SEE YOUR REV CYCLE DIFFERENTLY

THE SELF-SERVICE PRICING CALCULATOR

The solution for healthcare pricing transparency

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INTRODUCTION

The public and media have long called for hospitals to make their pricing transparent, and at this point, it's clear that the ability to do so will be a competitive differentiator.

Yet it's one that conceivably exposes sensitive information to competitors. How can providers supply patients—but not competing providers— with accurate cost estimates? And how can providers deliver accurate estimates, given the complexity of contracted rates and fluctuating year-to-date benefits usage?

This white paper answers these questions in detail and explores a solution that gives patients the information they need to make informed purchasing decisions for their healthcare. It's called "self -service" pricing transparency—pricing estimates that healthcare consumers retrieve themselves, in minutes or less, from calculators on the provider's website.

You will learn

How providers can meet the growing request for price information

Why price transparency fuels more upfront collections

Using self-service estimates to engage consumers and help them pay for their care

The advantages of pricing transparency

Consumers want it

Before diving into the nuts and bolts of self service price calculators, let's first establish the demand. Above all, healthcare consumers want

an accurate understanding of what they'll owe for services, before they're rendered. Consumers are still coming to terms with their increasing financial responsibility for healthcare costs, but it's a role they are taking on more assertively. More and more consumers ask their doctors and hospitals for cost estimates.

Typically, individuals seek an estimate in advance of care for one of two reasons: to financially plan for the cost of their care or because they're price shopping. In the

first case, they may already have a scheduled procedure and are looking to better understand how much they're going to owe. In the second scenario, they're deciding between providers. For this reason, providers may want to offer price estimates for common point-of-entry procedures like MRIs. Indeed, a provider may risk turning off a new patient if they do not offer price estimates for these more "shoppable" procedures.

It's good business

Despite major reforms, Americans still struggle to pay their medical bills. A recent Kaiser Family Foundation/New York Times survey found that this includes half of those without insurance, which is to be expected--but also a full 20 percent of the insured. Hospitals must proactively offer financial counseling services and payment options— including payment plans and loans--to prevent these consumers from delaying or avoiding care. These actions begin with an accurate estimate.

Providers should also seek to initiate payment in advance of scheduled care. Indeed, statistics show that the earlier the collection process begins, the higher the percentage the provider ultimately collects. Annedotal evidence of this abounds. In just one example, Mercy Health saw a 12 percent uptick in point-of-service collections after boosting price estimate features in its registration system.

In another example, Carolinas HealthCare increased pre-service collections by almost 30 percent after adopting automated price estimates. Both health systems also provided information about payment plan options. As the increase in collections show, the combination of rapidly supplied pricing estimates and payment plan options help patients pay their medical bills.

PRICE TRANSPARENCY EVOLUTION

August 2006

Presidential Executive Order requiring hospitals and physicians disclose the price and quality for Medicare beneficiaries, federal employees, the military, and veterans.

June 2013

CMS releases averages charges & reimbursement rates 100 most common IP/30 most common OP

October 2014

CMS Final Rule, either make public list of charges or policy for patients to view list of charges

39 states have passed price transparency regulations

(most just charges)

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Consumers want healthcare cost information

Consumers want to know:

- **What they will owe before they owe it**
- **How they will pay for it**
- **If there are other options**

Health care "shoppers" are more likely to receive regular medical treatment[b]...

42%

of those receiving regular medical treatment compare prices versus 33% overall

...and/or make health care decisions for an adult family[b]

53%

compare prices vs 33%

PERCENT WHO SAY THEY HAVE TRIED TO FIND PRICE INFORMATION BEFORE GETTING CARE[B]
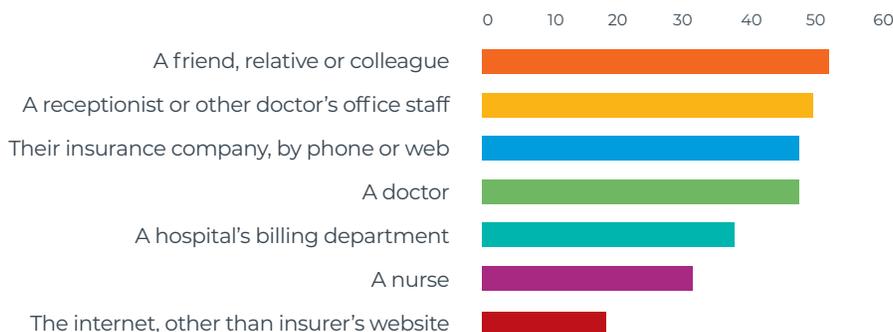
Propensity to search for health care prices is greater among consumers with higher deductibles[c]

The government's role

A full 39 states currently have laws mandating that healthcare organizations make their prices available to patients, including laws in 20 states that require this pricing to be available on the provider's website. Some states also require payers to submit their claims data to public databases. While the legality of these databases is currently up for debate in the Supreme Court , the writing is on the wall: pricing transparency is being driven by both consumer and government forces, a practically insurmountable combination.

With that as a looming backdrop, the healthcare industry would be wise to take control of the issue while it still can—specifically, by devising a means of price transparency that both providers and patients will be satisfied with. As one HFMA article put it, "Foot-dragging will do little to postpone the inevitable. Price information will be uncovered whether or not hospitals provide it or cooperate with health plans and other entities that do."

Let's next turn our attention to examining the most effective vehicle for supplying consumers with this information.

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a – Page 14, PwC, Money Matters: Billing and Payment for a New Health Economy, Health Research Institute, May 2015.
b – A report from Public Agenda by David Schleifer, Carolin Hagelskamp and Chloe Rinehart, "How Much Will It Cost? How Americans Use Prices in Health Care," 2015.
c – Ibid, page 13.

Consumer-focused price calculators

The most broadly available price transparency tools right now are websites like Guroo. com, a commercial payer-backed database that generates national and local healthcare prices. The problems with this sort of solution are two-fold. To begin with, it only generates ranges and averages for different therapies, none based on the patient's unique insurance coverage status. Second, it's not a provider-facing solution-- meaning, the estimate wasn't generated by the provider, and thus, doesn't reflect the care the provider recommends for the patient.

While a pricing phone hotline would somewhat mitigate both of these issues, it's not the ideal in an age when people expect to find information online, and to bookmark or print it out for later reference. A calculator that healthcare consumers can access from the provider's website, however, is in step with the modern way of accessing all sorts of informatioin— especially if the calculator is simple to use and generates answers fast. To that end, consumers shouldn't have to input more than their names, insurance plan numbers and perhaps two or three more data elements to receive an accurate estimate within 10 to 45 seconds.

Such a tool neatly solves one of the most persistent challenges with implementing price transparency: making proprietary financial information public. As a provider-facing solution, and because patient-unique information does need to be entered to generate an estimate, not just anyone can use the calculators. This is vastly preferable to

The healthcare industry would be wise to take control of the price transparency issue while it still can, by devising a price estimate method that both providers and patients will be satisfied with.

putting a list of total charges or paid amounts out there for all competitors to see, which neither reflects negotiated rates with payers or the patient's accurate out-of-pocket costs. At the same time, self-service price calculators appeal to today's information-driven patients and nicely align with how they already seek pricing on other purchases, from airfare to mortgages.

The underlying technology.
Self-service pricing calculators are powered by rules-based pricing engines that automatically query, retrieve and merge data from payers with the hospital's charge master data and payer contracts. The finished output is an accurate estimate of patient benefits. To that end, an advanced price calculator will assure accuracy by analyzing previously adjudicated claims in order to identify variances.

86%
US healthcare spending related to long-term chronic illness – largely shoppable

20%
of working-aged insured Americans report having trouble paying medical bills

$46B
Uncompensated care hospitals provided in 2013

230%
of working-aged insured Americans report having trouble paying medical bills

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As it happens, hospitals across the country already use a provider-facing version of these calculators to produce on-demand estimates during the patient visit or over the phone. As earlier alluded to, these estimates are helping to increase upfront collections by as much as 30 percent. The technology easily pivots to become an online, self-service pricing calculator with numerous benefits:

- **Replaces phone price shopping and other processes with an accurate and fast estimate.** With a minimum of inputs, patients can self-generate an estimate from the provider's website based on the most current information available on their individual coverage.
- **Supports patients with financial planning and engages financial counselors**. Aids in the presentation of different payment options and discounts for self-pay patients.
- **Seamless patient estimation experience.** Patients can access a pricing calculator from the same website they use for other online patient services, including self-registration, scheduling and records look-up.
- **Helps organizations achieve price transparency initiatives.** More and more organizations have identified Price Transparency as a key revenue cycle objective for their coming fiscal year. Engaging consumers with

Engaging consumers with consumer-focused price transparency

One of the most promising advantages of a self-service price calculator is its potential to engage consumers in multiple ways. After generating a price estimate, for example, the calculator could prompt high deductible and self-pay consumers to view payment play options. It could even engage those patients with concerns about their ability to pay and schedule time with a financial counselor.

Perhaps the most important way that self-service price transparency forges a connection is by giving insight into the true cost of care. Armed with clear, accurate information about how much they will need to pay, healthcare consumers can better plan for paying for their medical needs—especially if providers quickly supply information about payment plan options. This in turn will also help reduce a hospital's bad debt or charity write-offs.

With these and other advantages of self-service price calculators, hospitals need not fear the advent of pricing transparency. Instead, they should embrace their role in equipping healthcare consumers with a tool that helps them manage the financial end of receiving care. For many patients, this will hasten their resolve to seek such care instead of putting it off any longer.
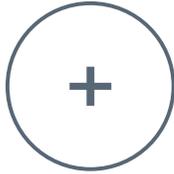
As the increase in collections show, supplying patients with pricing estimates and payment plan options help them pay their medical bills.

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1 http://kff.org/health-costs/press-release/new-kaisernew-york-times-survey-finds-one-in-five-working-age-americans-with-health-insurance-report-problems-paying-medical-bills/
2 http://www.recondotech.com/wp-content/uploads/2015/06/Recondo_Carolinas_CaseStudy.pdf
3 As of 2014, according to the "Report Card on State Price Transparency Laws" published by Catalyst for Payment Reform.
4 http://www.marketplace.org/2015/12/02/health-care/supreme-court-takes-healthcare-price-transparency
5 https://www.hfma.org/Content.aspx?id=43627
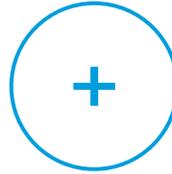
EXPLORE OUR ALL-IN-ONE PLATFORM

Patient Financial Clearance

Verify insurance coverage to reduce claim rejections and denials

Revenue Integrity

Find missing charges and capture revenue you're due

Claim Management

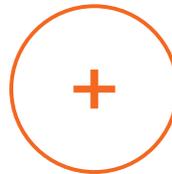Automatically submit and track claims, and reduce AR days with intelligence-driven workflows

Denial Management

Prevent denials and automate appeals

Patient Financial Experience

Collect patient payments, determine propensity to pay and improve the patient experience

Agency Management

Get insights into outsourced agency effectiveness

Patient Insights

Use data on broad factors that influence health to improve clinical outcomes

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ABOUT WAYSTAR

Waystar simplifies and unifies the healthcare revenue cycle with innovative, cloud-based technology. Together, our technology, data and client support streamline workflows and improve financials for our clients, so they can focus on their patients.