

# REVENUE CYCLE STRATEGIST

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• price transparency •

## Tackling Preservice Pricing Plans

By Tom Yoesle

*A high priority for patient financial engagement*

The age of pricing transparency has arrived. While a growing number of healthcare organizations now offer price estimates on common procedures and tests, a few are thinking beyond transparency. They are creating processes and technologies to pinpoint specific patient costs prior to treatment. In fact, healthcare organizations rate preservice pricing as their highest priority to engage patients in paying for their healthcare, according to the report *HFMA Executive Survey: Self Pay and the Benefits of Prospective Patient Engagement*, which surveyed 117 hospital finance leaders.

While this may be true, the rest of the industry has some catching up to do. The HFMA report notes that only 30 percent of patients are being offered pre-treatment cost estimates, despite evidence that demand for such information is growing.

### Consumer Demand

According to a TransUnion Healthcare survey, eight out of 10 Americans say the opportunity to review a cost estimate prior to treatment is just as important as bedside manner when selecting a provider. At a Parallon Revenue Cycle Leadership Exchange, one hospital leader said, "I think the average consumer is definitely much more inquisitive. They want to know what their care will cost because of



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higher out-of-pocket costs. We have seen patients decline services because of it.”

Moreover, Richard Gundling, senior VP of healthcare financial practices, HFMA, told National Public Radio that approximately 75 percent of health systems ask patients for payment at the time of service. Accurate pricing estimates are critical.

### Developing a Pricing Strategy

Engaging patients through a preservice pricing plan is a smart move for several reasons. Not only does it improve overall satisfaction with the registration process, but having a preservice pricing plan also drives revenue cycle and patient access efficiencies such as improved cash flow, a decrease in rework and write-offs, and fewer no-shows. Consider the following recommendations for preservice pricing.

*Simplify patient accounting systems.* Leaders at Parallon’s Revenue Cycle Leadership Exchange said that it is important to streamline patient accounting systems and update chargemaster pricing. Improving the interface communication between patient accounting and cost estimate systems is key. Without accurate and efficient data exchange, an estimate can take too long to produce and may include faulty information. Also, simplified descriptions of chargemaster entries ease coding training, help out-of-pocket estimate development, and may reduce coding errors.

*Start with a short list of procedures.* Providers can be up and running quickly by creating

an estimate process that focuses on simple diagnostic procedures. More complex procedures—those including multiple or dependent procedures—can then be tackled. Centralizing the estimation function also helps remove any variability caused by process interpretation differences, which can occur in a large health system.

### Implement state-of-the-art pricing technology.

Healthcare leaders spoke candidly about pricing technology at Parallon’s Revenue Cycle Leadership Exchange. According to Jeff Goldsmith, PhD, president of Health Futures, providers need a software solution that cuts through complexity and can tell patients, based on their specific plans and deductibles, what they are likely to owe. “This is not an impossible challenge: It’s just a huge undertaking,” says Goldsmith.

Some conference attendees confirmed they are using this type of pricing technology. One hospital leader’s organization had made significant progress with preservice estimates, noting, “Everyone in patient access has the ability to generate an estimate.” The organization preloads managed care contracts to generate estimates. Its hospitals can provide estimates by facility and physician as well as by the patient’s specific eligibility information. Estimates can be printed out and signed by the patient.

*Analyze data for inconsistencies.* Providers should leverage historical revenue cycle data to remove pricing model variability. By analyzing scheduled outpatient procedure data, providers can identify accounts

with no add-on procedures—procedures performed, but not scheduled. Procedures that have a high occurrence—80 percent or more—of no add-ons are candidates for price estimate strategies. Furthermore, this analysis can uncover referring physician patterns or hospital service areas that routinely deviate from scheduled procedures. This data can be the basis for meaningful discussions to better explain the impact these deviations have on patients’ out-of-pocket costs and hospitals’ bottom lines.

*Manage inaccurate estimates.* Inaccurate estimates can lead to unhappy patients who owe more than their original estimates or can produce a mountain of credit balance accounts that result from overestimating and over-collecting. Thinking through adjustment thresholds for underestimates and expedited refunds on overestimates and collections can set strategic expectations with revenue cycle team members. This should be a facet of a hospital’s revenue cycle program that is reviewed frequently.

Ultimately, preservice pricing can be accomplished on a small or a grand scale. Both can impact patients’ experiences in positive and meaningful ways. •

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