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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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
MARKETPLACE TRENDS AND PRESSURES

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

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

No Health Plan

Uninsured

Consumers < 300% FPL
- Free or sliding scale *

Consumers > 300% FPL
- May be billed charges

Many hospitals go beyond HFAL

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

Healthcare Association of New York State
www.hanys.org
SYSTEM DYNAMICS — WHO PAYS CHARGES?
COMMERCIAL MARKET

Health Plan
PAR
Pays negotiated rate

Health Plan
Non-PAR
Emergent
Greater of Provider’s:
• in-network
• UCR
• Medicare rate

Health Plan
Non-PAR
Non-emergent
Payment varies depending on policy
MAY result in charges

PAR and Non-Par Emergent
Consumers pay:
• Co-pays
• Deductibles
• Co-insurance

Non-PAR
Non-Emergent
Consumers typically pay higher:
• Co-pays
• Deductibles
• Co-insurance
• Depending on policy

Balance billing issue
THANK YOU!

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