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# PRICE TRANSPARENCY

## Coming Soon To Your Practice.

# INTRODUCTION

As healthcare consumers, patients tend to focus on out-of-pocket liability when seeking information on the cost of a medical procedure. Congress has declared a need to protect patients from surprise medical bills. The Trump Administration has prioritized better protecting patients against massive medical expenses, whether through legislation to address surprise medical bills or by promoting price transparency to help consumers understand what they will pay for care, which hospitals, medical providers, and insurers usually do not reveal until patients receive their medical bills.

On June 24, 2019, President Trump signed an Executive Order that aims to lower healthcare costs by improving price transparency. The Executive Order directs HHS to develop rules requiring hospitals to publish prices that reflect what people actually pay for services in a way that's clear, straightforward and accessible to all. Similar attention to independent medical practices cannot be far behind.

The overall thought behind the Executive Order is that price variation exists among healthcare facilities for the same service, and patients need information to find high quality, low cost alternatives. CMS Administrator Seema Verma welcomed the order. Her statement says she is excited to implement reforms "that transform our healthcare system into one that delivers affordable and accessible healthcare and puts American patients first."

The pressure on providers, insurers and pharmaceutical companies to offer price transparency is growing as healthcare spending continues to grow above the general rate of inflation and patients burdened by rising deductibles demand the information needed to shop for healthcare services.

The growing interest in price transparency isn't limited to one side of the aisle or one branch of government. Republican and Democratic members of various committees in both the House and the Senate have introduced bills to advance price transparency, each with its critics and proponents. Nor are the calls for transparency all coming from the top down. Private groups representing different perspectives in the health care system, including hospitals, medical societies, insurers, and advocacy organizations, are also seeking greater transparency in health care costs or commenting on the form it should take.

Insured patients who try to stay within their insurers' networks can be hit with these bills when they unknowingly receive care from out-of-network physicians. Out-of-network physicians bill the patient's insurer their suggested fee schedule, which is similar to the sticker price of a car, a price few people actually pay.

# WHAT IS PRICE TRANSPARENCY?

Price transparency is the principle of being accountable to patients by providing easily understood information and pricing. Readily available information on the price of clinical services that defines the value of those services and enables patients to identify, compare, and choose providers that offer the patient's desired level of value.

Until recently, the cost of medical care has been a closely guarded secret and patients had little reason to care when their health insurance covered most of the expense. Now, however, as patients become responsible for more of their medical costs due to higher deductibles and co-insurance limits, consumers are asking detailed questions and shopping providers.

## Key Terms

**Charge:** The dollar amount a provider sets for services rendered before negotiating any discounts. The charge can be different from the amount paid.

**Price:** The total amount a provider expects to be paid by payers and patients for health care services.

**Cost:** The definition of cost varies by the party incurring the expense:

To the ***patient,*** cost is the amount payable out of pocket for health care services, which may include deductibles, copayments, coinsurance, amounts payable by the patient for services that are not included in the patient's benefit design, and amounts "balanced billed" by out-of-network providers. Health insurance premiums constitute a separate category of health care costs for patients, independent of health care service utilization. Cost can also varies based on where the service is performed, which can affect the patients' out-of-pocket costs.

To the ***provider***, cost is the expense (direct and indirect) incurred to deliver health care services to patients.

To the ***insurer,*** cost is the amount payable to the provider (or reimbursable to the patient) for services rendered.

To the ***employer,*** cost is the expense related to providing health benefits (premiums or claims paid).

**Out-of-Pocket Payment:** The portion of total payment for medical services and treatment for which the patient is responsible, including copayments, coinsurance, and deductibles. Out-of-pocket payment also includes amounts for services that are not included in the patient's benefit design and amounts for services balance billed by out-of-network providers.

# FINANCIAL COUNSELING

Many vascular practices already have implemented price transparency - when a patient concludes their office consultation, while the patient is still at the office, a staff member reviews the patient's benefits with them and arrives at an expected out of pocket cost, even if the patient has not asked about expected costs. Stating that insurance covers the procedure is not enough.

Being transparent about price enhances the patient's experience with your practice. Patients are more likely to pay when they receive a statement from your practice if they understand how much they will owe out of pocket upfront. The goal of your practice should be to inform the patient as soon as possible about how much they're going to owe and to set the expectation that you are going to try to collect on that estimated amount due. Patients can then make an informed decision about whether they want to proceed with the procedure.

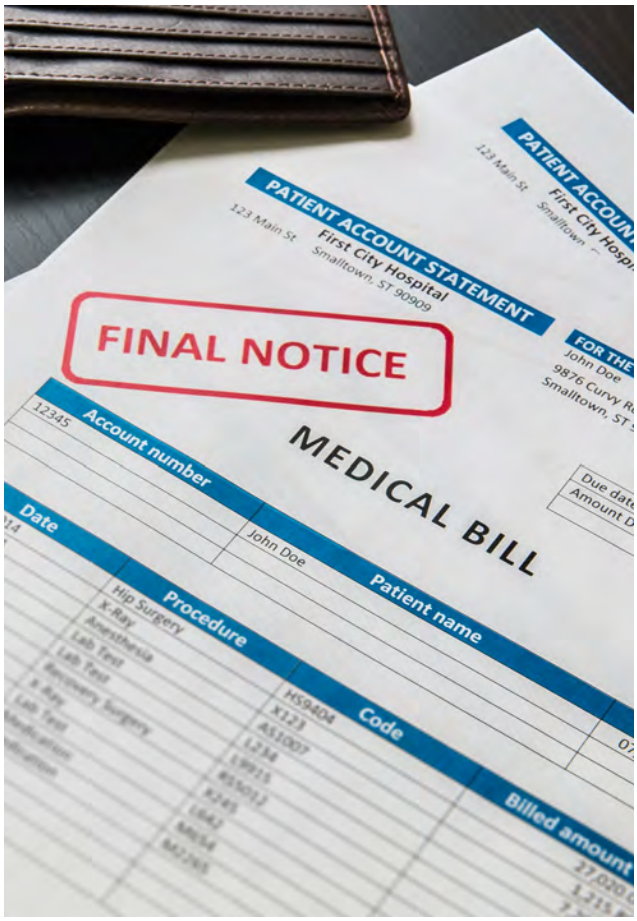
## MANAGING PATIENT COLLECTIONS

As patients assume responsibility for an increasing proportion of their healthcare costs, providers face a potential financial dilemma of having to write off receivables for patients who cannot afford to pay their contractual responsibilities. Patients are now responsible for an estimated 30 to 35 percent of their healthcare bill.

With rising patient responsibility, this situation creates a complex set of trends that translates into increased financial risk for practices with poor financial controls. For most medical practices, passive approaches to collecting patient balances will lead to catastrophic cashflow problems.

### *Assess Current Processes*

Because healthcare reform has brought higher patient copays and deductibles, patient payments continue to grow, becoming a larger percentage of your total monthly revenues. Effective patient collections are more critical to the financial health of your practice with every passing day.




***SENDING BAD DEBT TO COLLECTIONS IS INEFFECTIVE***
***AVERAGE RECOVERY RATE OF A COLLECTION AGENCY IS JUST 13.8%***

Begin by meeting with your staff to discuss the importance of 1) instilling a culture of responsibility amongst all employees; 2) improving patient engagement and satisfaction through a better understanding of your practice's financial policies; and supporting your practice's financial viability through collaborative efforts to collect patient copays and past due balances. Encourage input and discussion amongst staff responsible for registration, appointment scheduling, insurance verification, and pre-certs. Your staff should provide valuable insights into their departmental processes and serve as champions for implementing improved processes.

## THE GOAL OF STAFF DISCUSSIONS IS TO DEVELOP & IMPLEMENT PROTOCOLS THAT …

1. Foster patient compliance by improving the patient experience. Ensure that all patients receive clear, consistent, and timely communication that would enable them to make fully informed decisions about their financial obligations to the practice
2. Deliver financial assistance to proactively and consistently offer payment plans to those who cannot pay their balance in full;
3. Achieve financial stability. Establish appropriate patient payment processes to achieve stability in financial risk.

### Areas of Increased Attention…

#### *Co-pay Collections*

- Your goal should be to collect 100 percent of co-pays and past-due patient balances every day. Measure your staff effectiveness by daily tracking scheduled collections vs. actual collections. Ask each staffer who collects copays/deductibles to complete an "If Not, Why Not?" report each day for the monies they do not collect.
- Communicate with your patients - via your website, EMR patient portal, appointment reminder calls, etc., the Patient Responsibility for promptly paying co-pays and past due balances before additional services are rendered.
- Improve the "Ask." You will find that some employees are instinctively better at collecting patient payments. Have other employees observe their techniques. If you have a small staff, consider having your front-office personnel take a field trip to another office to learn.

#### *Identify Patient Responsibility Prior To Their Visit*

- Check insurance eligibility on every patient prior to every visit to identify what co-pay and/or deductible are due; and ensure the patient's insurance is active.
- Let your patients know what payment you will expect at the time of their visit. Eliminate potential patient excuses, such as, "I didn't know the cost of today's appointment would apply to my deductible."
- Numerous online insurance eligibility programs permit you to do real-time eligibility / benefit status verification at the time of service.

### *Payment Options*

- Patients are creatures of their own habits. Make sure you have payment options that make it easy for them to pay you.
- Accept cash, checks, debit cards, and credit cards. More payment options mean more time of service collections.
- Accept check and credit card payments through your website.

### *Payment plans*

- Set up payment plans for those patients who don't have the money and indicate that they are willing to pay their bill in installments.
- A payment plan should be documented in writing and signed by the patient. The payment plan should spell out what will happen if the patient misses a payment.
- Payment plans should not extend beyond six months, with tiered thresholds based on the amount due.
- Explore a "credit card on file" (CCOF) program. Many dermatology and aesthetic practices require a patient to keep encrypted credit-card information on file. Once an insurance claim is processed and contractual adjustments are made, the remaining balance due from the patient is charged to the credit card and the patient is sent a final statement summarizing the transaction. This process keeps your accounts receivable due from patient to a low, manageable level. A CCOF program will be more readily accepted by patients once primary care practices implement these financial controls. Although it is a terrific business tool, patient resistance is high when you are the first medical practice in your community with this financial requirement. It is a financial control that is long overdue.

### How It Works

The concept of CCOF is similar to that of a hotel's payment policy.

1. When a patient checks in at the reception desk, they are asked to leave a credit card on file. The credit card information is entered into your EMR payment system and securely stored.

2. After the visit, submit the insurance claim as usual. Once the claim is adjudicated and the EOB posted, recall the recall the credit card information and process the payment.

3. Send a zero balance statement to the patient.

*Similar to a hotel, the medical practice is protected from non-paying patients. A CCOF program can also be used to set-up payment plans with patients, regardless of whether they have insurance or not. A CCOF program collects scheduled payments in a non-aggressive, efficient way.*

## PRICE TRANSPARENCY: COMING SOON TO YOUR PRACTICE

**Are your patient collections strategies going to succeed in 2019?**
The challenges of collecting from patients are rising. It may be time for your practice to make a change in how you collect patient's payments.

Benchmark your patient collection strategies to see if you're set up to increase profits or increase patient receivables in 2019. Below are a few questions related to your revenue cycle processes to guide your discussion with staff.

- ***Have your patient receivables grown in the past 12 months & are they more than 60 days past due?***
- ***Are less than 50% of patients paying their bills online?***
- ***Do you make collection calls to more than 5% of your patients & send multiple statements per patient?***
- ***Do you use online patient eligibility verification tools?***
- ***Does it take more resources to collect from patients who have not met their deductible?***
- ***Do you bill more than 20% of patients AFTER adjudication?***

**If you answered mostly "yes", it may be time to consider a change in how you communicate your practice's financial policy and collect from patients.**

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**-David P. Schmiege, President & CEO**

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