

Price transparency: Better business and healthier patients



Price transparency is a critical part of a streamlined and high-quality end-to-end patient experience. Creating a consistent and convenient experience from point-of-care access to payment empowers patients with critical information that allows their care choices to result in better outcomes for everyone.

The rise of the consumer

One of the most significant trends in health care is aligning resources and investments to support a more consumer-centric care model. Empowered by technology, consumers are becoming more informed about and engaged in their care. They are increasingly able to make, in consultation with their families, physicians and others, the decisions that they believe are right for them.

Generally, this is a positive trend. Better informed consumers are taking more control of their health care decisions. It also puts responsibility on their doctors and health systems to not just provide more information, but make sure that it is higher quality, more usable, and easily and readily accessible.

The decisions that consumers make regarding their health care involve many variables and disparate inputs, and the decisions are often not easy to make. Determining their best course of care requires consideration of cost, convenience and value. Costs for similar services can often vary widely, even in the same geographic area, sometimes with little clear rationale for why that might be the case.

According to Deloitte:

- **46%** of consumers are willing to share their medical information with their plans and providers.
 - In seven to 14 years, **60–65%** of consumers will engage virtually for their care and wellness needs.
 - In 14–21 years, **almost 100%** of consumers will be part of a virtual or physical smart health community.¹
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Ongoing challenges

Like many issues, price transparency is much easier in theory than it is in practice. The payer-provider-patient dynamic doesn't always lend itself to a clear understanding of just who is paying exactly what to whom for any particular procedure.

At the same time, other industries are making the customer experience far more user-friendly, transparent and efficient. Financial services, retail and even airlines are creating a more transparent and frictionless customer journey.

There are a variety of challenges that can make it difficult to provide true price transparency for consumers. Jeff Gorke of Forbes identifies the following as being among them.²



Semantics. In an industry that is so large, with so many different components, terms don't always have the same meanings or connotations. Consumers can misinterpret phrases that are part of the health care vernacular. For example, Hospital 1 in your area charges \$5,000 for Procedure A but Hospital 2 charges \$3,000 for the same procedure. Easy choice, right? Not necessarily, because the allowable amounts that the insurance companies agree is fair to the hospital may vary enough that Hospital 2 might not be the lower cost option for the consumer.



Contracts. Market-driven variables can impact contract terms. Hospitals and doctors also negotiate with insurance companies to establish what they will be paid for a particular service. As a result, what the hospital charges may not be the actual cost to the consumer because of the contract variations.



The unexpected. Whether it's an office visit to an internist or an extended hospital stay, changes and additions to treatment protocols can impact the overall cost of a visit. Potential variations in coding can also affect the cost.



Consumer variations. Not only do consumers have coverage from different insurers, different consumers may also have different coverage even from the same insurer. The reimbursement hospitals and doctors receive can vary not just from insurer to insurer, but from plan to plan as well. Also, deductibles and copays can vary widely, affecting a consumer's ultimate out-of-pocket costs.



Cost of care. Commodities are generally easy to price, which makes it easy for the consumer to understand their cost. Health care is not a commodity, so it can be difficult to accurately determine and convey prices because it's not always easy to determine the costs of the inputs to any particular service.

In addition to being more informed, consumers have a greater financial stake in their health care decisions as out-of-pocket expenses continue to increase and HSAs become increasingly popular.

The patient experience begins before their arrival at the hospital or facility. It's important that they understand their responsibilities and the role of their health plan, along with the related copays and deductibles. They should be aware of all their care options and costs, including post-visit care.

An evolving regulatory environment

The rules proposed by the Centers for Medicare & Medicaid Services in November 2019, in conjunction with other federal agencies, provide a new and complex (300+ pages) framework for providers and payers regarding price transparency. The rules are intended to “empower consumers to shop and enable them to compare costs between specific providers before receiving care.”

For effective models, the federal government can look to states that have implemented “Right to Shop” reforms with bipartisan support. According to Forbes, these reforms are effective for three main reasons. First, real prices are disclosed ahead of time for most services — not averages, or the top 100 services, and not just estimated out-of-pocket costs. Second, consumers can compare prices between providers and care locations. Third, consumers are directly rewarded when they pick a high-value option with a “shared savings” check in the mail or a premium reduction for doing so.³

While the rules may well provide a common framework going forward, it is also overdue that providers and payers step forward in the way that other industries have in providing more meaningful price information to consumers.

The Kaufman Hall 2019 State of Consumerism in Healthcare survey reports that, “Health care continues to play catch-up in an online, convenience-obsessed, and increasingly customer-focused world.”⁴ Specifically, the report discusses “the threat of disintermediation,” which has been a notable trend in financial services for years.⁴ It is incumbent on the health care industry to reduce the friction that has traditionally existed in the patient experience. As the report states, “Just over half of hospitals and health systems have developed consumer-centric missions and strategies ... to be successful, organizations must adopt a comprehensive, consumer-driven orientation and culture system-wide.”

The end-to-end patient experience

While price transparency is important, it is a means, not an end. The end is a more efficient and effective end-to-end patient experience. That experience should include the ability to shop for care and understand costs upfront, combined with simple self-service digital tools that allow for scheduling, appointment and payment reminders, easily understood statements and convenient payment options.




According to the Kaufman Hall 2019 State of Consumerism in Healthcare survey⁵

- Only **3%** of respondents demonstrate “high capability” in offering consumers a wide variety of virtual access points.
 - **86%** of providers do not utilize voice-activated assistants, such as Amazon Alexa or Google Home.
 - Just **4%** of respondents demonstrate “high capability” in providing price transparency.
 - Only **8%** of Kaufman Hall survey respondents have resources dedicated to building a consumer-centric infrastructure, while **29%** are “not working on consumer-oriented strategies.”
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Our approach

True price transparency requires accurate, real-time information that empowers consumers and results in more efficient care. Optum360 has developed a patient estimation solution that does just that, and it does it for each patient in less than 10 seconds.

Optum360 derives price estimates based on several factors that ensure accuracy:

-  Service eligibility
-  Real-time payer eligibility
-  Provider fee schedule/contractual charge amount

Real-time eligibility information, not archived data, is the key to delivering practical results that inform patients while increasing point-of-service collections and reducing receivables. In addition, an application programming interface enables interoperability between disparate platforms.

As the leading provider of revenue cycle management technology and services, Optum360 is uniquely positioned to partner with health care providers to enable and empower them to deliver a superior experience for their patients. Whether it's applying services that centralize patient access and scheduling, or leveraging consumer-centric digital strategies, we work with our partners to deliver a next-generation approach. A better patient experience that includes price transparency results in not just more satisfied, loyal and healthier patients, but in stronger and healthier communities and a better health care system for everyone.

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3. Archambault J. Price transparency will deliver real results for patients. *Forbes*. forbes.com/sites/theapothecary/2019/07/12/realresults/#390065ae26e1. July 12, 2019. Accessed March 20, 2020.
4. Crnkovich P, Clarin D, Kingdom G, Duffin R. 2019 State of Consumerism in Healthcare: The Bar is Rising. Kaufman Hall, 2019. Accessed March 20, 2020.
5. Ibid.

Learn how Optum360 can help you deliver price transparency and a better patient experience.

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