

OR business management

Giving patients timely, accurate pricing

What's your price for a colonoscopy?" When a patient calls your hospital for pricing, who takes the call? Will the patient receive a clear answer quickly so he or she will know how much he or she is likely to owe out of pocket?

These calls are increasing as patients become more price sensitive. Many are in health plans with higher deductibles and copays. Uninsured patients may be footing the entire bill.

Giving the patient a clear, timely answer requires careful planning. Simply quoting the hospital's charge isn't the whole story. Patients probably don't care, for example, that your charge for a colonoscopy is \$1,500. They want to know what they will owe after Medicare or their insurance company pays. For example, if the insurance company's negotiated payment is \$1,200, and the patient's copay is 20%, the patient would owe \$240.

Clear answers for patients

When a patient calls St Cloud Hospital in St Cloud, Minnesota, the call is routed to the managed care department. As director of managed care, Kathy Parsons, MHA, MBA, has worked with her team and other departments to develop a smooth process.

"We've educated everyone that they need to work with the managed care area because we understand the contracts," she says. St Cloud has 489 licensed beds, 18 ORs, and a surgical volume of about 14,000 cases annually. St Cloud is featured in the publication *Hospital Strategies for Communicating Price and Quality* from the Healthcare Financial Management Association (www.hfma.org).

Three staff members in the managed care department are trained to take these calls, and they use a similar script.

Say a patient calls wanting an estimate on a surgical procedure. Patients usually know their yearly deductible and copay, typically 20% or 10%.

Parsons e-mails her contact in perioperative services, who looks up the charge in the surgical database and e-mails it back. Parsons then looks up the contract for the patient's health plan to see how much the patient is likely to owe.

"Then we communicate back to the patient," she told *OR Manager* in an interview. "We encourage them to contact their insurance company as well." Patients who do not have insurance and need help are directed to the hospital's charity care program. Patients are informed there may be additional charges if the surgeon does anything different than what was discussed.

To keep a record of patient calls, the managed care department keeps a common spreadsheet with the caller's name, the payer, and the price quoted.

That way, if a patient calls later and says, "You told me the price was X, but it turned out to be Y," the staff can look on the spreadsheet to see what the patient was told. They may find the surgeon performed an additional procedure or a different procedure than planned.

Hospitals need to be sure their payer contracts allow them to speak to patients about how much the hospital will be paid.

"Otherwise, your hands might be tied in communicating with a patient," Parsons cautions. Payers often try to exclude that right from contracts because they don't want hospitals sharing with other organizations what they are being paid.

Parsons makes sure each payer contract includes the right to communicate pricing with patients. In Minnesota, regulations require payers to grant that right. She says she insisted on this right even before the regulations took effect.

"We still have to discuss with the health plans how to make this work and what we would do with the information," she says.

Going to the web

Patients can also visit St Cloud's website for information on pricing, which appears with the hospital's quality measures and patient safety information (www.centracare.com/quality_measures).

The website lists the hospital's charges for 23 common treatments, along with the statewide average. For example, St Cloud's charge for a screening colonoscopy is \$1,134, and the average for all Minnesota hospitals is \$1,710.

(All of the state's hospitals feed electronic claims data to the Minnesota Hospital Association, which determines the statewide averages.)

The website has a general explanation of patient charges and phone numbers to call for pricing information and financial assistance.

According to HFMA, at least 38 states now have laws or pilot programs to promote public reporting of hospital charges.

Close communication needed

Price transparency is a multidisciplinary effort that takes close communication.

"From my standpoint, the most important thing is clear, consistent communication and having individuals identified as resource persons in each area. That helps create a seamless process," says Phil Luitjens, MA, care center director for perioperative services.

Each department has a designated contact person to communicate with the managed care department on pricing information. For surgery, it is the lead surgical scheduling associate.

When a patient calls for pricing on a surgical procedure, the managed care department contacts the lead scheduler, who is trained to search the surgical database for the appropriate charge. Some of the most common procedures for which prices are requested are bariatric surgery, knee arthroscopy, carpal tunnel, hernia repair, breast reconstruction, vasectomy and vasectomy reversal, and elective cosmetic procedures.

When the surgery will involve a specialized item, such as a special type of hernia mesh, Luitjens also involves the clinical resource nurses. They know the cost of the item, which helps give the patient a more accurate estimate.

Updating the chargemaster

Part of accurate pricing is making sure the hospital's charges are appropriate and up to date. Again, this is a collaborative effort.

The surgical chargemaster is reviewed at least annually, says Luitjens. "We remove items we no longer use, make sure charges are appropriate, and make sure all item numbers are accurate so they are flowing through all of the interfaces correctly."

New items such as implants arrive in the OR almost daily, and they need to be added to the chargemaster promptly so they will be reflected in billing. At St Cloud, this process takes only 1 to 2 days.

"Our coordinator of materials management has a close working relationship with our team charge nurses as well as contacts on the managed care side," says Luitjens. The charge and charge number can be created in as little as 1 day so the new item can be used in the OR the next day. The person who creates the charge codes is in the managed care department as well, so she is part of the loop.

Medicare and hospital pricing

When a hospital sets its pricing to be competitive, how does the Medicare cost-to-charge ratio figure in? If a hospital uses its cost-to-charge ratio to set its charges, its charge may be higher than a competitor's.

If a hospital lowers its charges for some procedures and submits these lower

charges to Medicare, and other hospitals do the same, will that eventually cause Medicare payments to be skewed lower?

For most hospitals, which are under prospective payment, “there are not a lot of things that are driven off the cost-to-charge ratio anymore.” Parsons says. That’s different for critical access hospitals, which are paid based on their costs.

“But by and large, when Medicare uses cost-to-charge data, it’s on a national scale, not an individual hospital scale. So it’s not likely to have a big impact, unless you are a cost-based hospital.”

Both Parsons and Luitjens point to the close communication among departments and the spreadsheet of patient calls as important elements that have helped St Cloud move toward a seamless pricing transparency strategy. ❖

—Pat Patterson

St Cloud’s quality, safety and pricing information are at www.centracare.com/hospitals/sch/quality/index.html

Tips on price transparency

Here’s how to ensure patients receive timely, accurate pricing information:

- Coordinate with the managed care department, which knows the payer contracts.
- Keep a spreadsheet to record patient calls and information given.
- Be sure payer contracts include the right to share pricing with patients.
- Be aware of your state’s efforts to promote price transparency.
- Make sure your department has a designated person to communicate with the managed care department on pricing.
- Streamline your process for updating the surgical chargemaster.