the time of the estimate. The information related to the estimate may have been provided by you, your physician and/or your insurer. Actual amounts owed for services rendered may be more or less based upon your specific needs at the time of the service, including additional treatments or services deemed necessary by the physician during the visit and additional information provided by your insurer.

Final determination of eligibility and benefits are determined at the time the claim is processed by the insurance company. Any services determined non-covered under your plan are the patient’s responsibility.

This estimate includes both professional and technical services. Your deductible and co-insurance may vary at the time of service depending on previous services pending processing by your insurance company.

Please contact the Pre-Service Center at (216) 776-3010 with any questions.
Key Components for an Ideal Consumer-facing Estimate tool

- **Easy-to-Use**
  - Logical and graphically appealing

- **Accurate**
  - Based on historical service & payer-mix patterns
  - Easily captures & integrates patient eligibility and benefit information
  - Models each payer’s contractual reimbursement
    - The patient’s co-insurance which is based on the allowable is the largest portion of the patient responsibility calculations

- **Integration**
  - Simple hyperlink on your website
  - Workflow
  - Knowledge
    - What are your consumer patterns (when are the shopping, what are they looking for, are they converting to scheduled services)
Patients have new consumer expectations

Think strategically about competition and market share
- How do you position your hospital?
- What do you want your hospital to be known as?
- Understand your competition
- Commodity items won’t keep you viable anymore

Understand how this impacts payer negotiations
Managing the Key Component

An Accurate ALLOWABLE

Patient Collection

Charge Setting

Payer Payment

Discount Rate Negotiation
Taking Control of the Message for Charge / Price / Cost

Providers have a Retail Price

A Medical Center has a charge of $8,897.
The charge is billed to all payers.
The charge is now posted on the web.

Providers Accept a Discounted Price

A Medical Center has negotiated rates or allowables various payers:

- Medicare: $1,250
- Medicaid: $1,000
- BCBS: $1,650
- Other Payers: $2,500
- Self Pay: $3,000

Patients Have a Higher Financial Responsibility

Consumers want to quickly know their financial responsibility (co-pay, co-insurance via the allowable, deductible, OOP, etc.)

- Medicare: $85
- Medicaid: $0 - $5
- BCBS: $0 - $1,650
- Other Payers: $0 - $2,500
- Self Pay: $1,000 - $3,000

Pricing / Collection Reality

Establish a reasonable charge (market, payer/consumer expectations, etc.)

- Negotiate optimal allowables based on volume and mix.
- Incorporate tools to insures payers/patients know & are accountable for their payment.
- Monitor collections results / sources.

Based on the NPR Story on the price differences of an abdomen CT Scan
"Set your alarm clock, boy!"
Questions?

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