

New Virginia Law Seeks to Promote Price Transparency in Healthcare

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The business of healthcare is uniquely different from any other. Consumers of any other business have an idea how much a good or service will cost them before they go to the check-out line. Grocery and department stores clearly mark prices on their products. Mechanics and attorneys provide rates and estimates prior to working on one's car or accepting one's case.

Healthcare is starkly different in price transparency. Medical tests and procedures are ordered for patients without any acknowledgement of cost or what is not covered by the patient's insurance plan. Most patients discover the cost approximately 30 days after the test or procedure. This process leads patients to "sticker shock" and is the basis for comments like "I would not have had that test if I knew it was going to cost that much" or "I should have shopped around to see where I could have gotten the same procedure for less."

The Commonwealth of Virginia has stepped in to promote price transparency. In a unanimous decision, the Virginia General Assembly voted to pass House Bill 905, which took effect on July 1, 2016.¹ This law now requires hospitals to provide patients out-of-pocket cost estimates for elective procedures, tests, and services if the patient or his/her representative requests such an estimate within three days of the scheduled elective appointment.² An out-of-pocket estimate details what the patient is projected to be responsible for after the patient's insurance pays its share of the costs, after any contractual adjustments, and after any hospital discounts; essentially, it is an estimate of the patient's true cost of the appointment.

The complexity of health insurance is common knowledge. Insurance contracts differ from patient to patient and hospital to hospital. Given these differences, insurance creates scenarios where the same \$1,500 MRI may cost three separate patients three different out-of-pocket amounts. Therefore, simply posting prices of common tests and procedures will not reflect what each patient will actually owe.

At first glance, hospital leaders might think that the new law imposes a service the hospital may not be equipped to provide. In some cases, it will require providing information that the hospital has never provided to patients before. However, there are two points to consider that might ease this concern of additional work. First, the new law is patient-centric. The patient or his/her representative must request the estimate. Not every patient will make a request even with the new requirement to provide one should the patient ask for it. Schleifer, Hagelskamp, and Rinehart (2015) found that "56 percent of Americans say they have tried to find out how much they would have to pay out of pocket".³ Statistically speaking, 56 percent is the majority, but that number is likely inflated from the perspective of a hospital. The same study found that patients seek cost information from a variety of sources. In fact, the top four sources patients use are not related to the hospital. The number one source patients use is asking a "friend, relative, or colleague".⁴ The next three sources, in order of most commonly used, are asking a staff member from the doctor's office, checking with their insurance company, or asking the doctor.⁵ When it comes to checking with the hospital, only 34 percent of patients have contacted the billing department.⁶ As a national survey, it is important to note that these percentages may be slightly higher or lower when singling out Virginia, but the national average is likely to be representative of the Virginia average.

The second point to consider is that most healthcare organizations have a partial solution already in place. According to the Healthcare Financial Management Association, the benchmark for verifying insurance benefits for scheduled procedures is at least 95 percent.⁷ Insurance benefits are usually verified before appointments because healthcare services are expensive and it is difficult to collect patient payments after services are rendered and the insurance pays its share, so hospitals must ensure the patient's coverage is active. Thus, the hospital already obtains the patient's deductible, co-insurance, and co-payment responsibilities while verifying coverage. Despite the fact that the hospital collects this benefit information, the problem is that far too often the benefits are not communicated to the patient nor are they managed by the healthcare organization.

The solution to this problem is an investment in technology, not additional full-time equivalents. There are numerous battle-tested software programs and internet-based programs that can manage patient benefit data and convert it into a patient-friendly out-of-pocket cost estimate. These types of technology programs allow organizations to download their chargemaster and payer contracts into the system. The chargemaster data links the hospital charge to a code, usually the Current Procedural Terminology (CPT) code. The financial charge is then compared to the hospital's insurance contracts to determine the appropriate financial charge for each insurance carrier. The electronic system automatically retrieves this data. With this information, any trained user can input the patient's insurance benefits and obtain an accurate out-of-pocket cost estimate that is both patient and facility specific.

Such technology allows healthcare organizations to provide estimates to phone shoppers and can be easily integrated into pre-registration processes. Estimates can be printed out or emailed to patients so they can review them in writing prior to committing to any tests or procedures. The print-outs list procedure costs, associated costs (i.e. supplies, pharmacy, ancillary, implants, etc.), insurance company responsibility, and patient responsibility. Because the systems are electronic, the information can be obtained quickly with only a trivial time investment by staff in each request. Furthermore, their ease of use makes it possible to provide financial estimates to patients who do not even request them, which is a way to improve patient satisfaction for patients who are uncomfortable asking or who are not aware of Virginia's new disclosure law.

These technological solutions are user-friendly and accurate enough that the patient's bill generally resembles the estimate. Patients are given the necessary information to ascertain whether they can afford a test or procedure or if they should shop around. The technology programs are practical tools that comply with the law, promote price transparency, and provide patients with information they take for granted in other businesses.

Hospitals that choose to embrace the new law even have some opportunities to meet other goals. For example, with more financial conversations taking place with patients, hospitals have the opportunity to offer discounts and incentives for early payment. Such opportunities can create corollary benefits like increased upfront collections, decreased days in accounts receivable, decreased bad debt, and increased patient satisfaction in addition to the intended goal of legal compliance.

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References

¹ Va. Code § 32.1-137.05 (2016)

² Va. Code § 32.1-137.05 (2016)

³ Schleifer, David, Hagelskamp, Carolin, and Rinehart, Chloe. “How Much Will it Cost? How Americans Use Prices in Health Care,” A Report by Public Agenda, accessed August 21, 2016, http://www.publicagenda.org/files/HowMuchWillItCost_PublicAgenda_2015.pdf

⁴ Schleifer, David, Hagelskamp, Carolin, and Rinehart, Chloe. “How Much Will it Cost? How Americans Use Prices in Health Care,” A Report by Public Agenda, accessed August 21, 2016, http://www.publicagenda.org/files/HowMuchWillItCost_PublicAgenda_2015.pdf

⁵ Schleifer, David, Hagelskamp, Carolin, and Rinehart, Chloe. “How Much Will it Cost? How Americans Use Prices in Health Care,” A Report by Public Agenda, accessed August 21, 2016, http://www.publicagenda.org/files/HowMuchWillItCost_PublicAgenda_2015.pdf

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⁷ “Self Assessment: Preregistration and Preauthorization,” Healthcare Financial Management Association, accessed August 21, 2016, <http://www.hfma.org/Content.aspx?id=7455>