

NEW YORK STATE HEALTH FOUNDATION PANEL: MAKING IT WORK IN NEW YORK STATE

MONEY CHANGES EVERYTHING II:
CREATING PRICE TRANSPARENCY IN NEW YORK STATE

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PRESIDENT
NOVEMBER 12, 2013



Healthcare Association
of New York State

WHERE DID CHARGES COME FROM?

- In 1965, Medicare required uniform charges
- Medicare, and many other payers, have moved to diagnosis related groups (DRGs)
- Charges were important for Medicare outlier payments & charity care but that has changed
- Charges are a vestige from the past
- Charges rarely reflect what's actually paid



WHEN MIGHT CHARGES BE BILLED?

Small segments of the population

- Higher income uninsured
 - NY has generous hospital financial assistance law (HFAL), many hospitals go beyond requirements
 - Hopefully, uninsured reduced with the Affordable Care Act (ACA)
- Commercially insured that go out-of-network
 - For emergency, ACA new limits
 - For non-emergent, depends on policy

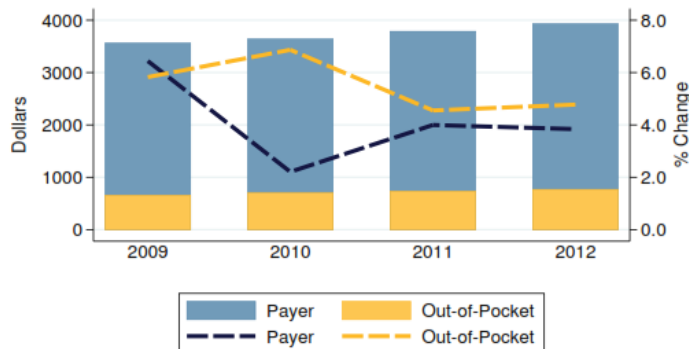


NON-INVASIVE CARDIO	3689.00
EEG/EMG	1259.00
RADIOLOGY-GENERAL	340.00
PHARMACY-MAIN	1795.35
EMERGENCY-HOSPITAL	2779.00
PRE HOSPITAL EMS	253.00
C.T. SCANNING	2714.00
MAGNETIC RESONANCE	6963.00
TOTAL CHARGES:	36027.35

MARKETPLACE TRENDS AND PRESSURES

- Increasing consumer out-of-pocket costs
- Exchange may mean acceleration of trend
- Big data--tools and applications

Figure 11
Payer and Out-of-Pocket ESI Expenditures Per Capita
on Insureds Younger than Age 65: 2009-2012



Source: HCCL, 2013.
Notes: All data weighted to reflect the national, younger than 65 ESI population.
Data from 2011 and 2012 adjusted using actuarial completion.



* *Out-of-pocket costs rising at higher rate than payers*



PRACTICAL CHALLENGES

Hospitals are adapting in a rapidly changing world: shift to outpatient, population health, and payment based on value and not volume

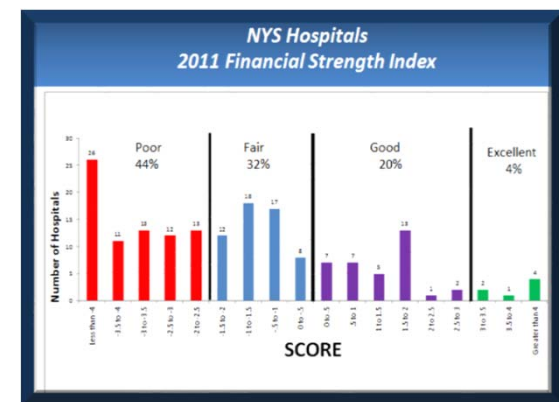
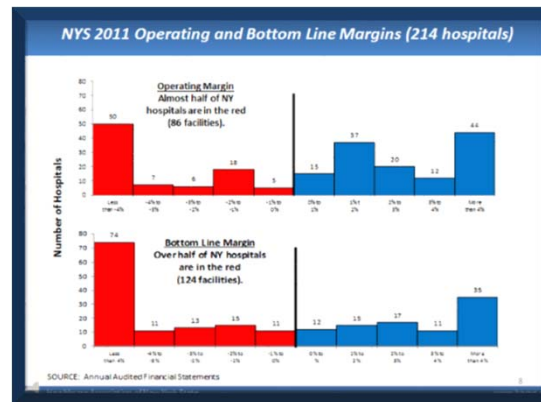
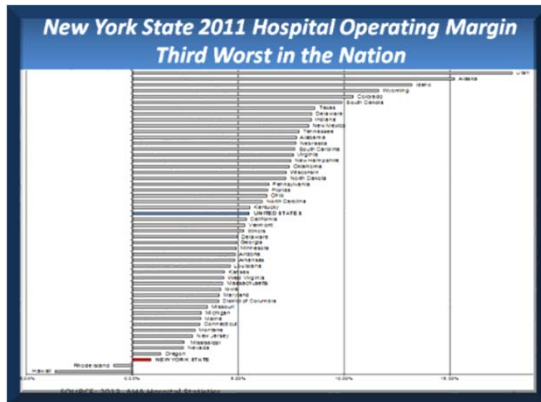
- Financial
- Regulatory
- Timing



Pricing transparency is important issue worthy of meaningful dialogue



FINANCIAL CHALLENGES



- NY hospital margins 3rd worst in nation
- Almost ½ of hospitals are in the red
- ¾ of hospitals are in fair or poor financial condition

FINANCIAL CHALLENGES

While most self-pay do not pay charges there are other financial implications:

- Charges are the starting point for negotiations with plans when not in plan network
- Some hospitals still have some “% of charges” contracts



REGULATORY CHALLENGES

- **Medicaid**
 - Customary charge limitation
- **Medicare**
 - Permissive exclusion usual charge rule
 - Outlier reimbursement
 - Cost reports
 - Actual charge limit
 - Disproportionate share hospital (DSH)
 - DRGs and APC weight development



TIMING CHALLENGES

- Chargemaster systems are complex
- Realignment takes significant time
- Investment in accounting systems and information technology



RECENT TRANSPARENCY ACTIVITIES

- Centers for Medicare and Medicaid Services (CMS) released the top 100 DRGs
- Department of Health (DOH) released SPARCs data
- Salient tool
- HFAL compliance



Medicare spills beans on hospital billing

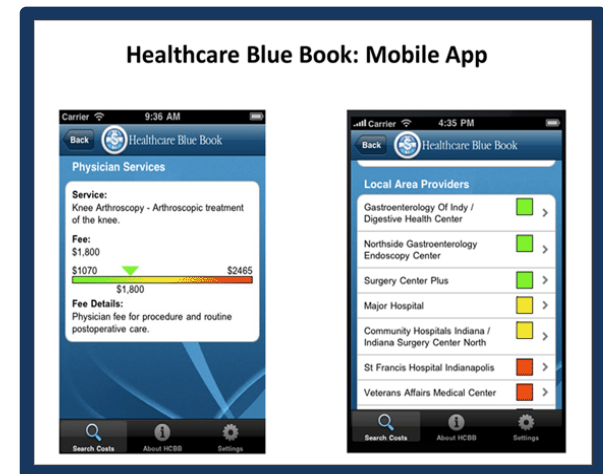
May 8, 2013, 12:09 PM

By Matthew Heimer



WHAT IS ON THE HORIZON?

- DOH release of charges
- All-payer database
- Public, interactive, Web-based tool to access cost, quality, and premium information
- Health pricing data/benchmarks in premium review
- Public disclosure of HFAL compliance
- Collection of community benefit reports



Provider	Quality Indicators	Cost Estimates						
Allied Radiology Center	<ul style="list-style-type: none">✓ In-Network✓ Tier 1	<p>MRI of the lower back without contrast (dye)</p> <table><tr><td>Estimated price</td><td>\$338 - \$690</td></tr><tr><td>Plan pays</td><td>\$0</td></tr><tr><td>You pay</td><td>\$338 - \$690</td></tr></table> <p>10 Tree St Boston, MA 01010 (10 mi) (617) 890-8000</p>	Estimated price	\$338 - \$690	Plan pays	\$0	You pay	\$338 - \$690
Estimated price	\$338 - \$690							
Plan pays	\$0							
You pay	\$338 - \$690							
Memorial Hospital	<ul style="list-style-type: none">✓ Honor Roll✓ Tier 3✓ High quality medical condition care✓ Clear discharge instructions provided	<p>MRI of the lower back without contrast (dye)</p> <table><tr><td>Estimated price</td><td>\$591 - \$1,042</td></tr><tr><td>Plan pays</td><td>\$0</td></tr><tr><td>You pay</td><td>\$591 - \$1,042</td></tr></table> <p>6002 Andover St Boston, MA 01020 (12 mi) (617) 255-1000</p>	Estimated price	\$591 - \$1,042	Plan pays	\$0	You pay	\$591 - \$1,042
Estimated price	\$591 - \$1,042							
Plan pays	\$0							
You pay	\$591 - \$1,042							
Empirion Hospital	<ul style="list-style-type: none">✓ Honor Roll✓ Tier 2✓ Top quality surgical safety✓ High quality medical condition care✓ Clear discharge instructions provided	<p>MRI of the lower back without contrast (dye)</p> <table><tr><td>Estimated price</td><td>\$792 - \$859</td></tr><tr><td>Plan pays</td><td>\$0</td></tr><tr><td>You pay</td><td>\$792 - \$859</td></tr></table> <p>200 Main St Boston, MA 01010 (18 mi) (617) 550-9000</p>	Estimated price	\$792 - \$859	Plan pays	\$0	You pay	\$792 - \$859
Estimated price	\$792 - \$859							
Plan pays	\$0							
You pay	\$792 - \$859							

WHAT ARE OTHERS DOING?

- CA efforts to voluntarily align costs with charges
- NJ law that caps charges to 115% of Medicare
- MA mandate on insurers and hospitals
- HFMA Price Transparency Committee
- Voluntarily created hospital and insurer “calculators”
- Many states considering legislation



WHAT CAN HOSPITALS DO IN THE SHORT TERM?

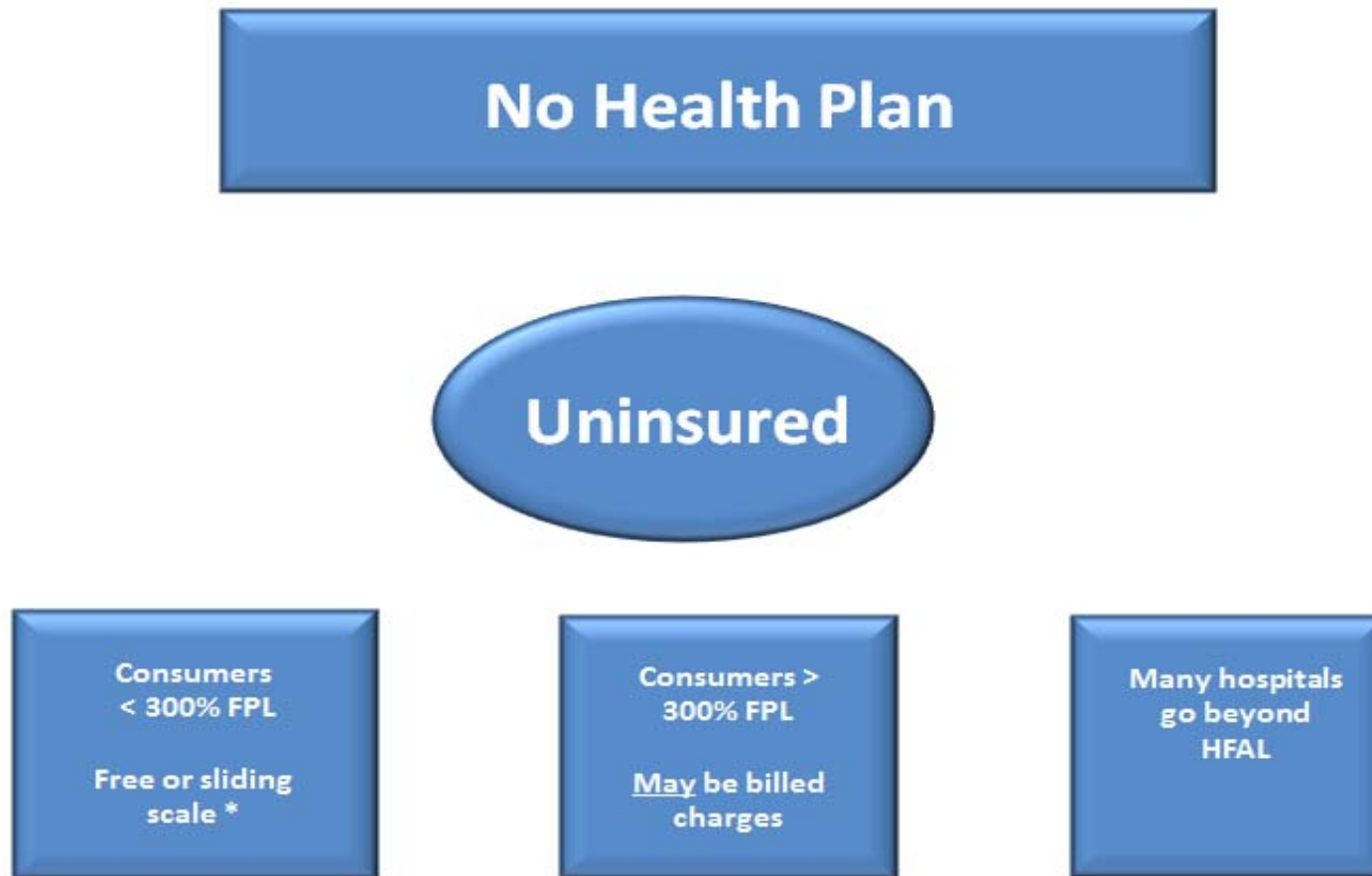
- Ensure HFAL compliance
- Review Charges
- Review Contracts
 - Convert “% of charges” contracts when possible

HANYS' ACTIVITY AND CONCLUSION

- HANYS' member education on HFAL and community benefit
- Working with AHA, HFMA, other states
- Member input (Board Retreat, Committee on Health Finance, others)
- Hospital industry wants to be part of solution
- First step - getting hospital industry consensus
- Role of insurers is important

SYSTEM DYNAMICS

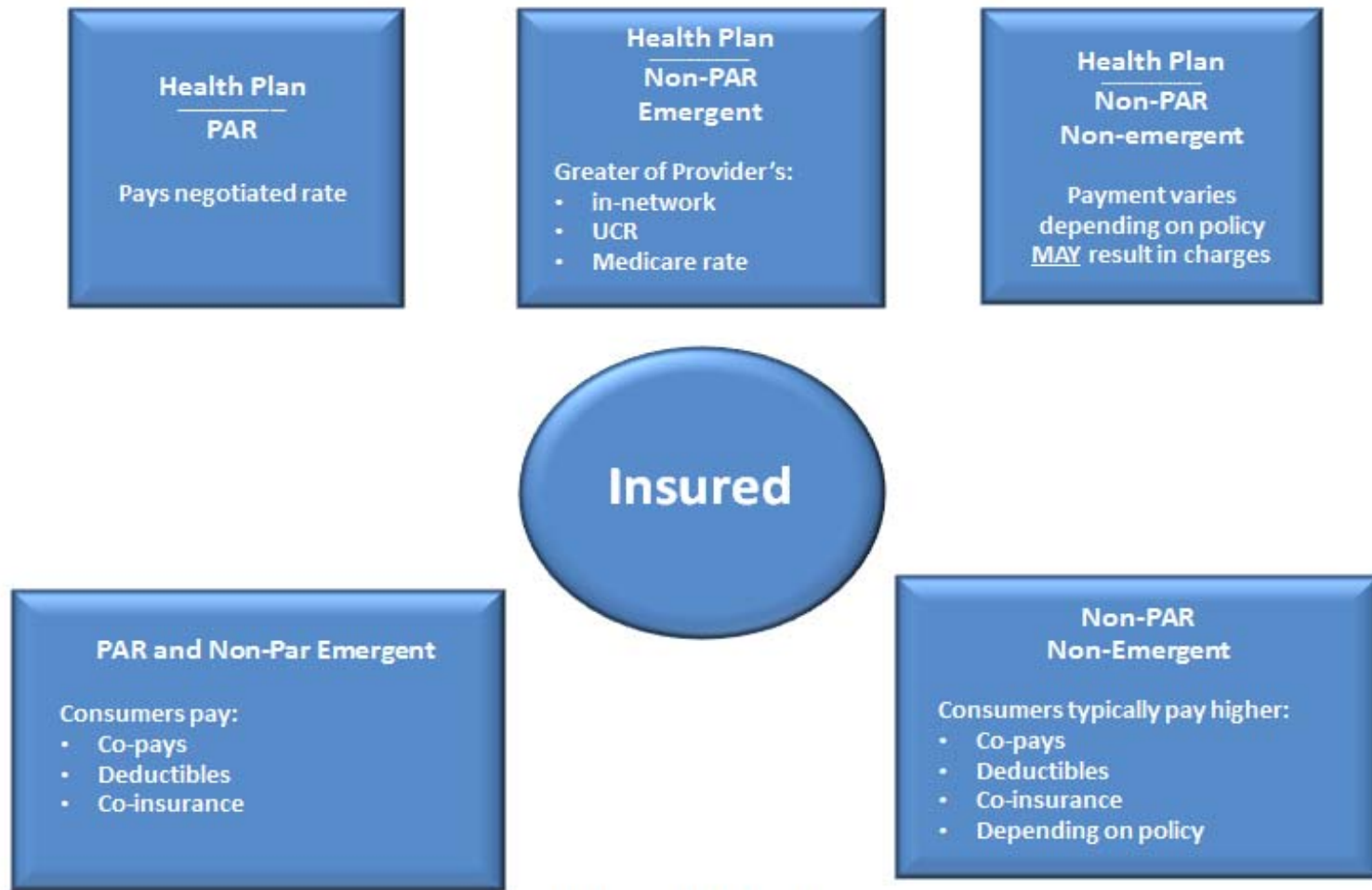
WHO PAYS CHARGES?



** Based on percentages of the higher of: highest volume payer, Medicare, or Medicaid*

SYSTEM DYNAMICS — WHO PAYS CHARGES?

COMMERCIAL MARKET



Balance billing issue

THANK YOU!

DENNIS WHALEN

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