

Take Your Seat at the Finance Table: Marketing & Planning's role in pricing transparency **Publication Date: March 1, 2013**

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The healthcare industry is moving towards transparency in quality, pricing, physician ownership, physician affiliation, and a myriad of other potential transparency-related topics. The reality is that as we move towards a consumer-driven healthcare system, transparency of information is a consistent theme. Your role as a marketing or planning professional is to make sure that market information is driving your organization's transparency strategies.

In this article, we'll focus on your role as it relates to pricing transparency. You've historically focused on product, place, and promotion (*i.e.*, 3 of the 4 P's) while likely leaving price to finance. Now, you need to focus on price along with the other three P's as your responsibilities evolve to align with marketing professionals in other industries. (Think of how Coke's marketing works: the focus is on product, price, place, and promotion so that marketing doesn't leave responsibility for any of the 4 P's completely to another department. Instead, marketing drives the strategic direction of each of the 4 P's.)

We're suggesting that as a marketing or planning professional, you need to 'take a seat at the finance table' so you can provide market expertise and knowledge as well as the consumers' perspectives to the Finance Department as they develop pricing and financial policies for your organization. No longer should finance work in a vacuum; instead, planning and marketing need to join the team to ensure market information is considered as financial policies are developed. It is the financial policies that drive pricing and move your organization toward transparency in pricing.

The financial requirements of the Patient Protection and Affordable Care Act ("PPACA" or "Affordable Care Act") and its companion Internal Revenue Code Section 501(r) focus on how well a hospital serves the health care needs of its community. Specifically, Section 501(r) requires four new qualifications to maintain tax exemption, each designed to enhance transparency among reporting nonprofit entities for the purpose of defining community benefit. Each qualification requires, and provides an opportunity for, a nonprofit organization to market its PPACA compliance strategies.

The four requirements include:

- Community Health Needs Assessment
- Financial Assistance Policy

- Limitations on Charges
- Billing and Collection Practices

Historically, marketing and planning have not played a significant role (if any role at all) in pricing and financial policies; we believe that must change as non-profit hospitals and health systems work to fulfill their IRS requirements for tax-exemption purposes.

Community Health Needs Assessment (“CHNA”)

Think about the role the CHNA plays in determining your organization’s financial policies. Among other things, the CHNA should identify specific populations in your communities that would benefit from enhanced access to healthcare services. The CHNA should drive the hospital’s financial assistance policy (“FAP”), ensuring that the population(s) in the communities served who need financial assistance will receive that assistance.

Financial Assistance Policy (“FAP”)

Hospital billing departments have typically developed written policies regarding hospital charging, including patient eligibility criteria and corresponding hospital charge discounting and collections procedures. With the passage of PPACA, these policies must now include a determination of the type of care (free or discounted) and a hospital-selected methodology for calculating amounts charged to eligible patients.

As a healthcare marketer or planner, you need to participate in the process of determining the hospital’s pricing strategy. In the past, this responsibility has resided solely with the finance department under its patient billing responsibilities. But, as regulatory constraints are lifted and the lower of cost or charge hurdles are taken down, the task of developing competitive and affordable pricing structures can, and should, now be shared between finance and the marketing and planning departments. It is the charge structure for all patients that will ultimately dictate the FAP because PPACA attempts to ‘level the charges’ for all patients regardless of their financial status or payment source (*e.g.*, self-pay, insured, Medicare).

Moreover, the FAP must be widely publicized to the community. It is this aspect of the FAP requirement that lends another opportunity to you as your organization’s planner or marketer. By “widely publicized”, the requirement begins with publishing the policies on a hospital website and requires the hospital to go a step further in patient communication, such as attaching the policy to patient brochures, posting policies in emergency departments and patient waiting room areas, and distributing the policy at time of admission. PPACA urges providers to use a variety of communication methods.

With the increasing number of high deductible plans, and the consumer's growing awareness of healthcare costs, health systems can now (and should) advertise its prices along with quality. Incorporating FAP-eligible consumers into online health insurance marketplace ("healthcare exchanges") proposals may provide opportunities for a hospital to publicize its FAP and attract patients.

Limitations on Charges

After years of widening gaps between gross charges and net payments, PPACA prohibits a hospital from billing services at gross charges for any individual who qualifies for assistance under the FAP. This means that the hospital cannot charge the patient gross charges, but must set its charges so that amounts charged for emergency and other medically necessary care do not exceed amounts charged to those with insurance coverage.

Moreover, PPACA requires having charges uniformly applied to all patients, regardless of whether or not they qualify for financial assistance. It is this aspect of the pricing strategy that creates another opportunity to you as your organization's health planner or marketer. Given the competitive nature of many hospital services such as outpatient, diagnostic imaging, and elective services, the marketer can, and should, assist in the development of a competitive pricing strategy that complies with PPACA and provides the organization with sound marketing strategies.

You know the competitive market information that finance needs to consider in developing charges. With a seat at the table, you can provide the market information to finance and ensure that your organization's charge structure is competitive, thus effectively positioning your organization in the marketplace when consumers utilize 'transparent pricing information' in their healthcare decision-making.

Today's internet savvy consumer of healthcare services is beginning to have numerous options available to compare quality of medical services, and in the coming years the development of online healthcare exchanges will provide additional resources. The health planner and marketer should be familiar with area providers' pricing for competing services and use the information in tandem with quality indicators to develop a price-quality campaign that is affordable and competitive.

Billing and Collection Practices

PPACA prohibits billing and collection policies that call for extraordinary collection actions by requiring hospitals to make reasonable efforts at determining if the patient qualifies for assistance under the FAP. Similar to the limitation on charges, PPACA seeks to protect the financial interests of the poor by having collection practices uniformly applied to all patients, regardless of whether or not they qualify for financial assistance.

You should work with the finance department in developing market-friendly billing and collection practices as part of the hospital's marketing strategy. As with all service industries, additional attention should be paid to financial counseling. In fact, incorporating financial counseling under the wing of marketing may be the most practical way to ensure success. Not only will billing and collection practices be utilized for the FAP-eligible patient, but these traditional back-room services will move to the front room as they gain importance for patient groups of all payor types.

Health Insurance Exchanges

PPACA's mandate to establish online health insurance exchanges aims to facilitate the expansion of insurance coverage to more people. The healthcare exchange, combined with payors' renewed interest in making charge information available to the consumer, present the opportunity for a hospital to attract the healthcare consumer using pricing strategies designed to make routine health services affordable. Exchanges will bring together insurers in one marketplace. Hospital's with or without insurance products should use these marketplaces to promote services.

Your work alongside the finance department will ensure finance policies and strategy are aligned with the hospital's overall market strategies.

Summary

As the healthcare industry looks ahead, it keeps an eye on the past. Consistent with past regulatory activity, healthcare payment methodologies are the drivers of change. So, why should health planners and marketers be concerned with PPACA? Because compliance with the IRS reporting requirements rests on how a hospital serves the healthcare needs of the community. Your organization probably already does a good job serving the healthcare needs of the community. Just remember to make sure you not only promote quality and services, but align pricing and financial policies so that you have a competitive edge in the marketplace to promote those aspects of your organization, too.