

The 'Ouch' Factor of Billing and Payment



Executive Summary

Consistent with NRC Health's call for health organizations to take a broad view of experience, this nSight focuses on the financial experience in healthcare. While the billing and payment process is not under the direct control of patient experience leaders, confusion around the process has a direct, detrimental effect on the overall perception of care. When this is seen through the lens of Human Understanding – understanding and addressing what matters to each person – there is no question that financial experience and patient experience are intertwined. This nSight highlights 4 key points:

1. It is important for experience leaders to understand the difference between cost, charges, and reimbursement at a conceptual level and to consider how communication about these aspects affects patients at a practical level.
2. Only 36% of healthcare consumers believe that hospitals and health systems are upfront and transparent about the prices of healthcare services they provide.
3. While patients most often characterize the billing experience as 'neutral,' a significant proportion of people report that their most recent billing experience was negative.
4. Negative experiences with the billing and payment process very clearly neutralize or invert positive care experiences, resulting in a poor overall perception of care.

“The red tape with billing – cannot get my insurance processed correctly, cannot get a callback – is unacceptable.”

- Patient



Cost, charges, and reimbursement

The fact that these terms – cost, charges, and reimbursement – are often used interchangeably by people working in healthcare only adds to the confusion around billing and payment. Beyond definitions, in failing to grasp the practical difference between cost, charges, and reimbursement, healthcare professionals inadvertently add to the ‘ouch’ factor for patients trying to navigate the financial experience. It is essential that experience leaders understand the basic conceptual differences so they can engage in informed and productive conversations with colleagues, patients, and their families:

- **Cost** is just that: what it actually costs to provide a healthcare service. While this sounds simple, [“there is an almost complete lack of understanding of how much it costs to deliver patient care, much less how those costs compare with the outcomes achieved.”](#)
- **Charges**, which are rarely a direct extension of cost, are the price set by healthcare organizations for the goods and services they provide. Payors (i.e., health insurance plans) negotiate payments based on charges for care provided by a health organization.
- **Reimbursement** is the payment made for those goods and services, largely by a payor if the patient has health insurance. People with insurance may have a *deductible* that has to be reached before insurance begins to pay, *coinsurance* to cover a percentage of the negotiated charge, and a *copay* in the form of a fixed amount for certain services.



“A common complaint about the financial experience stems from a confusing disconnect between charges and reimbursement. This leads to unnecessary frustration and anxiety for patients, family members, and call-center billing staff.”

–Michael Goldberg, MBA MS
Founder, The Walkalongside Leader
Former Executive Director, Long Island Jewish Hospital



As shown in the word cloud below – derived from billing and payment-related comments left by patients who were not likely to recommend the service line or care setting – the front desk stands out as a critical part of the billing experience. Accordingly, many experience-improvement efforts focus on enhancing the courtesy and respect of front-desk staff. While this is essential, the staff must also be familiar with the concepts of costs, charges, and reimbursement, so they can be confident and helpful when talking to patients. Moreover, it is important to note that patients are not likely to use the term ‘revenue cycle’ in their comments, but terms like ‘billing office’ do appear in the word cloud. Revenue cycle teams, who are well aware of the concepts and associated challenges, can help patients and call-center staff navigate the billing and payment process.



Bi-gram word cloud derived from billing and payment-related comments by patients not giving a 9 or 10 response to the Likelihood-to-Recommend (NPS) question specific to their service line or care setting (n = 12,868)

Price sensitivity and transparency

Consumerism is expanding in several levels in healthcare, and price sensitivity is one of them. As more people adopt high-deductible health plans, they are more likely to shop around for the best value when they need care. While each hospital operating in the U.S. is now required to “[provide clear, accessible pricing information online about the items and services](#),” it’s fair to say that ‘clear’ and ‘accessible’ are in the eye of the beholder. It is possible to download a spreadsheet with more than 100,000 rows listing procedure or item, DRG or CPT code, standard charges, and negotiated charges...but is it useful from the patient’s perspective?

There is hope that pricing information will become more clear and accessible over time, but hope is not a strategy. Experience leaders could help advance this work by encouraging co-design with patients. It is also important for experience leaders to be aware of the [No Surprises Act](#), which went into effect in January 2022 and is intended to protect people from unexpected medical bills, whether or not they have health insurance. In addition, the [Promoting Access to Treatments and Increasing Extremely Needed Transparency \(PATIENT\) Act of 2023](#) is a bipartisan bill that was introduced in May 2023 to expand price-transparency requirements.

The billing and payment experience

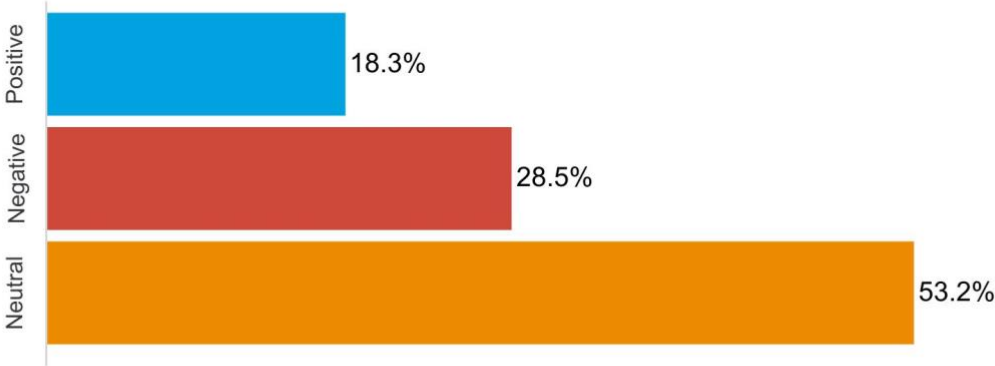
Given the focus on price transparency, it is sobering that our recent national research on the financial experience – conducted via [NRC Health's Market Insights](#), the leading online, syndicated study of healthcare consumers in the U.S.– found that **only 36% of the survey's 38,331 participants believe that hospitals and health systems are upfront and transparent about the prices of healthcare services they provide.**

Our national data also showed that, while the billing experience is most often characterized by patients as 'neutral,' a significant proportion of the people in our sample saw their most recent billing experience as negative. To take a deeper look at how the financial experience affects the overall perception of care, we asked participants to consider the following scenario:

Imagine you had a positive care experience, but then you have a bad experience with the billing and payment process. How would the billing process impact your overall perception of care?

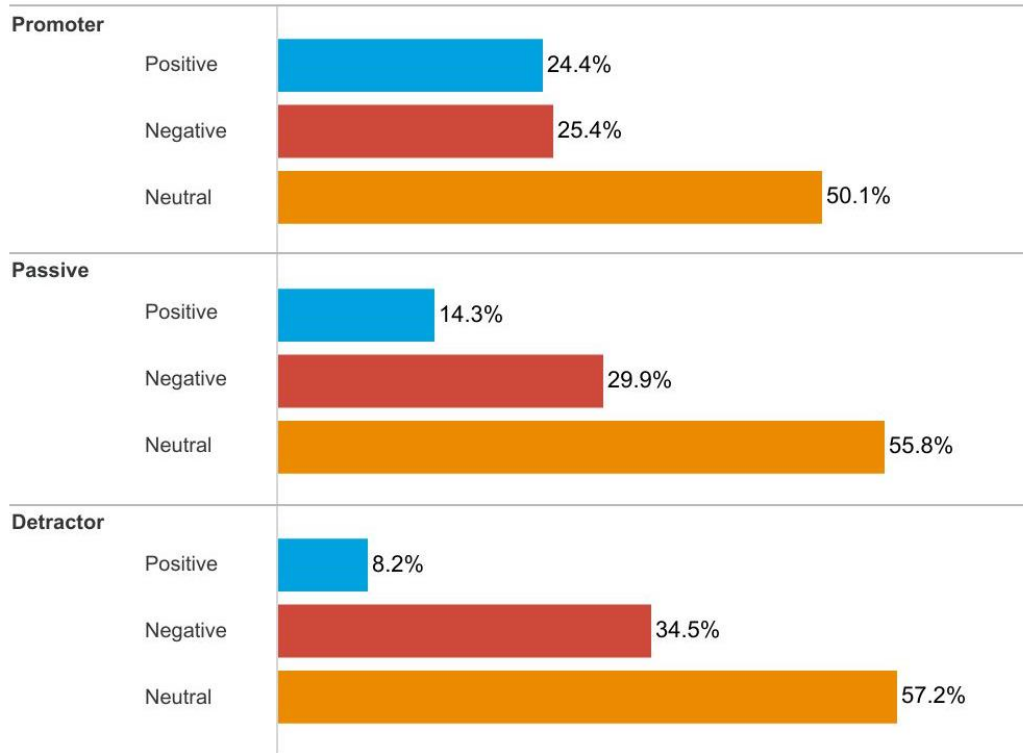
We found that negative experiences with the billing and payment process very clearly neutralize or invert positive care experiences. More specifically, only 18% of patients who had a good care experience would come away with a positive overall perception of care if they had a bad experience with the billing and payment process.

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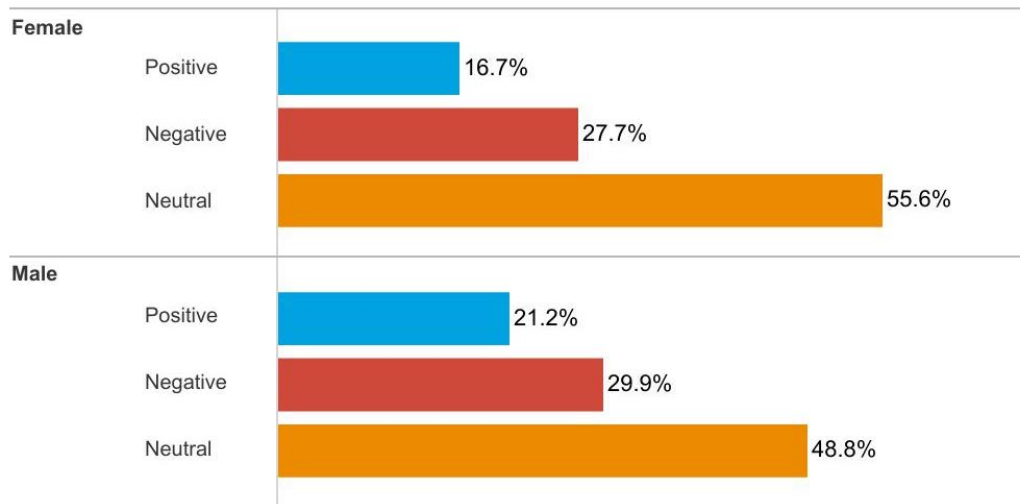
That figure, in and of itself, demonstrates the importance of addressing the fragmentation and frustration associated with billing and payment. Going a step further and dividing the sample into people who were in the Net Promoter Score categories of Promoter, Passive, and Detractor reveals another powerful pattern: A bad billing or payment experience turns off more than 75% of Promoters. The effect is more pronounced for Passives and even more so for Detractors.

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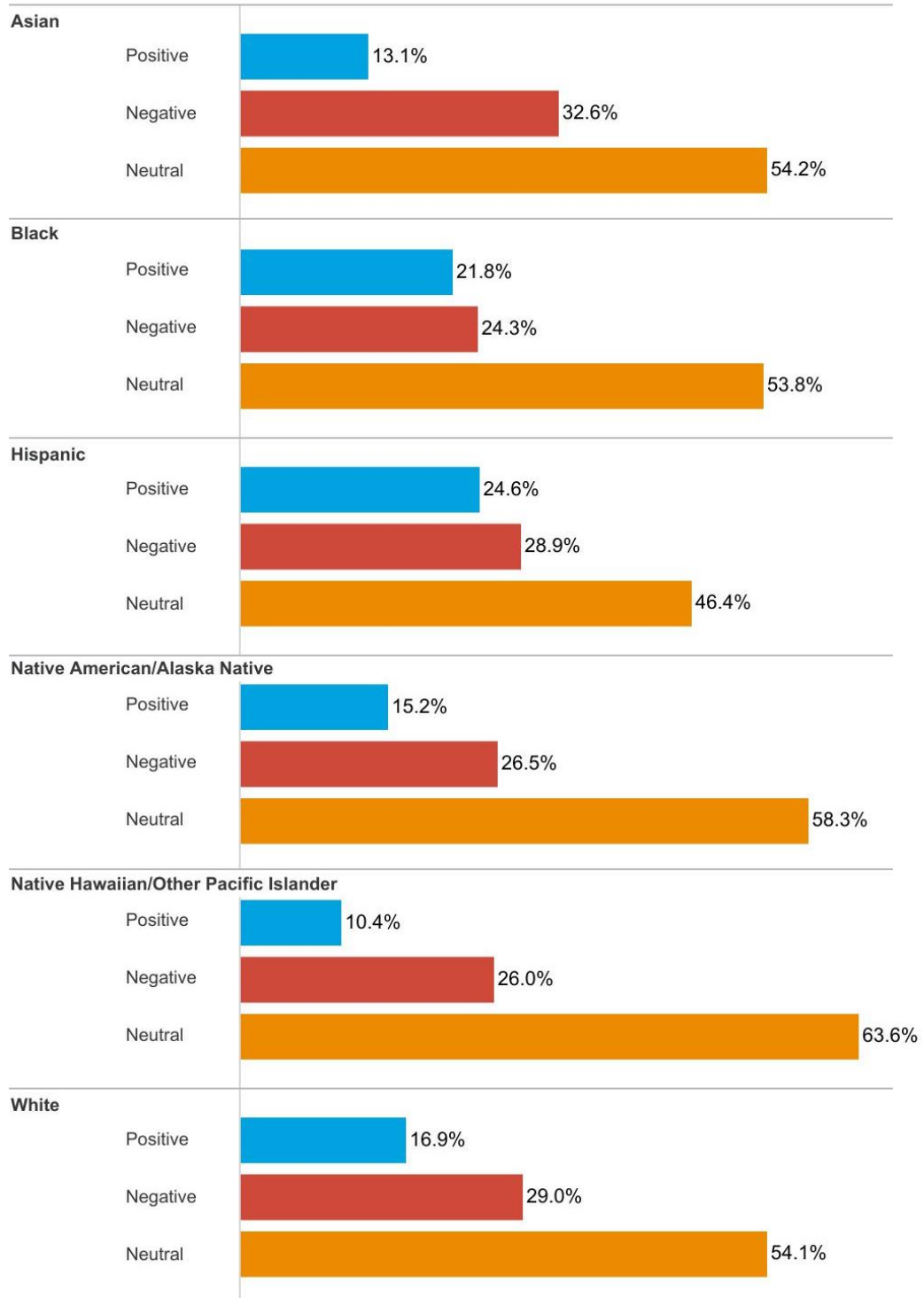
It is also important to look at how the billing and payment process is perceived across demographic groups. For instance, the impact of a bad financial experience is greater on females than on males. Given that females tend to be more engaged in healthcare, this finding is an important warning signal.

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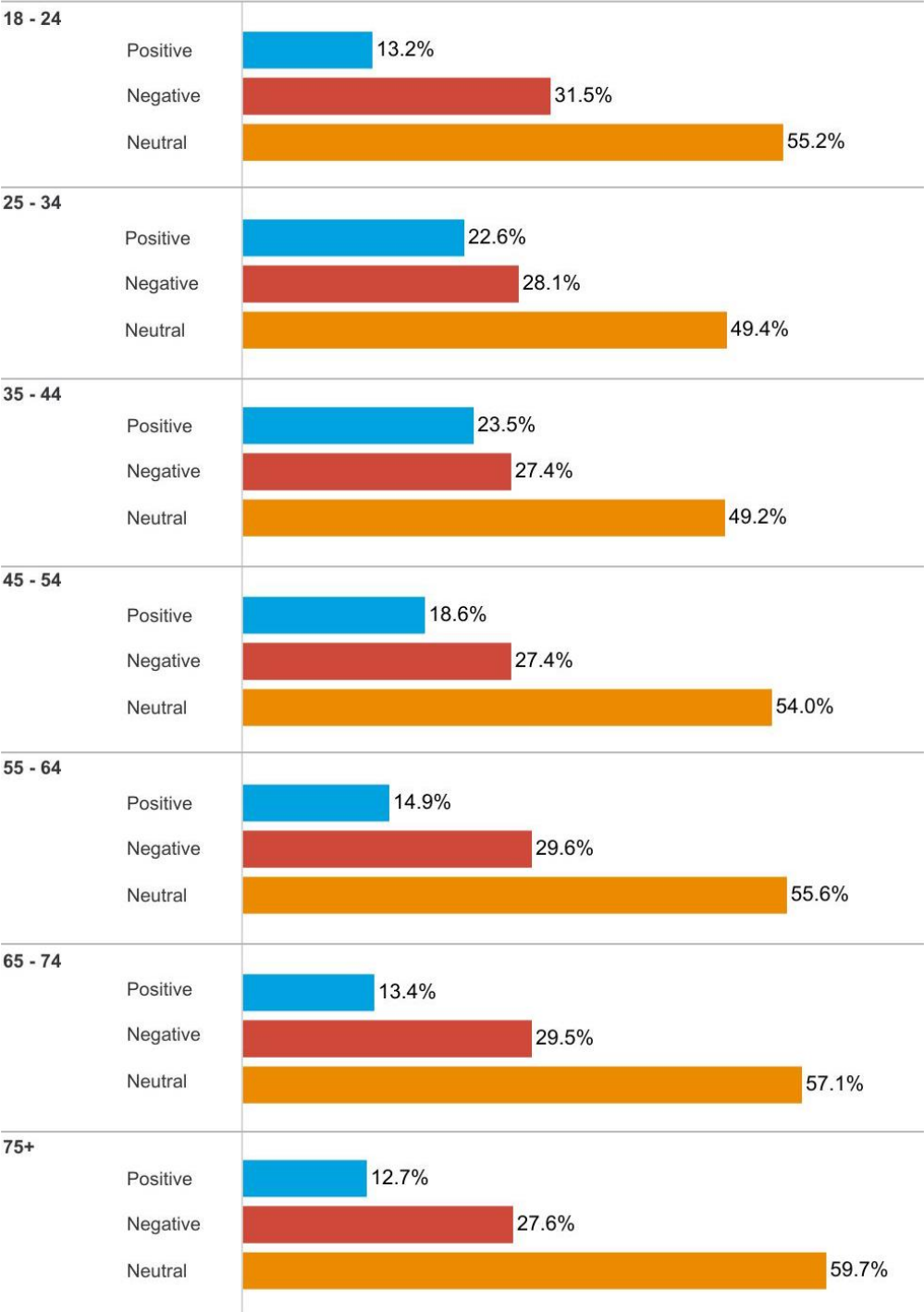
In terms of race/ethnicity, the impact of a bad financial experience on people identifying as Asian, White, Native American/Alaska Native, or Native Hawaiian/Pacific Islander (low sample size) is greater than that on those identifying as Black or Hispanic. The key is to provide information that is relevant and understandable to each person.

Imagine you had a positive care experience, but then you have a bad experience with the billing and payment process. How would the billing process impact your overall perception of care?



When it comes to age, a bad billing and payment experience is especially detrimental for people aged 18-24, who may have no affinity for any particular health organization, as well as for people aged 65 and older, many of whom may be on a fixed income.

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Comments tell the story

It wasn't easy to find a positive comment related to billing, but imagine how the overall experience feels when someone can say this about billing and payment:

- “ Love the pre-check-in and payment online. Love the ease of scheduling and the asking questions that get resolved quickly online.

Instead of things like this:

- “ Doctor excellent. Your billing departments are a mess.
- “ 'We don't know how much your visit costs and you cannot pay your bill, it is unacceptable. Especially when your website advertises 'same day payment discount.'
- “ I am terrified of the bills I'm going to get. My experience was good - but my survey responses would probably be different if I answered after I get the bills. I wish it wasn't the case, but I wish the staff understood what things cost and were able to help manage patient cost as part of managing patient care.
- “ I think the management, billing, and bookkeeping system is a horror. So, that's not a medical issue, that's an organizational/billing issue.
- “ The method of billing, i.e., different account numbers, and separate bills for each visit, SUCKS.
- “ I'm happy with my healthcare. But the red tape with billing -- cannot get my insurance processed correctly, cannot get a callback -- is unacceptable. As each of my doctors retires, I will leave for another group.

Bottom Line

The billing and payment experience is part of the overall patient experience. Our data clearly reinforces this point and illustrates that leaders who treat the financial experience as outside their purview do so at their own peril. There is no upside to thinking in silos or reckoning that the billing and payment process doesn't impact experience because people complete surveys before getting the bill. While experience leaders can't change cost, charges, or reimbursement, they can have a very important and positive impact on communication and education about billing and payment. NRC Health helps pinpoint areas for improvement and facilitates human-centered design work that amplifies the voice of healthcare consumers and patients to improve the process. Health organizations that make realistic efforts to provide truly clear and accessible pricing information – ideally in concert with payors – are taking a broad view of experience that will benefit their patients. And their reputation.

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