

# Enhancing the Quality of Patient Financial Communications



**Nicholas Dowd**  
Principal  
ideas2scale

As an increasing number of consumers gain coverage through the health insurance marketplaces, which are dominated by high-deductible insurance plans, the need for providers to have meaningful conversations with patients and their families about out-of-pocket costs for care and service is growing. But many providers find themselves unprepared to have such discussions.

High-deductible insurance plans were designed to encourage consumers to be more selective in their healthcare choices, ultimately lowering the cost of care. In 2016, the IRS defined a high deductible health plan as a plan with deductibles that exceed \$1,300 for single-person coverage and \$2,600 for family coverage.

In 2016, 83 percent of American workers who enrolled in insurance offered through their employers carried a deductible, according to an employer health benefits survey conducted by the Kaiser Family Foundation/Health Research & Trust. The average deductible for employees has risen significantly over the past 10 years, for individual coverage it totaled \$1,478 in 2016, up 12 percent since 2015 and up 49 percent since 2011, according to the survey.

But as consumers face higher out-of-pocket costs for care, they become more likely to postpone treatment or service.

Two out of five adults with high deductibles have delayed or avoided care based on the amount of out-of-pocket costs, according to a survey by The Commonwealth Fund.

## The Difference Between Cost and Price in Health Care

The terms *cost* and *price* have different meanings, and it's important that physicians, clinicians, and other healthcare professionals understand the difference.

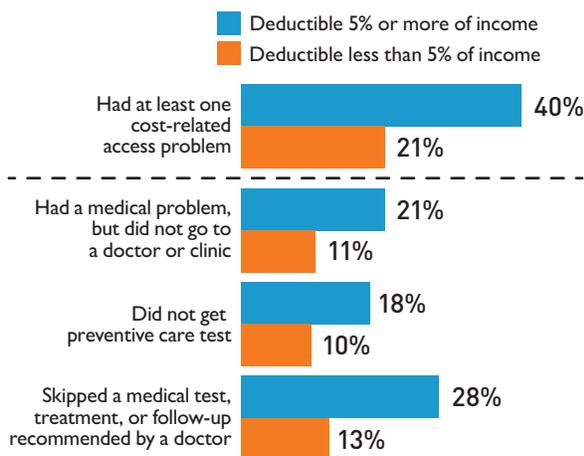
- **Cost** is the amount consumers and other payers incur for healthcare treatment and services.
- **Charge** is the amount a healthcare organization has established for treatment or services rendered prior to the negotiation of discounts (e.g., discounts negotiated with insurance companies).
- **Price** is the total amount a healthcare organization expects to be paid by payers and patients for care and services delivered.

### EXHIBIT ONE:

#### Percentage of Patients Who Delay Care Due to Out-of-Pocket Expense Based on Their Deductible

Two out of five adults with high deductibles relative to their income have delayed or avoided care based on the amount of their deductible.

**In the past 12 months, was there any time when you delayed or did not get any of the following because of the amount you would have to pay toward your deductible?**



Percentage of privately insured adults ages 19–64 responding “Yes” who were insured all year and had a deductible.

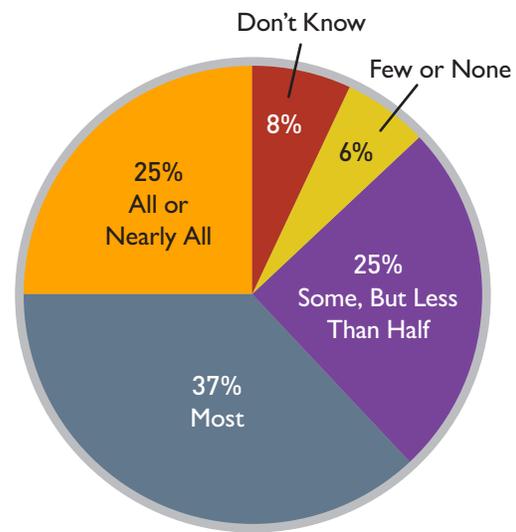
Source: The Commonwealth Fund Healthcare Affordability Tracking Survey, July–August 2015.

Just as distressing, most consumers have limited understanding of basic insurance terms and concepts, such as “deductible” or “in-network service.”

### EXHIBIT TWO:

#### Assessing Consumers’ Familiarity with Health Insurance Terms and Concepts

Among your clients who considered or purchased qualified health plans, about how many needed help understanding basic insurance terms and concepts, such as “deductible” or “in-network service?”



Source: Kaiser Family Foundation 2016 Survey of Health Insurance Marketplace Assister Programs and Brokers.

This puts pressure on providers to step into the role of “insurance counselor” for patients who require help understanding what their insurance coverage entails and how much they will be expected to pay out of pocket for the care and service they receive. It also requires physicians and other providers to be prepared to explain terms such as premiums, deductibles, and coinsurance in terms patients and their families can easily understand.

“This is unfamiliar and uncomfortable territory for physicians and clinicians,” says Katie Gilfillan, Director, Healthcare Finance Policy, Physician and Clinical Practice for the Healthcare Financial Management Association. “Now more than ever, physicians and clinicians need practical guidance on how to successfully navigate patient financial communications so that patients receive the care and service they need.”

## A New Role for Healthcare Providers

In 2006, when HFMA released its landmark report *Consumerism in Health Care*—a report that presented strategies for collaborating with key healthcare stakeholders to enhance transparency around quality and price, improve the consumer experience, and control rising healthcare costs—discussion of cost-reducing strategies in healthcare was rare.

Even today, ten years later, little progress has been made. A recent study observed that during outpatient visits for patients with high cost conditions, the topic of healthcare costs came up in only about 30 percent of visits. However, in those visits where patients broached the topic of healthcare costs, physicians were able to discuss cost-reducing strategies 40 percent of the time. Given that outpatient visits comprise the majority of healthcare encounters, most patients are not having conversations with their providers about the cost of care; yet, if the issue is raised, physicians are fairly often able to explore cost reducing strategies with their patients.

## What Happens When Patients Raise Financial Concerns?

**For consumer healthcare markets to work as intended, physicians must be prepared to help patients navigate financial concerns that arise during clinical encounters. But sometimes, physician behaviors stand in the way of helping patients resolve their concerns.**

- Physicians fail to fully engage with patients' financial concerns:
  - They don't acknowledge concerns or dismiss concerns too quickly.
  - They don't pick up on patients' financial concerns during the clinical encounter.
- Physicians fail to resolve uncertainty regarding out-of-pocket expenses or rely on temporary solutions.
- Physicians hastily accept patients' own dismissal of their financial concerns.

Source: Ubel, P.A., et al., "Study of Physician and Patient Communication Identifies Missed Opportunities to Help Reduce Patients' Out-Of-Pocket Spending," *Health Affairs*, April 19, 2016.

In 2007, research conducted by the Patient Friendly Billing project showed that while healthcare pricing and price transparency were important issues for consumers, cost typically had not been the primary driver of pricing for hospitals, according to the HFMA report *Reconstructing Hospital Pricing Systems*. Consumer distrust of hospital pricing abounded, and it became clear that all key stakeholders in healthcare needed to work together to develop the principles for a rational pricing system.

Today, the desire for improved patient financial communications continues to rank high among consumers and other key stakeholders—including physicians.

## Physician Perspectives on Cost Communications

During a recent series of focus groups conducted by ideas2scale, groups of primary care physicians, nurse practitioners, and physician assistants were asked, "What is the most notable question patients are asking today that they were not asking three years ago?"

The answer in each of the provider groups was unanimous: Patients are now asking more pointed questions about the cost of treatment, provisions of their insurance coverage, and their out-of-pocket obligations under high-deductible health plans. However, in the majority of instances, patients demonstrated only a cursory grasp of the language of healthcare insurance—deductibles, copays, out-of-pocket costs, in-network vs. out-of-network services, and more.

Typically, questions around healthcare cost and coverage either were brought up during the initial clinical encounter or, more frequently, as patients discovered the amount of the expense for which they were responsible.

"My patients don't question the clinical quality of the care we provide. They're worried they can't pay for it," one physician commented. Another lamented, "I'm afraid we're seeing more patients who make the decision not to fill prescriptions because they can't afford the medicine"—a concern backed by The Commonwealth Fund research. "That only leads to more serious and costly medical issues."

For the most part, focus group participants indicated they were willing to have conversations with patients and their families around healthcare cost and coverage, but felt inadequately prepared to do so due to the vast array of plans and provisions that exist today.

The stakes are high: Nearly one-quarter of people who have high deductibles cite their deductibles as the reason they have not sought preventive care testing, even though by law, these tests are excluded from deductibles, according to research by The Commonwealth Fund. Lower-income adults delay or avoid care based on their copayments at twice the rate of adults with higher incomes.

However, even among higher earners, out-of-pocket expense is still a factor in adhering to their physician's instructions: about one out of five adults (21 percent) with incomes at 200 percent of poverty level or higher reported not filling a prescription or delaying needed care due to avoid the expense of a copayment. Such decisions impede physicians' ability to provide high-quality care.

### Barriers to Effective Provider-Patient Communications

There are numerous reasons why both physicians and patients and their families might find it difficult to discuss financial issues related to healthcare treatment or services.

For physicians, such barriers include time pressures and lack of knowledge regarding specific insurance plans and coverage limitations. For example, a 2004 study published in the *Journal of General Internal Medicine* indicated the most common barriers to patient financial communications include insufficient time during the patient encounter, the belief that they did not have a solution to offer, personal discomfort, and fear of giving the wrong impression (e.g., that the quality of care might vary according to the patient's method of payment).

For patients, barriers often revolve around personal discomfort, reluctance to impose on the physician's time, concerns about the impact of such discussions on quality of care, and a belief that the physician would not have a viable solution to offer, according to the 2004 study (Alexander, G.C., et al., 2004).

### Determining the Right Approach

Today, healthcare organizations must be certain not only that their physicians, clinicians, and front-facing employees are technically competent, but also that they have the soft skills to interact professionally, compassionately, and competently about issues related to patients' healthcare coverage and out-of-pocket expense.

## 3 Steps for Improved Patient Financial Communications

- Review the billing and payment section of your organization's website to familiarize yourself with the information made available to patients and the community you serve.
- Visit [hfma.org/consumerguide](http://hfma.org/consumerguide) and download *Understanding Healthcare Prices: A Consumer Guide*. Share this resource with patients and consumers.
- Start a cross-divisional discussion about ways to improve patient financial communications at your organization. Establish an employee task force to review patient financial communications from the patient perspective and offer suggestions for improvement.
- Explore resources and tools for improved patient financial communications, including HFMA's "Best Practices for Patient Financial Communications" ([hfma.org/communications](http://hfma.org/communications)) and HFMA's Patient Financial Communications Training Program ([hfma.org/pfcprogram](http://hfma.org/pfcprogram)).

"The most successful healthcare providers and payers are those that spend time and resources on patient financial communications training and coaching," Gilfillan says. "In many ways, interactions related to a patient's financial responsibility for care or service can be just as intense as clinical encounters. The most outstanding patient experience in a clinical setting can be quickly negated by an unpleasant experience with a member of the organization's billing staff."

The best place to start establishing a solid foundation for patient financial communications is to ensure all parties are speaking the same language—for example, by knowing the difference between cost, charge, and price and by being able to clearly explain terms such as deductible, copay, and in-network, Gilfillan says.

# When financial concerns are raised by patients, it is the responsibility of the physician to explore these concerns further and work with the patient and family to address them.

Health plans should serve as the definitive information source for patients around out-of-pocket responsibility. As such, they should provide easy-to-use tools for consumers to obtain a list of in-network providers, estimate the cost of care or service, and determine out-of-pocket responsibility.

Hospitals' responsibilities include:

- Clearly communicating the estimated cost for a given procedure prior to the point of service
- Detailing which services are included in the estimate
- Making it clear how complications during a procedure or course of treatment could impact the patient's out-of-pocket expense

Physicians and clinicians also play an integral role in patient financial communications, starting with helping patients and their families make informed decisions about their treatment plans. When financial concerns are raised by patients, it is the responsibility of the physician to explore these concerns further and work with the patient and family to address them. Physicians also should continually consider less expensive forms of treatment and long-term solutions for reducing costs of care.

## References:

Alexander, G.C., et al., "Barriers to Patient-Physician Communication About Out-of-Pocket Costs," *Journal of General Internal Medicine*, (2004) Aug; 19(8): 856–860).

## Resources for Improved Patient Financial Communications

How can your organization most effectively communicate with patients who have high deductibles? HFMA has developed best practices for patient financial communications, across all care areas and in specific settings, such as the emergency department. A sample of best practices includes:

- Initiate the conversation early in the patient encounter. Where appropriate, utilize face-to-face discussions to facilitate one-time resolution.
- Provide standard language to guide staff on the most common types of patient financial discussions.
- Reinforce verbal discussions with written information.
- Respect the patient's privacy by holding such communications in a location and manner that are sensitive to the patient's needs.
- Focus on steps toward amicable resolution of patients' financial obligations.
- Ensure that passion, patient advocacy, and education are components of all patient financial communications.

For the full list of HFMA's best practices for patient financial communications, visit [hfma.org/communications](http://hfma.org/communications).

HFMA also provides specialized training for patient access staff that healthcare organizations can use to effectively engage and educate patients and their families, provide constructive pathways for resolving patient medical accounts, and promote patient and employee satisfaction.

HFMA's Patient Financial Communications Training Program features online, self-paced training modules with tools that can be customized to your organization. The program is scalable to the size of the organization's patient access team. For more information, visit [hfma.org/pfcprogram](http://hfma.org/pfcprogram).