

# HIT Think : Why consumers will expect price transparency

By Jay Deady | Published by *Health Data Management*, June 15 2016

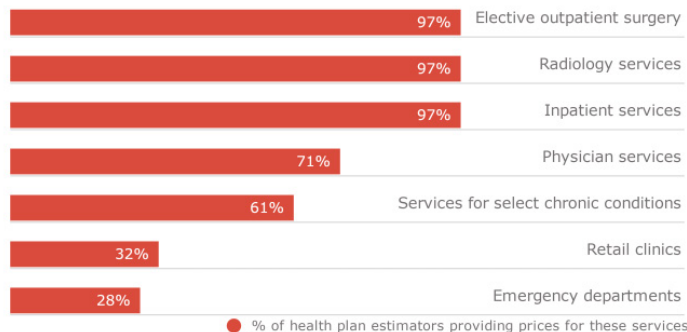
A recent JAMA study of employer-provided healthcare price transparency completely upends the widespread belief that consumer insight into cost will help reduce our nation's healthcare bill.

Instead, the study found, employers failed to save any money at all by directing employees to an insurer-provided price calculator. What's more, some employees may have actually chosen higher cost options by correlating them with higher quality of care.

Whether this single study disproves a long-held theory, it merits pointing out that hospitals and health systems have a very different interest in providing price transparency directly to patients. Unlike employers, whose primary interest is in keeping costs down, providers see price transparency as a means to collect faster payment from patients who are better prepared to make financial decisions by knowing their true out-of-pocket cost in advance of service. This is a critical strategy to mitigate the bad debt that's accelerating with the rise in high-deductible insurance plans.

## Estimator price coverage is spotty

Variations exist in the types of costs consumers can study



Source: Study published in the American Journal of Managed Care, 2014

Providers also view price transparency as a competitive differentiator that gives healthcare consumers additional criteria—beyond cost—for evaluating which providers offer the most value. For today's healthcare consumer burdened with more financial responsibility of care, this evaluation increasingly includes quick and clear insight into the true cost of care. With that, how exactly are providers making such a convenience available to these consumers?

Large numbers of patients remain confused about how much they'll end up paying out of pocket for hospital services, a problem unheard of in other industries. Accordingly, various solutions have been put forward by insurers and other entities, but typically only give consumers national or regional cost averages of different procedures.

New ways of merging disparate data sources, however, enable providers to make online calculators directly accessible from their

websites. These calculators generate unprecedentedly accurate estimates, based on the healthcare consumer's unique and current levels of coverage.

The process is simple—the consumer inputs a handful of data elements such as name, insurance plan number, and a few other demographics (thus, the term “self-service”), and within 10 to 45 seconds, a complete and accurate estimate appears. As for the technology powering these estimates, it's a bit of a mix of familiar and newer tech.

Standard electronic data interface transactions, for example, automate the process of querying payer websites for benefit level information. When this information is returned, it is then merged with the provider organization's charge master list and contracted rates with payers to generate an estimate for the consumer. The charge master and payer rate data is typically extracted from different backend information systems and needs to stay current.

What's newer from a technology standpoint is the application of analytics to assure that estimates recognize different payer reimbursement quirks. A continuous learning loop process compares estimates with previously adjudicated claims to spot reimbursement variances among different payers, such as one payer's propensity to use a different code than other payers use for the same procedure. When such variances are flagged, they are used to implement new rules which further improve accuracy of estimates.

Making estimates available on hospital portals, using the hospital's own contracted prices for procedures and the consumer's own levels of coverage, enables faster upfront payments—an essential need in today's high deductible, high-debt climate. But other benefits abound with self-service price transparency. For one, it sets up new possibilities for payment assistance plans, from financial counseling to zero interest loans that pay for procedures and reduce bad debt. At any point in the estimate process, consumers can be prompted to learn more about such available programs. Self-service calculators also cement customer loyalty by making the whole pricing and insurance process clearer—much like any other online retail experience.

And at this juncture, offering self-service payment calculators still gives hospitals a competitive marketing tool for wooing more healthcare consumers. But with no end to the high deductible trend in sight, and with public calls for price transparency only amplifying, self-service price estimates are a convenience that healthcare consumers will soon expect all providers to offer.

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