

Price Transparency: What Board Members Need to Know

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Although concern about healthcare prices is not new, interest has exploded in the last two years. In 2013, *Forbes* chose price transparency as the healthcare story of the year, trumping the launch of the Affordable Care Act's health insurance marketplaces.

Consumers have been voicing their frustrations on social media, including the public Facebook group "Paying Till It Hurts," hosted by *New York Times* medical correspondent Elisabeth Rosenthal.

Under the Affordable Care Act, hospitals and health systems are now required to disclose chargemaster prices, but compliance does little to achieve meaningful price transparency; the chargemaster doesn't reflect the prices consumers actually pay. How much more should healthcare organizations be doing? Debates on this topic are making for spirited discussions in hospital boardrooms across the nation. As you consider your organization's approach to price transparency, keep the following framework in mind.



Price Transparency Is Not a Fad

With the increasing prevalence of high-deductible health plans, consumers are paying for a growing share of their healthcare expenses out of pocket. At the same time, healthcare is taking a bigger bite out of their paychecks because the gap between deductibles and wages is growing. Since 2006, wages have grown 23 percent while deductibles for single coverage have risen 108 percent.¹ There is widespread agreement that this shift is unlikely to reverse. Given that consumers have more "skin in the game," it's entirely reasonable that they want to know what they will be expected to pay for healthcare services. And the demand for price transparency today is just the tip of the iceberg. According to a study by the nonpartisan group Public Agenda, 57 percent of insured Americans (and 47 percent of the uninsured) are not even aware that physicians might actually charge different prices for the same services. It's noteworthy that those with higher deductibles are more likely to have sought price information: 74 percent of those with deductibles over \$3,000 have tried to find price information before getting care, as compared with 48 percent of those with no deductible.²

Improving Price Transparency Offers Opportunities—Not Just Risks

In informal discussions with CEOs recently, it became clear to me that the risks associated with price transparency were top of mind for them. Some are concerned about the impact of greater transparency on their contract negotiations with payers. Others realize that their pricing structures are not transparency ready. And some are focusing on the logistical and technical challenges

- 1 Drew Altman, "Why Low Growth in Health Costs Still Stings," *The Wall Street Journal*, April 8, 2015 (available at <http://blogs.wsj.com/washwire/2015/04/08/why-low-growth-in-health-costs-still-stings/>).
- 2 Public Agenda, *How Much Will It Cost? How Americans Use Prices in Health Care*, March 2015 (available at www.publicagenda.org/pages/how-much-will-it-cost).

Key Board Takeaways

Healthcare consumers have become increasingly interested in the price of their care. As board members are thinking about their hospital/health system's approach to price transparency, they should keep this in mind:

- Price transparency is not a fad. It is being fueled by the shift toward greater cost sharing with consumers, a trend which is likely to continue.
- Although the industry tends to focus on the risks and challenges associated with price transparency, there are opportunities as well, including improving patient satisfaction, maintaining community trust, and leveraging efforts to improve costing and pricing capabilities in preparation for value-based payment.
- Collaboration with health plans and physicians is essential to improving price transparency—no one stakeholder group can do it alone.
- Don't let the magnitude of the task deter you. Start small, but start.

of providing accurate, timely price estimates. These are all valid concerns, but the opportunities associated with improving price transparency tend to be overlooked—and an understanding of those opportunities can make dealing with the challenges more worthwhile.

First, improving price transparency can strengthen community trust and patient loyalty. The financial experience is generally recognized as a potential dissatisfier but rarely as a contributor to overall patient satisfaction. Yet there is evidence to support a business case. For example, a benchmarking study Healthcare Financial Management Association (HFMA) conducted in 2012 found that 80 percent of patients at hospitals with high-performing patient financial services departments would "definitely recommend" their hospitals, while only 71 percent of patients at hospitals with "average" patient financial services operations would do so. In a time when patient or customer experiences routinely

circle the globe on social media, the value of creating good financial experiences is amplified. Making it easier to get price information is an important element of a good experience.³ Second, many hospitals and health systems are delving into costing and pricing as they prepare for contracting under value-based payment models. There are opportunities to leverage the synergies between transparency and value-related costing and pricing analysis efforts.

Hospitals Are Not in This Alone

Collaboration is the watchword of the new era, and that's especially true when it comes to improving transparency. What consumers pay out of pocket is largely governed by their benefit plan design and by individuals' progress toward meeting their deductibles. Health plans are in the best position to have this information. That's why a multi-organizational task force convened by HFMA last year recommended that health plans take the lead in providing price information to their members.⁴ Of course, health plans can also help consumers comparison shop; hospitals and health systems don't have information about competitors' prices. Healthcare organizations should ensure that health plans have accurate and up-to-date information to give their members. From a community relations standpoint, being proactive about price transparency makes sense for hospitals even when health plans are the primary conduit for price information. In today's consumer-driven environment, a commitment to price transparency is essential to maintaining community trust. (It's important to note that price information should always be paired with quality information so consumers can assess the value of what they're purchasing.) The task force also recommended that hospitals and health systems serve as the primary source of price information for consumers who are

uninsured and for those who are seeking services out of network.

Physicians Will Take Their Cues from Hospitals

Physician thought leaders like Neel Shah, M.D., Founder of Costs of Care, and the Duke Oncologist Yousuf Zafar, M.D., have drawn attention to the negative effects that high medical costs can have on patients. Dr. Zafar recently told a journalist, "If we want to have an informed discussion with patients, we need to consider the benefits, the physical toxicity, and the financial toxicity of treatment."⁵ Long-standing attitudes that equate discussing costs with rationing or denial of care are changing—among both physicians and consumers. In a recent *New York Times* survey, 80 percent of consumers said that their doctor should discuss the cost of recommended medical treatment with them ahead of time.⁶ As the gatekeepers of price information, hospitals are the linchpin in the transparency equation. If hospitals and health systems don't facilitate physician access, they are not only signaling their attitude toward transparency; they are putting up roadblocks to achieving it.

In conclusion, don't let the perfect be the enemy of the good. There are thousands of items on the average hospital chargemaster. The prospect of overhauling it can be daunting. But the chargemaster need not be your starting point. It makes sense to focus your initial efforts on your hospital's most frequently performed procedures. For example, in March, Seattle's Virginia Mason Medical Center began posting estimated prices for its 100 most common outpatient surgical procedures online.⁷ This is not a new approach; Michigan-based Spectrum Health has posted average prices for its 200 most commonly done medical procedures since 2009. But until recently, this approach has been slow to diffuse through the industry. If you start now, there is still time to be in the vanguard for price transparency. ●

The Governance Institute thanks Joseph J. Fifer, FHFMA, CPA, President and CEO, Healthcare Financial Management Association, for contributing this article. He can be reached at jfifer@hfma.org.



3 HFMA has developed best practices for financial communications to help hospitals and health systems improve the financial experience for their patients. See Healthcare Financial Management Association, "Best Practices for Patient Financial Communications" (available at www.hfma.org/communications).

4 Healthcare Financial Management Association, *Price Transparency in Health Care: Report from the HFMA Price Transparency Task Force*, 2014 (available at www.hfma.org/transparency).

5 Timothy Gower, "Should Doctors Consider Medical Costs?" *Boston Globe*, April 13, 2014 (available at www.bostonglobe.com/ideas/2014/04/12/should-doctors-consider-medical-costs/GPJM-1h30qtz6zpfzrxQGoL/story.html).

6 Elisabeth Rosenthal, "How the High Cost of Medical Care Is Affecting Americans," *The New York Times*, December 18, 2014.

7 Anthony Brino, "Virginia Mason Medical Center Embraces Price Transparency," *Healthcare Finance*, April 6, 2015 (available at www.healthcarefinancenews.com/news/virginia-mason-tries-embrace-price-transparency).