Executing a strategy to provide pricing clarity is critical for provider efforts to increase patient engagement, control brand image and optimize revenue in an increasingly consumer- and market-driven health ecosystem that is wrought with financial constraints.

Executive Summary

Consumers demand easier to understand pricing data for their healthcare needs, whether to manage deductibles, understand their share of costs or choose a provider. Transparent pricing continues to elude the industry due to a wide range of variables, from complex payer-provider contracts and multiple health insurance products, to prevalent geographic and demographic health trends.

Moreover, state and federal regulatory bodies require greater transparency, and vendors are emerging to meet employer and consumer demands for price clarity. Yet these third parties may not accurately reflect a healthcare provider’s pricing position because they have only a partial view of the data required. As a result, providers must engage patients directly with pricing information created as part of a broader competitive pricing strategy.
Regulators and vendors are rushing to fill the clarity vacuum, and pricing transparency is quickly becoming another regulatory compliance imperative.

THE PRICING CONUNDRUM

“How much?” That’s a basic question customers ask any business. It’s one that healthcare providers struggle to answer. The reasons are legion: complex payer contracts; lack of up-to-date information from payers; competitive concerns about releasing prices; inability to calculate consumers’ varying deductible, co-pay and co-insurance amounts in real-time; failure to recognize local market conditions, etc.

Yet more consumers are not just asking “how much?” but are also comparing the answers they get from different providers. Almost 60% of healthcare consumers have tried to get pricing data, and more than 80% who have compared prices say they’ll do so again. Nearly 70% want to know the details of out-of-pocket costs and say previous bills and costs are a factor when deciding on a healthcare provider.

The consumer focus on price should not be a surprise because individuals are paying more of their own dollars for healthcare due to higher co-pays, co-insurance, deductibles and out-of-pocket limits. Employer-sponsored plans with high deductibles have increased almost 70% since 2010, and more than 90% of enrollees in Affordable Care Act (ACA)-compliant plans have high deductibles (limited to $13,700 for a family in 2017).

The high deductibles, in particular, are meant to increase consumers’ cost sensitivity and drive providers to compete on cost and value. Yet it’s virtually impossible for consumers to comparison shop when they can’t get a clear answer to their basic price inquiries for services and the associated quality of care.

EMERGING PRICING TOOLS

Regulators and vendors are rushing to fill the clarity vacuum, and pricing transparency is quickly becoming another regulatory compliance imperative. Nineteen states either have or are implementing All Payer Claims Databases designed to make it easy to search for pricing trends. Some states prohibit “gag clauses” that keep pricing information private between two parties. Florida has a provider comparison website and recently enacted a law designed to safeguard consumers from so-called “balance billing,” in which patients receive bills from out-of-network clinicians who practice in an in-network hospital. New Mexico and North Carolina require hospitals to release pricing information on specified procedures.
Empowering Customers with Pricing Tools

Tools leverage real-world claims data, plan benefit details and provider contract information to provide accurate cost estimates.

Vendors and health plans offer price estimation tools to individuals and providers that range from entering a Zip code and a medical procedure into a website to see high- and low-cost providers in the area, to solutions that provide employers and employees with health cost data to help them make more informed spending decisions (see Figure 1).

Other providers publish prices for selected services. The Surgery Center of Oklahoma, for example, posts the price of more than 100 procedures it performs; members of the Wisconsin Hospital Association make price information available to patients, and the Geisinger Health System has created the Geisinger MyEstimate tool to offer members more price transparency.

Though limited, these efforts are a step in the right direction. With the industry interacting more directly with cost-conscious consumers, providers must ensure they are their consumers’ best and primary source of pricing data and value delivery.

Accomplishing this requires a holistic competitive pricing strategy. This strategy must align with the organization’s mission; be integrated with overall revenue cycle management operations; take into account local markets and competition; be built on accurate data and insights; and use multiple channels and digital tools to help educate and inform patients, regulatory agencies and third-party data aggregators about the provider’s pricing and associated quality metrics.

HELPING CONSUMERS KNOW THE PRICE IS RIGHT

Providers will benefit in the short and long term by developing a competitive pricing strategy that helps them shape the story their prospective consumers see and hear when comparison shopping (see Figure 2, page 4). These benefits and opportunities include:

- Overcoming limits of claims-derived price data. Claims data alone cannot provide an accurate picture of cost and value because it doesn’t clearly distinguish between the costs
Claims data alone cannot provide an accurate picture of cost and value because it doesn’t clearly distinguish between the costs and value of a procedure compared with an episode of care. One provider’s per-unit price, such as the cost of a surgeon performing arthroscopic ACL surgery, could seem the less expensive option. However, when all the required ancillary services are added in, the total costs may be much higher than what another institution bills for a complete episode of care.

Quality ratings add another useful dimension for price comparisons. A higher-cost provider may in fact also deliver better outcomes, such as when its greater per-unit cost for a surgical procedure is shown to result in fewer readmissions and faster recovery for greater patient satisfaction. A provider must take the lead in educating and informing consumers about such cost vs. value differences.

- **Owning consumer engagement.** The ability to provide consumers with accurate, timely pricing and quality information is a powerful first step in creating a great experience.

Consumer loyalty could be encouraged by offering digital tools and information that help explain choices, as well as provide quality data to help individuals make informed decisions. These tools can also become a gateway to offering additional consumer services, such as virtual follow-up after a procedure, leading to a more engaged consumer and better clinical outcomes.

- **Understanding the local/regional competitive marketplace for price optimization.** Just as retailers jockey to price competitively, providers will find themselves in a similar position. It will be critical to understand historic trends in local/regional utilization, demographics, health issues and consumer sentiment, and be up to date on competitive offerings. This data is necessary to develop a defensible and sustainable pricing model and forces providers to conduct strategic pricing exercises to consider the financial implications of short-term revenue optimization strategies, as well as the impact on patient volumes.

**Consumer loyalty could be encouraged by offering digital tools and information that help explain choices, as well as provide quality data to help individuals make informed decisions.**
The Data Behind Pricing Transparency

Analytics, algorithms, automation and even artificial intelligence must work in tandem to turn a variety of data sources into clear, accurate real-time data that shows the consumer the full price of the service, their out-of-pocket responsibility and how each of these compares with other providers. Tools leverage real-world claims data, plan benefit details and provider contract information to provide accurate cost estimates.

### Influx of data

<table>
<thead>
<tr>
<th>Sources of Cost Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of previously adjudicated claims to identify cost of a service/procedure and variances based on level of complexity.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Levels of Insurance Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price estimate based on the consumer’s current levels of insurance coverage (deductibles, coinsurance copayment, etc.).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provider Master Data and Payer Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules-based engines that automatically query, retrieve and combine data from payer portals with the provider’s master data and payer contracts.</td>
</tr>
</tbody>
</table>

### Price Transparency Tool

<table>
<thead>
<tr>
<th>Total Estimated Price of the Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount for which the patient is responsible plus the amount that will be paid by the health plan.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Network Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether a particular provider is in network.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Out-of-Pocket Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of out-of-pocket payment responsibility.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison between different providers on price and quality.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Relevant Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information related to the provider.</td>
</tr>
</tbody>
</table>

### Results

| Medicare and Medicare Advantage plans. Aligning prices with an overall strategy and competitive research will enable providers to better justify pricing differences and help regulators understand the unique factors influencing price in local markets. |

- **Developing and protecting the brand.** Controlling the message and owning consumer engagement on pricing will help providers develop and maintain a consumer-friendly brand. This will be a critical dimension to nurture as the industry essentially “sells” direct to consumers.

- **Increasing point-of-service payment.** The ability to accurately calculate the amount a consumer will owe can motivate and streamline payment collection from the patient at the point of service, increasing revenue opportunities.

- **Enhancing regulatory compliance.** State and federal regulators are likely to continue efforts to make healthcare prices clear and easy to understand to help the industry become price conscious and consumer friendly. The current Centers for Medicare and Medicaid Services (CMS) leadership also favors pricing transparency to help consumers understand cost differences between in-network specialists and ancillary care. This adds another layer of value for the consumer while also helping integrated networks better coordinate care to keep down costs for the consumer. Referral and care coordination capabilities also enable an integrated delivery system to deliver more value to member physicians and ancillaries, especially by reducing out-of-network referrals to clinicians with a history of over-utilization or poor outcomes. Patients treated at in-network facilities by in-network providers avoid “balance billing” situations.
No single pricing transparency solution exists. Providers must develop a digital implementation strategy that encompasses existing out-of-the-box partial solutions, such as contract management systems, cost estimators and comparative pricing tools.

- **Positioning for the future.** We see healthcare ultimately becoming a customizable, on-demand service, driven by consumers, with “in-network” designations becoming increasingly irrelevant as payers’ business models also change. By developing a clear rationale for pricing and internal and external processes, as well as tools for sharing and explaining the data, providers can present a compelling story to consumers and empower them to choose care from any provider.

**DIGITAL DELIVERY OF PRICING TRANSPARENCY**

It’s virtually impossible to provide accurate pricing in real-time without using digital technology to integrate data and manage the numerous pricing variables and delivery channels. No single pricing transparency solution exists. Providers must develop a digital implementation strategy that encompasses existing out-of-the-box partial solutions, such as contract management systems, cost estimators and comparative pricing tools.

The strategy must also incorporate analytics for large data sets, and algorithms and rules engines to automate estimation calculations and their delivery, whether direct to a consumer via a portal or mobile app, or to patient navigators, federal/state/employer data repositories and customer service employees. Finally, the solution must meet existing and emerging regulatory compliance requirements.

The systems and tools required to execute the digital strategy will help providers deliver the features and functions necessary to create consumer-friendly capabilities, including:

- **A cost-estimation tool** for calculating the consumer’s out-of-pocket cost accountability. This should include other useful features, such as plan information and appointment scheduling.

- **A central office** that provides real-time monitoring and medical complication analysis for pricing updates.

- **Prioritized and transparent pricing** on elective or non-critical procedures for which cost-conscious consumers are more likely to comparison shop.

- **Streamlined estimates** with payer-specific bundling of episodes of care.

- **A contact center** to assist consumers pricing complex cases.

- **Feedback mechanisms** to evaluate consumer experience and customer satisfaction.
Providers that have put thought into providing quick, clear answers when the consumer asks, “How much?” will be in a better position to thrive in a market-driven health ecosystem.

LOOKING AHEAD TO STRATEGIC PRICING AND TRANSPARENCY

Consumers and regulators want clear, simple pricing now. Transparency and clear delivery of information to patients should be an urgent initiative for any provider that wants to succeed in an increasingly price-driven industry. Analytics and business intelligence can identify priority areas for pricing transparency, such as services in which local competition is increasing and the provider is experiencing diminishing volume.

A total cost of care analysis and other exercises are also likely to reveal where and even why a provider is less efficient than a competitor in delivering specific services, leading to higher prices. This information can become the impetus for process improvement, cost reduction and innovation. These benefits are unlikely to be realized by simply making a third-party cost estimation tool available.

Providers that have put thought into providing quick, clear answers when the consumer asks, “How much?” will be in a better position to thrive in a market-driven health ecosystem. They will have a significant competitive advantage over providers that are slow to accept the growing price sensitivity and increasing demand for choice from healthcare consumers.
FOOTNOTES


5. Ibid.


ABOUT THE AUTHORS

Srivaths Srinivasan
Director, Cognizant Business Consulting

Srivaths Srinivasan is a Director with Cognizant Business Consulting and leads the Revenue Cycle Management (RCM) Practice. He has 20 years of experience in healthcare operations and management consulting, and expertise across the healthcare continuum in provider and payer markets and RCM business operations. Srivaths can be reached at Srivaths.Srinivasan@cognizant.com.

Shishir Kumar
Director, Cognizant Business Consulting

Shishir Kumar is a Director with Cognizant Business Consulting’s Healthcare Practice. He has over 16 years of experience in healthcare operations and management consulting across the payer and provider markets. Shishir has significant experience in digital strategy and operations for healthcare organizations, value-based care and disease risk management. He can be reached at Shishir.Kumar2@cognizant.com.

Keerthi Kumar
Senior Manager, Cognizant Business Consulting

Dr. Keerthi Kumar is a Senior Manager within Cognizant Business Consulting’s Healthcare Practice. He has 15 years of management consulting experience across healthcare strategy and transformation. He is a physician by training and leads the population health advisory practice. He has advised clients across population health, value-based care and digital transformation. He can be reached at KeerthiKumar.tumkursubashchandra@cognizant.com.
ABOUT COGNIZANT

Cognizant (NASDAQ-100: CTSH) is one of the world’s leading professional services companies, transforming clients’ business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 230 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.