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adapting customer service to consumer-directed health care

By implementing new tools that provide greater transparency in billing, hospitals can decrease collection costs while improving consumer satisfaction.

AT A GLANCE

A growing number of hospitals are implementing new tools that provide convenient, more detailed patient access to billing information. These tools are paying off for hospitals through reduced calls to their billing offices, decreased mailing costs, and increased payments, as well as higher rates of customer satisfaction.

"... become a patient, and you enter a world of paperwork so surreal that it belongs in one of Kafka's tales of the triumph of faceless bureaucracies. And although some insurers and hospitals are attempting to streamline and simplify bills, the efforts so far have been piecemeal."

—*"Treated for Illness, Then Lost in Labyrinth of Bills," Katie Hafner, The New York Times, Oct. 13, 2005*

The rise in consumer-directed health plans is shifting an increasing amount of the cost of health care from third-party payers to consumers. These plans, which typically pair a high-deductible insurance policy with a savings account designed to pay the first several thousand dollars of expenses, put the focus on patients to make smarter choices about their care.

Yet as described in an increasing number of media reports like the one above and echoed by industry insiders, consumers face a daunting task when it comes to accessing, understanding, and paying their bills. With government and private insurance traditionally covering approximately 90 percent of medical costs, patients have long been insulated from the true cost of medical procedures, physician fees, and hospital services. Now, this shift in responsibility is beginning to produce not just sticker shock, but outright confusion among patients.

Shifting greater responsibility to patients will create a force we have not previously seen in health care: consumer demand for value in health care, in terms of both quality and price. As a PricewaterhouseCoopers Health Research Institute report noted, "Managed care was designed to put control where there was none. Today's trend toward consumerism attempts to inject something that's been missing from health benefits: a consumer who cares more about cost and quality."^a

For hospitals, the shift in responsibility for payment from third-party payers to consumers increases risk and collection expense. To minimize this risk, providers must begin providing consumers not only with greater levels of information, but also with patient-friendly bills and other tools that allow consumers to quickly access their bills and understand the cost of their care—and pay their share of costs.

Shopping for Value

As more costs and responsibility are shifted to consumers through higher deductibles, copays, and coinsurance amounts, patients will be driven to shop for health care based on both cost and quality.

Today, the actual costs of common medical procedures are often available for consumers to compare between

hospitals and physicians. Meanwhile, health plans such as Aetna, Cigna, Humana, and United are rolling out online pricing tools. Members of these plans living in select cities can see the rates that payers have negotiated with local physicians. Medicare has posted the ranges of what it pays hospitals for 30 common procedures and treatments

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in what is expected to be just the first of a series of disclosures. States and hospital associations are joining in, too, launching web sites that list hospital charges.

The shifting of healthcare costs to consumers is fueling a demand for greater transparency when it comes to healthcare pricing. Medical centers such as **Saint Luke's Health System** in Kansas City, Mo., are providing customers with an estimate of what they can expect their visits to cost. St. Luke's "Price Line" provides more than just retail rates by estimating what a person with a particular insurance coverage can expect to pay.

Consumers also are asking for more tools to understand and manage their own health care. Just as banks and many other consumer-oriented companies are using the Internet to do business with customers, so, too, must

"Many other industries have solved the problem of how to issue a single bill for customized services. A competitive healthcare industry could figure it out, too."

— "Redefining Competition in Healthcare," Michael E. Porter and Elizabeth Olmsted Teisberg, Harvard Business Review, June 2004

a. "Take Care of Yourself: Employers Embrace Consumerism to Control Healthcare Costs," PricewaterhouseCoopers Health Research Institute, 2005.

b. "Opportunities in Providing a Feature-Rich HSA Portal," ConnectYourCare, 2006.

health care. These tools include patient portals, secure online consultations to connect patients with physicians, personal emergency response/alert systems, telephone triage, and greater focus on prevention, home medication dispensing, and dosage tracking.^b

A number of forces beyond customer service are pushing healthcare providers toward more transparent and patient-friendly tools and practices. The **PATIENT FRIENDLY BILLING®** project, a national, cross-industry initiative led by HFMA to improve hospitals' and physicians' financial communications with patients, has already led many hospitals toward the development of clear, concise, and correct financial communications with patients. The most recent Patient Friendly Billing report, *Consumerism in Health Care*, provides tools and strategies providers can use for meaningful price transparency and other aspects of consumerism.

The landscape of healthcare financing is changing as fewer premium dollars are being collected, creating new opportunities for banks and financial services firms that will become the custodians of consumer healthcare funds and process transactions. This trend is reflected in health plans such as Blue Cross/Blue Shield, United, and others that are already beginning to form their own banks to manage health savings accounts.

Keys to Successful Consumer Relations

For the average hospital, just thinking of patients as consumers represents a significant shift from the traditional model of treating them as individuals whose bills are paid for by someone else. Today, successful consumer relations are nearly as important as the quality and value of care that a hospital provides.

The primary keys to successful consumer communications can be found in five areas. For engaged and savvy consumers, these keys represent a

toolkit—a consumer wish list, if you will—that they can effectively use to understand and pay for their share of healthcare costs.

Provide online, up-to-date business office access.

Cedars-Sinai Medical Center in Los Angeles is providing online access for patients to manage account-related activities and information. After going to the hospital's web site (www.csmc.edu) and logging onto a password-protected screen, a patient can view up-to-date billing information, make changes to personal information, and communicate via e-mail with the hospital's billing office. The patient no longer has to wait for a billing statement to arrive in the mail. Contact with the hospital is accessible "anytime, anywhere" from a personal computer.

Over the past 15 months, Cedars-Sinai has enrolled more than 5,500 patients in the service. While the numbers are small compared with Cedar-Sinai's total patient population, many represent multiple accounts. Hospital officials say the online business office is encouraging patients to make payments faster by offering the convenience of online credit card payments. Upon enrolling in the service, consumers must provide an e-mail address. The system automatically triggers an e-mail notification whenever there is a change in the patient's account balance.

"Online access to patient accounts not only reflects positively on our image, but also drives faster patient payments," says Donell Cohen, senior financial management analyst. In fact, the online business office has generated 20 percent faster payments. Following their online business office deployment in April 2005, Cedars-Sinai collected more than \$1.2 million through online payments. During the earlier, paper-based stage of the project, even as the facility's patient population was growing, customer service saw a 31 percent decrease in patients' financial-related calls. These improvements helped fuel more than \$250,000 in opera-

tional savings during the first year of implementation.

The cost of setting up the system was relatively low—approximately \$20,000—and monthly charges for software and other services are less than \$2,000.

Cedars-Sinai officials say the success of the online business office portal is a

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direct result of extensive marketing by the hospital. Patients are directed to the online tool through notices on paper statements as well as through brochures and information supplied by the patient financial services office.

Eliminate paper statements. Novant Health, one of the largest healthcare providers in North Carolina, is giving its Internet-savvy patients the ability to turn on electronic notices and turn off paper billing statements. Although early focus groups found little interest in online services, later inquiries produced much greater demand for using the Internet to access financial information—even among the hospital's large Medicare population.

"The second set of focus groups was done about nine months later, and we went from 45 percent who thought it would be a good idea to almost 80 per-

cent," said Lesa K. Klepper, central business office director for Novant. "We found that many more of our Medicare-population patients have started embracing the Internet."

Many consumers are even willing to forego receiving a mailed statement in exchange for viewing their accounts online. Over the past year, Novant has found that an average of 250 to 300

new patients per month opt out of receiving paper statements in exchange for online access to their

accounts. Although still a small percentage overall, the numbers have risen in the absence of any kind of broad-based marketing campaign.

By going online, guarantors are able to see all their accounts in one place, at any time. Novant's information portal has helped reduce the time customer service representatives spend talking to callers from 5 minutes to just 2.3 minutes.

Online access to patient bills also has helped foster consumers who not only better understand their bills, but also are more willing to pay them. As a result of the online rollout and an increased focus on patient education, Novant has seen a \$5 million increase in self-pay collections and a 32 percent reduction in net accounts receivable days.

"Hospital bills are the single greatest PR problem for the nation's acute care facilities."

—Pat Hays, FACHE, founding CEO, Sutter Health, and ACHE 2003 Gold Medal Award winner

Consolidate hospital and physician billing data for simple, one-stop access. Saint Luke's Health System is giving its patient base the ability to view both hospital and physician statements online and within one web portal. Consolidating statements from a hospital and its affiliated physician practices has traditionally represented one of the most difficult portions of the campaign for patient-friendly billing. Although paper bills are still sent separately, all of these statements can now be viewed online by switching between screens.

"We have seen quite an increase in people reviewing their accounts online and paying us using the online option, and that has really been key for us," says Diane Watkins, Saint Luke's financial services director.

Provide easy access to education, instructions, and information. Cincinnati Children's Hospital Medical Center is providing guarantors with easy access to information in a bid to help them understand insurance denials, new Medicare programs, and options for the uninsured. The hospital, which provides pediatric healthcare services, has developed monthly billing statements that feature detailed information on insurance denial reasons, explanations of benefits, payment options, and more. Additional information is available online, where patients can "drill down" to detailed explanations of charges (www.cincinnatichildrens.org).

"In general, we are dealing with younger moms and dads who in today's environment are very computer savvy and want to manage their bills online," says Steve Zeinner, director of patient financial services for the medical center. By accessing web resources, parents can see detailed information relating to the disposition of their accounts. These data include such often hard-to-decipher facts as reasons for denial of payment by insurance companies. The data help consumers reconcile payments to the hospital with the explanation of benefits provided by various third-party payers.

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"The ultimate goal is to provide enough information that the parent doesn't need to look at the hospital's EOB," Zeinner says. "In essence, they have a snapshot right at their fingertips." An extra benefit of the online site is a medical billing spreadsheet designed to help guarantors manage EOB information from multiple providers.

The system also gives families greater control over just how much information they want to receive, ranging from a simple statement of payments received all the way down to a detailed line-item description of services rendered. For those families who may need it, the web site also provides a comprehensive explanation of the hospital's charity care process.

Consolidate paper communications to a single statement. At Stanford University Medical Center in San Jose, Calif., patients are receiving full-disclosure paper communications that include all open accounts on one document. Traditionally, patients have received statements for each encounter with the hospital. That process often resulted in a flurry of paper documents. To remedy the situation, the medical center, which is affiliated with Stanford University, first consolidated statements from its three separate A/R systems and now produces monthly statements that display all of a patient's self-pay status accounts.

"Consolidation was challenging because we wanted all of the statements to have a similar look, and the data came from three different A/R systems, so it took a lot of cross-matching to make sure that

everything lined up across the board,” says Donn Smith, project leader for Stanford Hospital and Clinics. The result, he said, is better-informed patients who have a clearer understanding of their bills. Stanford posts a sample billing statement on its web site (www.stanfordhospital.com).

Stanford also enjoys a relatively high level of collections among its self-pay population. More than 74 percent of this patient population pays balances within one to two statement periods. Additionally, Stanford reduced bad debt write-offs by more than \$1 million per month after implementing consolidated statements. Other successes include a 14 percent reduction in monthly bill processing costs, improvement in Press Ganey patient satisfaction scores, and a 15 percent increase in credit card payments.

Time for Change

An increasing number of hospitals around the country are taking on the challenge of providing greater pricing transparency and easier access to healthcare billing information through new tools that aid consumer understanding. These tools are paying off through reduced calls to hospital billing

offices, decreased mailing costs, and increased payments. Even more significant, perhaps, are the increasing customer-satisfaction levels that such hospitals have experienced. These hospitals believe their investments in providing better customer service will produce patients more willing to shoulder their share of costs.

Although the number of hospitals that have implemented these tools is still small, more are beginning to realize the advantages of this trend. Those who engage their patients early can realize greater savings, increased collections, and improved customer satisfaction in the short run. In the long run, they can place themselves in a leadership role in a rapidly changing marketplace. ●

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