NJ HFMA Quarterly Meeting
June 10, 2014

It's a New Dawn, It's a New Day: Price Transparency is the New Way

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TransUnion Healthcare

What to expect today

Then
Where we’ve been.

Now
Where we are – transparency has 3 hats!

Today
What is changing around us? (Now what?)

Next
What if we don’t make a change?
Some Legislative Efforts in Health Care...

- California: Possibly require not-for-profit hospitals to maintain a minimum charity care level of five percent or lose their nonprofit status.

- Connecticut: Considering a bill that would prevent not-for-profit hospitals turning for-profit. Also pursuing laws to increase transparency into healthcare provider billing, specifically into facility fees charged by hospital-owned physicians practices.
  - Michele Sharp, spokeswoman for the Connecticut Hospital Association, said patients should be notified upfront how they will be charged.

- Massachusetts: Act 2012, Chapter 224 – “An act improving the quality of health care and reducing costs through increased transparency, efficiency and innovation.”

- Elsewhere, transparency laws enacted within 34 States¹

- Seen this before?: [http://www.njhospitalpricecompare.com/default.aspx](http://www.njhospitalpricecompare.com/default.aspx)

¹ www.ncsl.org/research/health/transparency-and-disclosure-health-costs.aspx#Legislation

Where do you stand?¹ (Hint: Red = bad)

How do Providers Treat?

**Clinical diagnosis**
- Determine symptoms via questions
- Collect data
  - History
  - Test results
- Deliver treatment plan with education/explanation
  - Wrong treatment or poor education?

Lost time = patient gets worse before getting better!

**Financial diagnosis**
- Determine symptoms via questions & data
  - ID, Insurance Eligibility, Estimation
  - History
  - Financial Information (Bad Debt?)
- Deliver financial plan
  - Wrong treatment without education/explanation?

Lost Time = lost revenue/increased expenses (or - hospital gets worse…)

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The way we were (if you start humming….)

Percentage of the U.S. population without insurance, by states:

**1999–2000**

- 23% or more
- 19%–22.9%
- 14%–18.9%
- Less than 14%

**2005–2006**

Source: Kaiser Foundation
T2 Need a source, Larry.
TransUnion, 2/8/2013
The way we are..

Uninsured among non-elderly 2010-2011
National Average = 18.2%

SOURCE: KCMU/Urban Institute analysis of 2011 and 2012 ASEC Supplement to the CPS (two-year pooled data).

Insured, Single Coverage Workers
Deductible > $1000

SOURCE: TransUnion Healthcare
State by State High Deductible Health Plans

Number of Lives Covered by HSA-Qualified High-Deductible Health Plans, by State, January 2013

Guess What?

- Annual Out-of-Pocket for Families Covered by Employer-Sponsored Insurance = $4,316
- Covered Workers with Deductible >$1,000 = 34%

1Source: The 2012 Employer Health Benefits Survey, the Kaiser Family Foundation and the Health Research and Educational Trust (HRET), September 2012.
**With ACA HIE’s (A-OK?)**

<table>
<thead>
<tr>
<th></th>
<th>Deductible*</th>
<th>Patient Co-Insurance</th>
<th>Patient Out of Pocket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze 1</td>
<td>$4,375</td>
<td>20%</td>
<td>$6,350</td>
</tr>
<tr>
<td>Bronze 2</td>
<td>$3,475</td>
<td>40%</td>
<td>$6,350</td>
</tr>
<tr>
<td>Silver 1</td>
<td>$2,050</td>
<td>20%</td>
<td>$6,350</td>
</tr>
<tr>
<td>Silver 2</td>
<td>$650</td>
<td>40%</td>
<td>$6,350</td>
</tr>
</tbody>
</table>

*Deductible doubled for family!*  

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1Source: Kaiser Family Foundation, April 2012, “Patient Cost-Sharing Under the Affordable Care Act”

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**Shift of financial responsibility**

- Consumer-directed health plans now more popular than HMOs
- Rising patient out-of-pocket costs
- Reduced reimbursements
  - Challenging how healthcare operates
- In conjunction with shifting plan designs, lower reimbursement rates
- Patients are responsible for greater portion of medical costs = increase in bad debt
- Patients are forgoing lucrative elective procedures
- Stagnant revenue growth
Numbers to consider

- 2.5 statements before a patient begins to pay the hospital
- 50% of an insured patients’ balance becomes bad debt
- 90% of an uninsured patients’ balance becomes bad debt

= $60 Billion in bad debt/year


Critical Business Issues: Pre-Service

<table>
<thead>
<tr>
<th>Process</th>
<th>Critical Business Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Clearance – WHY?</td>
<td>Determining the patient’s ability-to-pay and if they qualify for financial assistance is a key driver for increased collections at the POS</td>
</tr>
<tr>
<td></td>
<td>• Self-pay balances continue to rise</td>
</tr>
<tr>
<td></td>
<td>• Traditional collection rates are stagnant or decreasing</td>
</tr>
<tr>
<td></td>
<td>• Macro economic factors (unemployment, etc.) are increasing the need for more effective POS collections</td>
</tr>
<tr>
<td></td>
<td>• Difficulty determining which patients have the ability, capacity and propensity to pay</td>
</tr>
<tr>
<td>Point-of-Service</td>
<td></td>
</tr>
<tr>
<td>Collections</td>
<td></td>
</tr>
<tr>
<td>Charity and Financial Aid Screening – WHY?</td>
<td>Matching uninsured or underinsured patients to the appropriate funding sources is a critical revenue source</td>
</tr>
<tr>
<td></td>
<td>• Numerous programs and requirements</td>
</tr>
<tr>
<td></td>
<td>• Tedious manual processes to qualify and enroll patients into appropriate programs</td>
</tr>
<tr>
<td></td>
<td>• Lack of patient involvement to provide supporting financial information</td>
</tr>
</tbody>
</table>
T1  Need a source for the first bullet, Larry.
TransUnion, 2/8/2013
Critical Business Issues: Post-Service

<table>
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<tr>
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<th>Critical Business Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Re-Verification</td>
<td>Identify Self-Pay Accounts that were Enrolled in Medicaid at the Date of Service – WHY? Recover reimbursements from self-pay accounts that were previously thought to be uninsured</td>
</tr>
<tr>
<td></td>
<td>• Difficulty identifying all Medicaid coverage at registration</td>
</tr>
<tr>
<td></td>
<td>• Lost reimbursements from accounts that will most likely roll to bad debt</td>
</tr>
<tr>
<td></td>
<td>• Identify opportunities for future billing based upon current coverage</td>
</tr>
<tr>
<td>Charity Determination</td>
<td>Discern true charity care from bad debt – WHY? Address IRS 990 Schedule H reporting requirements</td>
</tr>
<tr>
<td></td>
<td>• Accurately report and track charitable giving</td>
</tr>
<tr>
<td></td>
<td>• Lack of patient involvement to provide supporting financial information</td>
</tr>
<tr>
<td></td>
<td>• Inability to identify patients truly in need – resulting in wasted collection efforts</td>
</tr>
<tr>
<td></td>
<td>• Could/Should be Pre-Service, too!</td>
</tr>
</tbody>
</table>

Challenges in 2014 – Déjà Vu all over again

- Rising patient deductibles – at even faster pace
- Higher co-pays
- More patients than ever
  - Newly Insured: “I owe money? But I have insurance!”
  - Always Been Insured: “I owe money? But I have insurance!”
- Insured? Not insured?
  - ACA Premiums Paid? 90 day grace period? (This should be fun.)
- Lower reimbursements
- Bad Debt vs. Charity Care
Transparency vs. Consumerism

• Transparency – Making *meaningful* information available to patients about cost and quality

• Consumerism – A User’s response to transparent information.

• Needed: Data and more Data, oh yeah, and more Data
  – Data = Options = Decisions

HFMA Transparency Guiding Principles

• Should empower patients
• Easy to use, easy to communicate
• Paired with value
• Should provide total price, and what is included
• Requires commitment and active participation of all

More déjà vu…

- “Hospital Strategies for Addressing Out-of-Pocket Expense”
  - HFMA Executive Roundtable, October 2008
- “Reconstructing Hospital Pricing Systems: A Call to Action for Hospital Financial Leaders”
  - HFMA Patient Friendly Billing Project, 2007
  - “Price is important to consumers. Pricing and price transparency are important issues because our current, complicated system reduces public trust.”

And Finally….

- “Consumerism in Healthcare – An Initiative of the Patient Friendly Billing Project
  - HFMA, Summer 2006
    - “Will providers and payers be able to provide meaningful price and quality information to allow consumers to make decisions about healthcare value?”
- Hospital Pricing Transparency
  - American Hospital Association Board of Trustees, April 29, 2006
    - “Goal: Share meaningful information with consumers about the price of their hospital care.”
What causes disappointment?

- "We’re Not for Profit!"
- Manage expectations
- Educate patients
  - How much and why they owe
  - Can they pay? What options do they (and you!) have?
- Define the contract for the encounter
  - Contracts: Offer and acceptance –
- Advocate
  - Transform adversarial relationships post-service to satisfied patients by focusing on them pre-service
- Healthcare payment system – 15% of each dollar¹
  - Retail payment system - 2% of each dollar¹

Nick A. LaCuyer and Shubham Singhal
“We’d Collect at POS, but…”

| Difficulty estimating cost of charges | 55% |
| Constraints related to current technologies | 41% |
| Difficulty gaining internal buy-in to ask for payment at time of service | 28% |
| Difficulty accessing data from payer(s) | 26% |
| Constraints related to staff capabilities | 22% |

Percent indicating "4" or "5" on a 5-point scale where 5 = Extreme Barrier and 1 = No Barrier at All
Source: HFMA's Healthcare Financial Pulse (www hfma.org/pulse)

Education & Credible Estimation

*Credible* estimates include:
- Contractually-based allowable calculations
- *Patient-specific* eligibility benefits
- Any treatment/procedure bias information to incorporate
  (i.e. charges, implants, multiple codes, etc.)
**Success Requirements – “Just What I Needed!”**

- Better information flow from beginning
  - Physician to facility when scheduling
- Better Information from Payers
- Intelligent presentation of Data in an instant
- BOTH patient and provider enter healthcare relationship with eyes wide open

**Juggling chainsaws – It’s “Easy”**

- Simplifying a complicated process for Patients *and* Staff
- Education/Advocacy

![Diagram](image-url)
Outside Expertise

- Single Source or Best in Breed?
  - One Stop Shop
    - Ask questions!
    - Who owns the financial data you are buying?
    - Who maintains, loads contracts?
    - Niche companies need to accept responsibility (one contact!)
  - Technology is changing
    - Seamless data transmission getting better vendors, but may mean separate contacts.

Financial Impact

Point of Service Collections
All Acute Care Facilities

- Price Estimator Implemented
- Incentive Program Implemented
- Process Standardization

POS Revenue vs % of NPR
Financial “Diagnosis” - Recap

• Pieces needed to know your Patient and “treat” efficiently
  – Registration Accuracy
  – Estimation
  – Insurance Eligibility
  – Financial Analysis
  – Charity Assessment
  – Payment Processing
  – Patient Loans
  – Bad Debt Risk

Thanks!

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