

## Provider Independence in an Era of Price Scrutiny

In the upcoming decade, pricing transparency will be an unavoidable issue for healthcare providers. As the rate of uninsurance mounts, so will the amount of public and government scrutiny on rising health care costs. Providers need to be prepared as employers, payers, and the government introduce different strategies to maintain or lessen costs (e.g. in the form of health savings accounts, consumer driven plans, CMS payment reform, etc.). Perhaps the most unnerving strategy of cost stabilization is government mandated pricing transparency. Enforced pricing transparency can place a provider's pricing strategy on public display, which, if a provider is not prepared, can have a negative impact on that organization's reputation. Ultimately, finance officials in the healthcare industry must preemptively take the steps necessary to balance between the demand for transparency while maintaining their autonomy and avoiding negative exposure.

### Uninsurance Leading to Pricing Scrutiny:

It is no secret that the level of uninsurance has been spiraling out of control in direct relation to high health care costs. For government officials and uninsured members of the public, pricing transparency has become the way to ensure that hospitals are not pricing irrationally or irresponsibly, which can lead to skyrocketing health care costs. Thirty-two states in the nation, including California, Texas, and Florida have mandated that their hospitals disclose their hospital charging information. Unfortunately, many hospitals in these states are finding themselves being pushed to disclose their prices before they are ready to.

### Patients and Transparency:

The overarching goal of transparency is to allow patients to make wise decisions regarding their personal health, and ultimately cut excess health care costs. Patients can use different methods of transparency to determine which hospital and healthcare service is in their budget. Outpatient surgeries, radiology, and maternity are typically the most cost-sensitive. Because these are low-intensity, standard procedures, patients have more flexibility to shop around for the best prices amongst providers. It is these procedures that a provider should rationalize the pricing for first.

### Provider Report Cards:

Employers are also doing their part in contributing to transparency. Certain large employers have provided their employees with Provider Report Cards, grading nearby providers on cost and quality.

Hospitals must remain vigilant and utilize these reports cards to improve areas where employers have assigned a low ranking. These Provider Report Cards illustrate the outside perception of the organization and can be a very strong tool for hospitals to improve their reputation.

#### Various areas rated in Provider Report Cards:

- ✓ Medication Safety
- ✓ General Safety Effort
- ✓ ICU Physician Staffing
- ✓ Patient Satisfaction Surveys

## Rational Pricing:

Would your hospital be able to comply with mandated pricing transparency while also maintaining its favored reputation? An exposure of irrational pricing can result in hospitals being singled out and deemed as a “high cost” provider. This is detrimental to the image your organization has built.

- ❑ Take preemptive steps to rationalize your organization’s pricing in order to avoid negative scrutiny from outside parties.
  - One way to do this is to create a standard markup over costs. A provider can assign a model markup percentage and apply it to all inpatient procedures and most outpatient procedures. Thus, when a hospital discloses its pricing, it is visibly rational.

## Avoid Revenue Loss:

Internally, to ensure that a shift to rational pricing does not lead to a drop in revenue, hospitals should also:

- ❑ **Revise Contract Language.**
  - Emphasize reimbursement schedules that require a percentage of charges. This reimbursement schedule is more flexible with the swings of the market, while fixed rates are often rigidly impractical as healthcare costs continue to rise.
- ❑ **Create Uniform Contract Discounts.**
  - Preferential treatment of certain payers can create difficult contract negotiations by placing those payers in a position of power. Creating uniform discounts will decrease this issue.

### Tips to creating uniform contract discounts:

- Determine your desired revenue and pick an operation margin goal that will help attain that.
- Factor government costs, bad debts, and charity costs into what the standard margin necessary from each payer would have to be in order to reach the revenue.
- Initialize action by attempting to negotiate this rate with your organization’s largest payer.
- When your larger payers are closer to this ideal operation margin goal, try to achieve this same rate with your smaller payers.

## In Conclusion:

It is important for providers to take the steps towards transparency before being forced to do so. In the long run, pricing transparency will affect patients by allowing them to be the decision makers of their own care. In the hopes that this patient-centric move will decrease healthcare costs, hospitals must be open to taking the steps towards transparency that will ultimately allow them to maintain a firm grasp on their autonomy.

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