Consumer-Focused Hospital Financial Services

Background

Improving the consumer health care experience is priority one for hospitals and health systems. That experience begins well before the delivery of health care services. The total consumer experience begins as the individual prepares for the episode of care. A critical point in the process is the consumer’s financial services interaction with the hospital.

As consumers become more involved in making decisions about their medical care, they need and deserve information about their financial responsibility up front. Consumers are seeking financial services communications that are clear, easy to understand, and organized. The goal is to eliminate surprises and help consumers navigate a complex billing system that involves many parties—insurance companies, physician practices, hospitals, employers, and government entities.

Before year-end, HAP will engage members to adopt consumer-focused principles and operational guidelines that will ensure consumers have a better understanding of their financial responsibilities, and how to get assistance to meet those responsibilities if needed. This will lead to a better consumer health care experience, and operational and financial benefits for hospitals as well.

In 2015, HAP will be engaging members on the more difficult issue of hospital price transparency.

The Consumer Mandate

State and National Research

HAP’s State Consumer Market Research initiative revealed that consumers know there are changes taking place in health care but they are confused about what it means to them:

- They want to know they can pay for their care and they want to know costs up front.
  - 63 percent of consumers agree that hospitals in their area are not transparent about costs because they’re not in it to help patients—— they’re in it to make money.

The National Resource Corporation implements surveys and performs analyses that recognize a health care provider’s strengths and problem areas. Since 2012, the NRC has been conducting national qualitative and quantitative research on the patient view of health care. NRC presented Considering the Consumer; A National View of Healthcare’s Newest Change Agent, at the State Hospital Association Executive Forum in August 2014. NRC found that:

- Transparency is vital to gain consumer trust.
  - When asked whether consumers believe hospitals are transparent about the prices of services they provide to patients, 62.7 percent said “no.”
HAP has developed a two-step patient-centric proposal consistent with the association’s work to:

- Focus on the entire consumer experience during the health care encounter.
- Improve the public’s perception about hospitals.
- Support compliance with the Affordable Care Act.
- Proactively mitigate external efforts to mandate unreasonable billing practices and pricing policies on hospitals.

**2014 Adoption of Principles and Operational Guidelines for Consumer-focused Hospital Financial Services**

The first step is member adoption of principles and operational guidelines that focus on consumer-friendly financial transaction practices to ensure that all HAP members approach patient-focused financial services with the same level of commitment and clarity.

Just as the hospital community adopted principles for charity care and financial aid in 2004, our goal is to have every HAP-member hospital sign a pledge to adopt principles and operational guidelines around consumer-focused hospital financial services by early 2015. By demonstrating a unified hospital community commitment to improved consumer hospital financial services, we can positively position the membership for the next important step in 2015, price transparency.

**2015 Price Transparency**

Step two of the HAP proposal is a 2015 initiative to make meaningful hospital price information available to patients and consumers. This initiative will require a collaborative approach involving health plans/insurers, providers, and care purchasers (patients and employers).

Currently, 42 states require or encourage hospitals to report information on charges or payments rates, and make the information available to the public. **Pennsylvania is one of the few states that does not have such a law.** However, the Pennsylvania Health Care Cost Containment Council is mandated to collect inpatient and outpatient discharge data and make available cost (average charges) and quality information on hospital care.

As the public discussion on transparency continues, hospitals will need to work with other stakeholders to ensure patients and consumers have better access to the information they need to make informed decisions about their health care.

**The Patient Imperative**

Early and easy to understand financial communications are the key to consumer-focused financial services that benefit patient and provider.

Patients want to have a reasonable idea of what they will be expected to pay for health care services before they incur the costs. Financial discussions that transpire after services are delivered deprive patients of their ability to make informed choices about their treatment options.
This scenario leads to a lack of predictability and stability with regard to payment for hospital services.

Patients need to understand their expected out-of-pocket costs and resolve how they will handle their medical bills before they incur the cost of services. With the exception of emergency situations, this is a reasonable expectation that removes the “surprise” factor when a hospital bill or bills arrive.

Patients who may have difficulty paying their bill may want access to Medicaid, charity care, or other financial assistance programs. If a provider delays financial discussions with these patients, they will reduce the ability for the patient to access these programs. This can lead to additional hospital billing and collection activities that are not likely to be successful, and are detrimental to the hospital’s relationship with the patient. This is not a positive experience for patients or providers.

Consumer-focused financial services allow consumers to:
1. Make informed decisions about their care by helping patients understand their financial options.
2. Work out agreed upon and reasonable payment plans before costs are incurred.

A patient’s optimal financial experience for non-emergency services should be based upon the following:

Providers commit to gathering information before and at the time of service to prospectively estimate a patient’s expected out-of-pocket costs.

Providers use tools to help estimate the amounts and terms of payment that patients can afford. This will allow providers to:

- Identify and help patients who need financial assistance, either through in-house programs, Medicaid, or other assistance programs.
- Efficiently reach an agreement on payment amounts and terms for patients who are able to pay all or a portion of their bills.

The Legal Mandate
The Affordable Care Act: Requirement for Transparency of Hospital Charges

The Affordable Care Act contains a provision that requires transparency of hospital charges. Language in the Fiscal Year 2015 Inpatient Prospective Payment Systems/Long-Term Care Hospital Prospective Payment Systems proposed rule reminded hospitals of their obligation to comply with this provision, and the Secretary of Health and Human Services (HHS) issued guidelines for implementing the transparency provision.

The guidelines state that hospitals must “either make public a list of their standard charges (whether that be the chargemaster itself or in another form of their choice), or their policies for allowing the public to view a list of those charges in response to an inquiry.” Hospitals are given latitude to determine the manner and method by which to make the list public in accordance with the guidelines.
The Secretary called upon hospitals to engage in “consumer-friendly communication of their charges to help patients understand what their potential financial liability might be for services they obtain at the hospital, and to enable patients to compare charges for similar services across hospitals.” The information is to be updated at least annually, or more often as appropriate, to reflect current charges.

While the provider community recognizes the significant difference between prices and charges, this is the language of the law. And while hospitals are required to adhere to the provision, it does not preclude our industry from working collectively toward the more meaningful goal of price transparency.