



Financial Strength through Consumerism and Pricing Transparency

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Introduction – Deloitte Advisory

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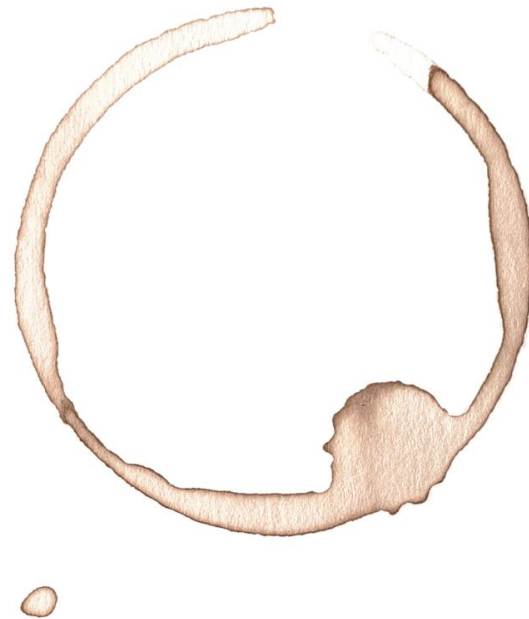
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Consumerism and the Impetus for Transparency



Healthcare is a meaningful trend, **not an interesting fad.**

As **consumers assume more personal responsibility** for improving their health and covering their health care costs, and gain **increased awareness** of treatment options, provider quality levels and price differences, they will likely want to take even greater **control of their health care decisions.**

CONSUMERISM

Pricing transparency is the **availability of healthcare services information in terms of cost, quality, and outcomes.**

Such information in conjunction with additional decision making tools **enable, empower, and provide guidance to health care seekers** in identifying, comparing and determining a provider that addresses their circumstances.

TRANSPARENCY

Consumerism and transparency mingle

Historically, healthcare Providers were relatively immune to consumer price sensitivity



Comparison Shopping Cumbersome

Information difficult to locate and interpret

Consumers Not Directly Impacted by Price

Traditional employer-sponsored health plans defrayed the impact of provider pricing

Limited Alternatives

Consumers constrained to a traditional care delivery model

Shifts in the industry environment are redefining the provider pricing landscape



Increase in the volume of customers in the marketplace due to the Accountable Care Act

Heightened awareness of provider prices due to several high profile publications



Higher deductibles driving increased consumer price sensitivity

Improved accessibility of provider pricing information with new regulations to post prices online



Increase in regulatory scrutiny of provider pricing

Increase in availability of alternative, reasonably priced care delivery models

Difference between patients and consumers

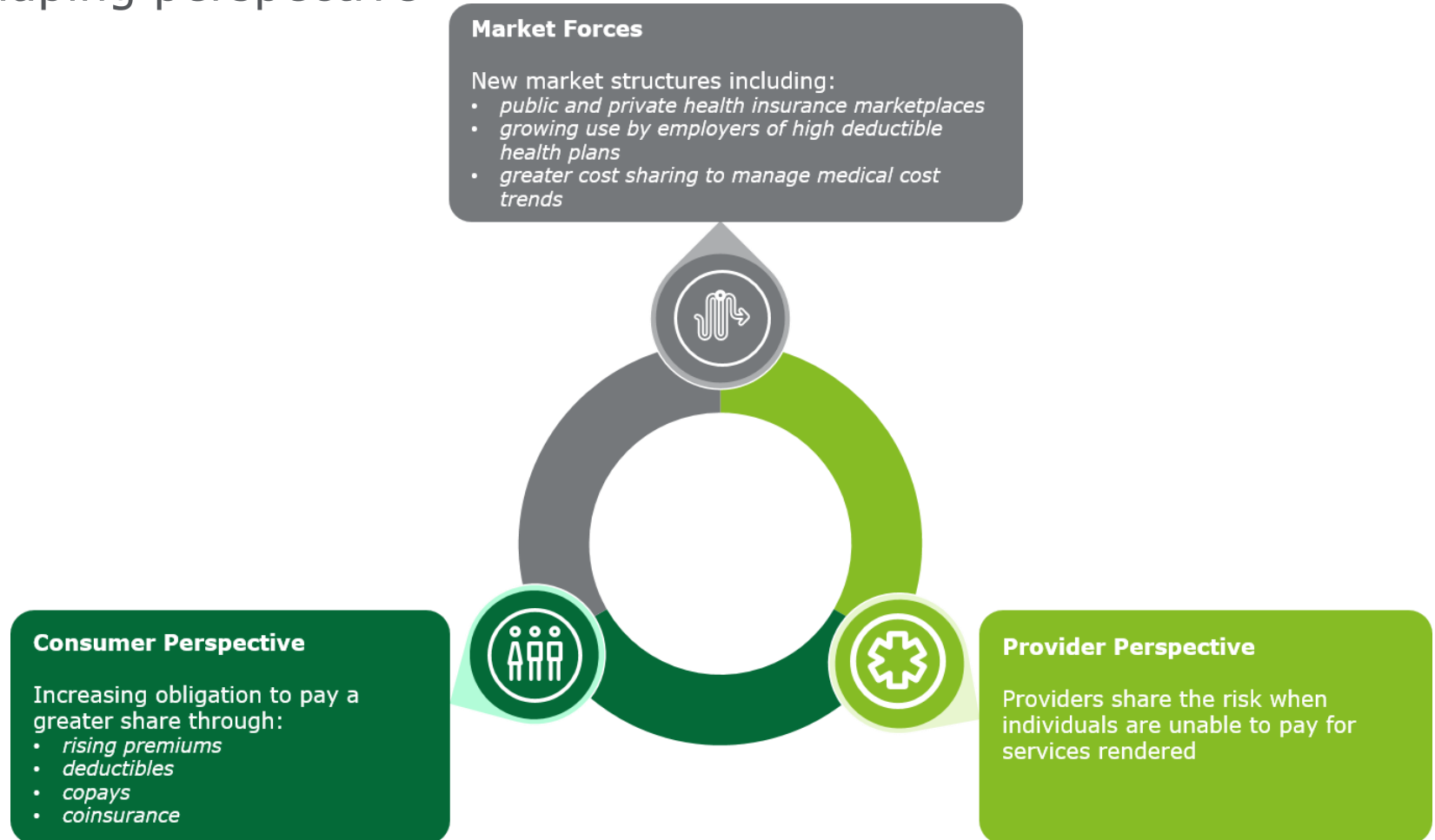
Awareness	Patients	Consumers
Level of engagement in decisions about their treatments	Low: depend on physicians to make decisions on their behalf	High: depend on physician recommendation and personal verification
Level of awareness of treatment options and associated costs	Low: depends on physician	High: depend on online tools and social media
Source of trust in Providers they use	High: based on personal experiences and word-of mouth	High: based on personal experiences and comparison shopping
Primary unmet circumstances	Access within a reasonable timeframe + personal attention	Value: access + service delivery + outcomes + cost
Unmet need from insurance plan sponsors	Large networks of Providers to enhance access and convenience + manageable out-of-pocket costs	Narrow networks of high-performing (high-value) Providers + predictable costs

Source: Deloitte Development LLC (2012). Consumerism in Health Care: Insights into Engagement. Deloitte Review, (11), 69-83.

Retrieved from http://dupress.com/wp-content/uploads/2012/07/US_deloitte_review_Consumerism_In_Health_Care_Jul121.pdf

Market migrates to consumers

As individuals assume greater financial risk in paying for healthcare, it is critical for Providers to understand the forces shaping perspective



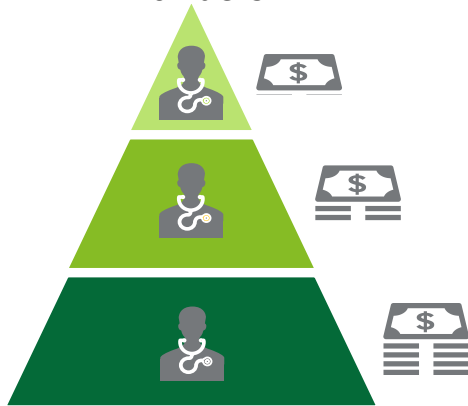
Source: Deloitte Development LLC (2015, January 26). Rising consumerism: Winning the hearts and minds of health care consumers. Retrieved from <http://dupress.com/articles/consumerism-health-care/>

Consumers consider coverage options

In response to escalating costs, health plans have introduced a number of value-focused plan features to incentivize consumer accountability

Creation of Tiered Networks

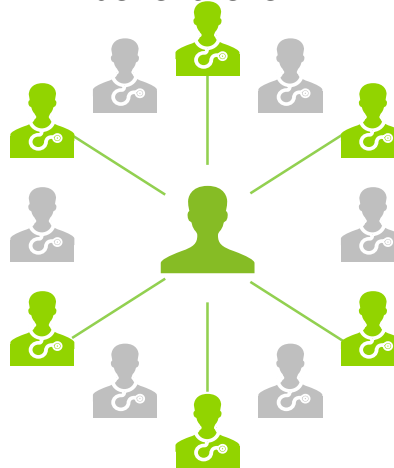
Copay level based on value ratings of Providers



Certain states require plans to offer at least one tiered option

Introduction of Narrow Networks

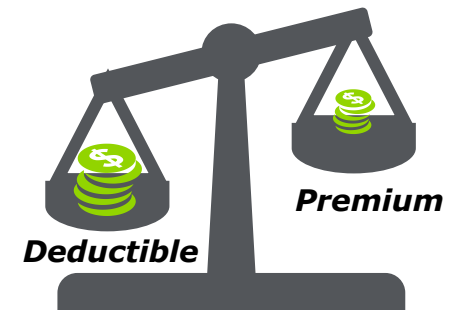
Limited selection of Providers at in-network benefit level



48% of marketplace (exchange) plans in popular categories offer a narrow network

Expansion of High Deductible Plans

Lower premiums and higher deductible levels



Employers with health benefits offering CDHPs¹ peaked at 29% in 2016 up from 25% in 2015

1. Consumer directed health plans (CDHPs)

Source: National Institute for Health Care Management Foundation, McKinsey Center for US Health System Reform, Mercer National Survey of Employer-Sponsored Health Plans (2016)

Trends showcase focus on value



Market Trend

Market continues to exhibit shift to high-deductible health plans

In 2016, 29 percent of working individuals were enrolled in a HDHP with a savings option. This is a dramatic rise since 2009, when just 8 percent were covered under such plans



Coverage Options

Recent data shows employers are increasingly offering high deductible health plans as only option

- 61 percent of employers today offer only HDHP Plans (full replacement)
- 41 percent plan to move in this direction during the next three to five years



Future Considerations

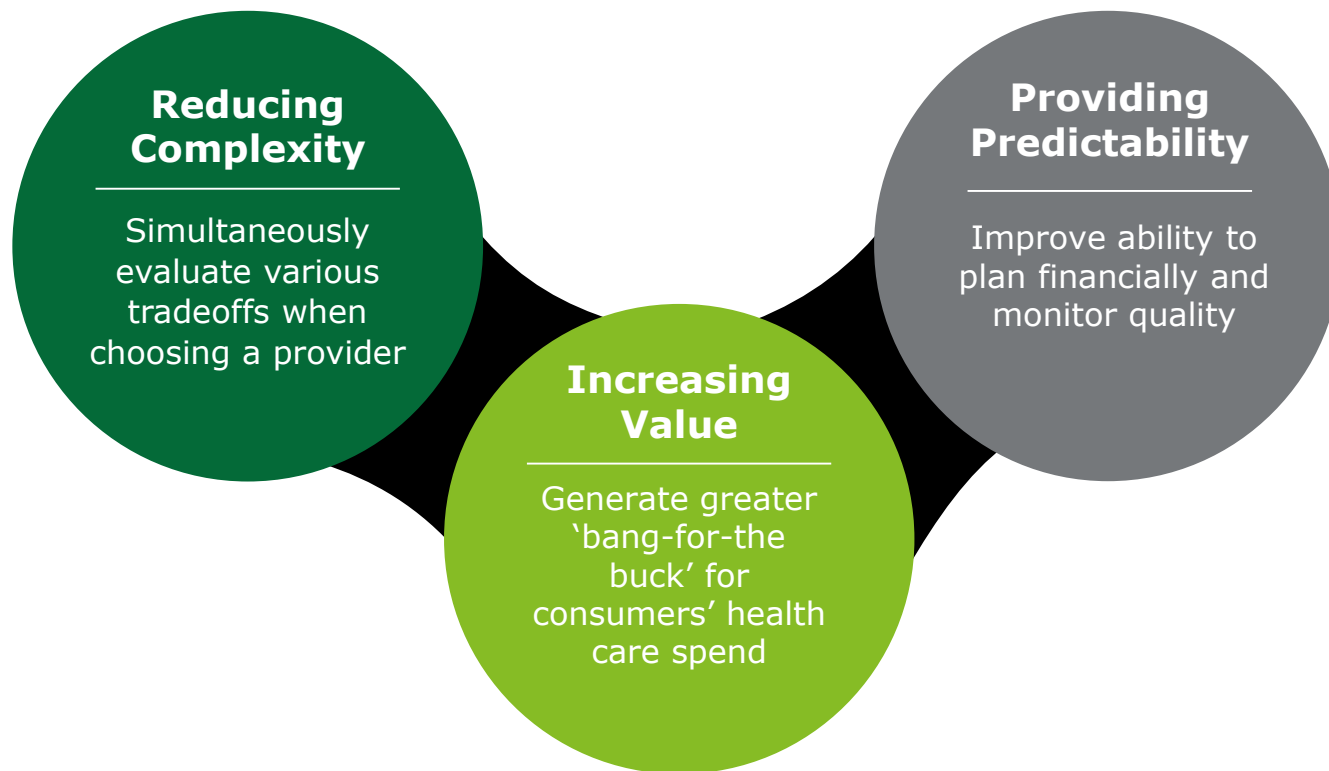
“Cadillac Tax”

Effective in 2022, the 40% excise tax will be applied on employer-sponsored health coverage costs greater than \$10,200/individual or \$27,500/ family

Source: "Trouble Ahead for High Deductible Health Plans?", Health Affairs, October 7, 2015.; Aon 2015 Health Care Survey (2015); "Health Policy Brief: Excise Tax on 'Cadillac' Plans," Health Affairs, September 12, 2013 updated January 22, 2018.

Value focus begets transparency

Transparency helps mitigate the negative impact to consumers by:



What does this mean for Providers?

Embracing the consumerism movement can allow for effective navigation of the shifting landscape while maintaining and cultivating future financial strength

Consumer Ask

I want trusted and quality service without paying an arm and a leg

What do specific charges on my bill mean?

What am I paying for?

Where can I find reputable information?

Provider Opportunity

Providers with a broad amount of understandable and reliable quality information are better positioned to weather through today and lead tomorrow

California's Regulated Environment



California's regulated focus

National trends in conjunction with California's imperative for fair pricing policies has cultivated a notable operating environment

Enacted state legislation:

Drug Price Transparency Bill SB17 (2017)

- Force drug makers to publicly justify big price hikes
- Governor Brown states "This measure is a step at bringing transparency, truth, exposure to a very important part of our lives, that is the cost of prescription drugs."

Office of Statewide Health Planning and Development (OSHPD)(2005)

- Requires hospitals to disclose prices for the top 25 common outpatient services or procedures, and requires, upon request, a person to be provided with a written estimate of charges if the person does not have health coverage

Federal legislation:

Patient Protection and Affordable Care Act, 2718(e) (2010)

- Annual requirement to establish, update and make public a list of standard hospital charges

CMS Inpatient Prospective Payment System Proposed Rule published April 24, 2018

- Mandates pricing list be published via Internet starting 1/1/19



**California
Regulated
Transparency**

National Trends



National initiatives

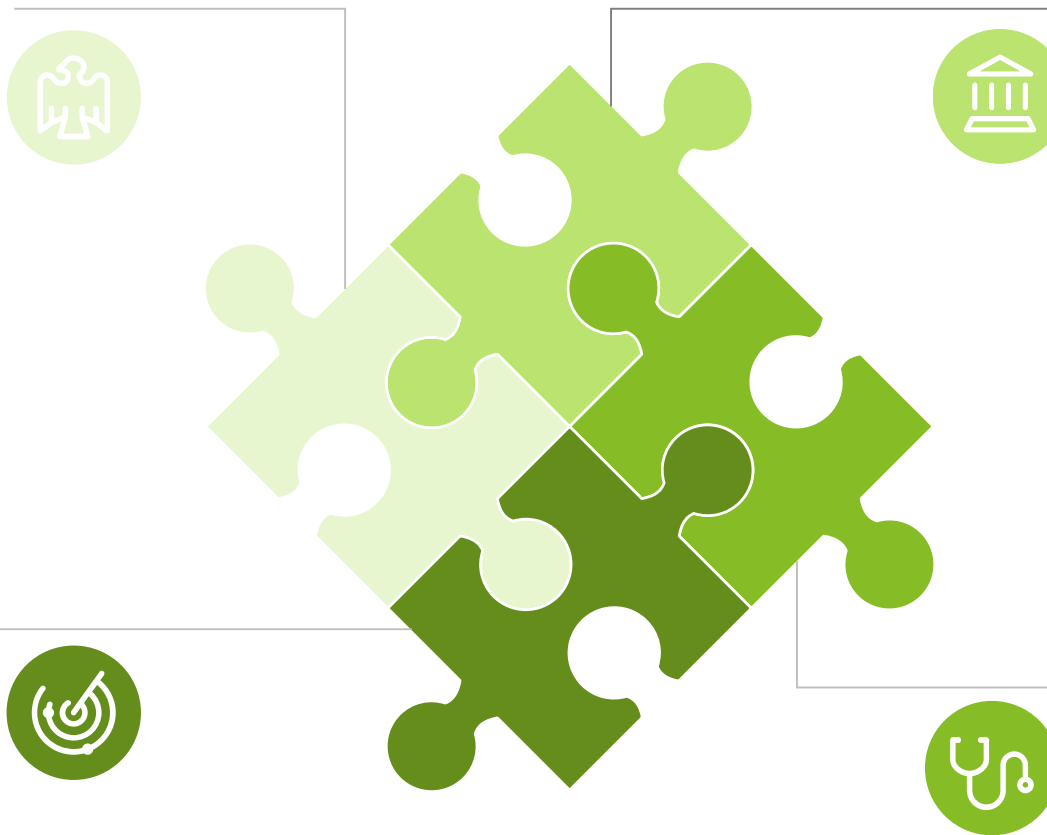
Federal and state-level pricing transparency initiatives have captured the attention of Providers, payers and technology vendors

Federal

- *CMS' Hospital Provider Charge and Actual Payment Data*
- *Patient Protection and Affordable Care Act, 2718(e)*
- *Annual requirement to establish, update and make public a list of standard hospital charges*

Payers

- *Cost estimation and comparison tools*



State

- *70% of states require hospitals to release some type of charge information*
- *Less than 15% of states utilize voluntary disclosure practices*
- *Texas Supreme Court decision to provide uninsured patient with managed care rates*

Providers

- *Out-of-pocket cost estimation tools*
- *Artificial Intelligence (AI)*

Source: Price Transparency Efforts Accelerate: What Hospitals and Other Stakeholders Are Doing to Support Consumers. (2014, July 1). Retrieved from <http://www.aha.org/research/reports/tw/14july-tw-transparency.pdf>

Federal initiative

CMS 2019 Inpatient Prospective Payment System (IPPS) Final Rule

Federal

- *Hospitals are now required to establish and make public a list of standard hospital charges*
- *Effective January 1, 2019, CMS updated guidelines to require hospitals to make public, online list of their standard charges and to update this information annually, or more often, as appropriate*
- *CMS says this is to encourage **pricing transparency** by improving public accessibility of charge information*
- *Does not outline meaning of "**standard hospital charges**"*
- *Does not address specific states and current applicability (such as California) that already publishes hospital charges*
- *Allows hospitals to illustrate insights into acuity measures or other health related information regarding rationale behind current charges*

Source: Federal Register, Volume 83, Published August 17, 2018

2019 IPPS Final Rule – Considerations - Pricing

Providers have a number of considerations regarding publishing charges:

Hospitals should discuss these areas with regard to future pricing publications:

- Publish the charge description master (CDM) or list of standard charges
- Publish information, in addition to charges, that help substantiate how pricing was developed (acuity date, cost data, etc)
- Assess National/Regional/Local impact with publishing charges
- Internally assess charges by department prior to publication
- Define future role(s) regarding price transparency for your organization
- Implications with ACA - 501R regulations
- Develop a singular approach and stance to pricing transparency within your organization

National Consumer-Centric Environment



National Consumer Focus – Provider Pricing

More than 14 states issue guidance on price transparency

Enacted state legislation across the country

- States with enforced pricing transparency legislation include Arizona, Arkansas, California, Illinois, Kentucky, Minnesota, Missouri, New York, North Carolina, and Ohio amongst others.
- Other states also request state-wide reporting measures and are beginning to publish common charges with associated costs for patients.

Pricing vs Cost – Providers facing scrutiny with costs for services and charges for Self-Pay & insured patients

- Health Plans are steering and educating patients with out-of-pocket costs associated with services for nearby providers
- Self-pay patients are facing higher out-of-pocket costs for services when receiving “full-price” medical bills, raising public concern and scrutiny
- Price sensitivity is at an all-time high

Federal legislation – CMS issues 2019 IPPS Final Rule and guidance for price transparency

- Initiates mandate with publishing list of standard charges via Internet starting 1/1/19
- Requires providers across the country to comply, with future penalties regarding non-compliance to be established at a later date



**Consumer
Centric
Transparency**

Maintaining and Fostering Financial Strength



Building financial strength

During this dynamic time, many organizations are able to maintain and foster financial strength by understanding transparency's impact on the following:








Future State Considerations



Challenges remain

Although consumers have access to pricing information, challenges remain as Providers seek to require the consumer experience while preserving organizational and revenue integrity

- 1  Narrow use of innovative technologies to satisfy consumer demands (i.e., kiosks, electronic payments)
- 2  Inconsistent point of service collections
- 3  Varying pricing structures and charging methodologies employed across enterprise
- 4  Data silos; Unlinked clinical and financial data
- 5  Limited understanding of patient population circumstances

Defining the path forward



Brand Loyalty

Focus on building brand loyalty by assessing hospital services, access to care and coordination efforts from patient perspective



Vision, Mission, Strategy

Develop and implement a pricing strategy that is compliant, defensible, rational and value-driven



Quality

Analyze the cost, quality and outcomes of services provided to identify opportunities and develop strategy to enhance patient experience



Patient Experience

Evaluate digital footprint and determine process to increase patients' access to price information and tools, especially focusing on out-of-pocket tools



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