Hospital Prices in the News: 10 Tips

Poor communication on pricing can undermine patient loyalty and community support. The recent Modern Healthcare article “Stricter Chargemaster Regulations Needed to Rein in Healthcare Pricing” may have already caused ripples in the boardroom. It’s important to know what the press is saying, and communicate proactively about your pricing and charge policies.

Even before the 2013 New York Times’ “Bitter Pill” article, hospitals have faced increasing challenges to their prices. Revenue Cycle teams and Hospital Executives need a clear understanding of their organization’s pricing policies, and a strategy to address the scrutiny of the press. It’s time to ask – “Are we prepared to explain (and possibly defend) our pricing?”

We’ve developed several common-sense suggestions for hospital pricing challenges in today’s climate of price sensitivity. We reference quotes from the Modern Healthcare article noted above to highlight incorrect assumptions that your team may face.

#1 Select appropriate benchmarks to define what’s “reasonable”

The terms “fair and customary price” and other similar rate calculations are an industry-wide hot topic. It’s easy for the general public to immediately assume health care prices are outrageous when the “Usual, Customary, and Reasonable” (UCR) rates on their insurance bill are significantly lower than what the provider charged. Patients typically don’t ask how insurance companies come up with these controversial rates.

Market pricing for a head CT Scan is published in the Outpatient Standard Analytical File (OSAF) and based on 2015 Medicare outpatient claims. A “CT Scan Head or Brain without contrast” was priced at a nationwide median of $1,845; while the California hospital median price was $2,724. Considering the other likely charges such as the ER visit, drugs, supplies, ancillary tests, and other billable items and services, it’s not hard to envision reaching a total bill of $4,875 for a pediatric head injury.

Sometimes, market comparisons aren’t sufficient to justify line item prices. Hospitals need to understand what their services cost, and how acuity, complexity, packaged services, and level of care can impact total billed charges. Knowing whether prices may be above or below the market is helpful; but defending your prices as “reasonable” is a much greater challenge.
#2 Understand your state’s regulations

The patient advocate goes on to say “Many states don’t regulate the itemized lists of procedure charges, which has led to increasing healthcare costs and drastic variations in procedure prices.”

It’s true that not all states have regulations affecting hospital charge data. The National Conference of State Legislatures lists the 28 states with laws on hospital pricing. However, published price lists and rate controls are two vastly different approaches to hospital pricing transparency. Here is the website that your team will want to monitor: [NCSL.org](http://ncsl.org)

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#3 Establish internal and external messaging on prices

Hospital pricing is a PR topic in communities nationwide. Every executive team needs decide how to address their rates either privately as questions occur or publicly.

Ensure that your Board and hospital leadership understand how procedure prices are established, evaluated, and updated. A blend of data points including costs, reimbursement, and competitive rates can be used to help confirm prices. Some look deeper, using relative value work units, payer contracts, commercial insurance fee schedules, and other data.

#4 Decide whether help is needed to defend pricing

A growing number of organizations use software products or consulting help to analyze prices. While strategic pricing updates may be the goal, it’s still possible to use similar metrics to ensure pricing is reasonable and to spot anomalies.

After an in-depth analysis of pricing, most hospitals can easily use Charge Master tools to monitor market, relative values, payment rates, and other data important to long term pricing support.

#5 Avoid the impression that pricing is secret

The Modern Healthcare article refers to the Charge Master by saying “Hospitals use the documents—which are kept in relative secrecy—to negotiate with third-party payers and generate revenue, often at the expense of the uninsured and out-of-network patients.”

The portrayal that the CDM is “kept in relative secrecy” may need to be addressed if files aren’t published by your state. Its itemized nature makes forecasts of final billed charges quite difficult. However many organizations publish frequent procedure prices or use pricing estimator tools so patients understand their out of pocket costs.
#6 Identify all public websites displaying your hospital’s pricing

Hospital prices may be controlled or published by individual states. However, the requirements vary dramatically. Consider the difference between California’s OSHPD site and Montana’s Price Point. As hospital prices become more public, providers will need a proactive, strategic and defensible plan to support the prices they charge. It’s good to know what your patients may be viewing and the data sources used by sites.

#7 Provide in-house orientation to Charge Master and Pricing Strategies

Certain hospital staff may need to explain to patients how their billed charges will occur. Consistent talking points can help avoid confusion. Charge Management education can ensure a consistent strategic approach to charge data, and avoid PR nightmares when employees don’t know what to say about pricing.

Be sure your team understands the hospital’s continued commitment to data accuracy and compliant billing practices. Provide them with a brief overview of pricing data and charge processes so they understand how patients’ billed charges are created.

Staff orientation to Charge Management may also be helpful so they further understand processes. In addition to transmitting prices for items and services, the Charge Master must be maintained with continually-changing coding and payment system data required by national and state law for consistent and compliant reporting of services. The data is, in turn, passed onto an insurance claim for hospital and physician payment following national rules and standards. Your employees should be aware of the hospital’s commitment to ensuring the integrity of the hundreds of thousands of data elements in the Charge Master file. While this isn’t necessarily important for patients, it may be good background for your staff.

#8 Establish your organization’s internal pricing strategy

Profitability in today’s health systems requires a fine balance of quality patient care management and operational efficiencies. Accuracy in payment requires current masterfiles and correct work processes. Maintaining fiscal stability under these strategic objectives is far more complex than simply raising prices. However, pricing updates do typically occur annually and vary in sophistication.

*The author quotes George Nation, professor of law and business at Lehigh University: “A viral upward pressure on chargemasters has led to higher healthcare costs across the board……hospitals have every incentive to keep raising (prices) and no incentive not to.”*

We believe that hospitals do have an incentive to adjust pricing to cost-based models; both for the goal of improved pricing integrity as well as community stewardship. Many hospitals are now looking at pricing more strategically, and actually correcting years of pricing practices that lead to unreasonable charges.

*The article states “Some healthcare executives have been told not to share chargemasters with other hospitals because it could lead to antitrust issues and collusion…Part of the problem is that the chargemasters are not a reflection of the free market”.*
Hospital legal advisors discourage sharing pricing information for concern of any risk of (or potential allegations of) colluding with competitors in a market area to set a price (in other words, “price-fixing”). This is a long-established protocol driven by anti-trust concerns.

Every hospital has a unique strategy for pricing updates. Some quite involved, and others more straightforward. Realize that simple ‘percentage increase’ plans may require more justification in the future.

#9 Be ready to address unrealistic expectations about pricing

The Modern Healthcare article’s author states that “Hospitals should be required to price their services based on Medicare DRG codes, publish the average amount accepted from private insurers, and charge no more than 115% of that average to the uninsured or out-of-network patient”.

The suggestion above would require a complete overhaul of hospital system functionality and pricing methods. A great deal of research and debate would have to occur to agree upon a fair method to prospectively establish hospitals’ market prices. Once agreed on, hospitals would bear the administrative burden of system enhancement costs to support a new pricing methodology.

We believe over the next decade that hospital leaders will need to become advocates for fair, reasonable, and logical hospital prices. Rather than taking a defensive position, hospitals may need to look to their professional associations or industry thought leaders for improving their messaging on pricing.

#10 Prepare for challenges, unrealistic legislative proposals, and negative press

Hospital pricing may face onerous regulations without strong, informed voices at the state and national level. Revenue Cycle leaders should take the first steps to communicate internally on pricing, prepare for questions, and, if needed, plan some level of public relations strategy about pricing.

This starts with understanding the organization’s internal charge data and pricing strategies. Use the suggestions in this article as well as the references we’ve linked on the following page to orient your team to the current public relations climate. With good strategies and access to accurate benchmark data, your organization can communicate proactively about pricing.

Holliday & Associates offers ChargeAssist®, an HFMA Peer Reviewed™ Charge Master pricing, analysis, and resource tool for easily auditing, collaborating, and maintaining Charge Master files. We also provide CDM Coordinator / Team Charge Management Education, and CDM Reviews by our team of credentialed clinical, coding, and technical auditors.

Contact information: (800) 831-3323 ext 4 (Rebecca Hunt) Web Site: http://www.ChargeAssist.com E-mail: info@chargeassist.com

If you have immediate questions or concerns about the materials in this article, feel free to contact Rosemary Holliday at (530) 550-0865 or by e-mail at rholliday@chargeassist.com.
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