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Baptist Health: A Leader in Hospital Pricing Transparency

Recently, the federal government's Centers for Medicare and Medicaid Services (CMS) released what U.S. hospitals "charge" for 100 of the most common inpatient procedures. The release of this data caused an uproar in the media because of the vast disparity in hospital charges for pills, procedures and operations from one side of the country to the other, and among hospitals in the same cities.

Baptist Health fully supports the move toward improving transparency in the healthcare system and educating consumers about how to make the best choices for themselves and their families.

The healthcare payment system in the United States today is incredibly complex. The information recently published by CMS and covered by the media is not meaningful and easily understandable to most patients, because the CMS data focuses on hospital charges. Hospital charges do not dictate the amounts paid by Medicare or Medicaid, and are often unrelated to the amounts paid by commercial health insurers.

Hospital charges vary because they reflect differences in patients' conditions, an individual hospital's mission, the patient population served, and many other factors. Hospital charges are not the amount that a hospital is paid by the government, private insurers or even the vast majority of the uninsured. In fact, in many cases, hospital charges are not even related to these payments.

The Hospital Chargemaster: Myth vs. Reality

A hospital's "charge" is similar to the sticker price shown on windows of new automobiles. Rarely does anyone pay it. But many media reports about the release by CMS contained the misleading concept that hospital "charges" equated to the "prices" paid for services. This is simply not accurate.

The hospital "charge" or "chargemaster" is a concept similar to the list price used in many other industries. The Medicare laws require hospitals to maintain a "chargemaster" showing the list price of all items for which we charge. Unfortunately, there is no set of comprehensive standards for the chargemaster — no rulebook on what to include, what not to include or on the relationship between

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the charge and the underlying cost. The chargemaster at Baptist Health includes 65,000 items, whereas the hospital down the street may have only 20,000 items. Hence, this lack of standardization and guidance makes it nearly impossible to meaningfully compare the chargemaster from hospital to hospital. A good example is the automobile analogy above. Consumers want to know the total cost of the vehicle they may be interested in buying, not the price list of the 3,000 parts making up the vehicle.

Furthermore, rarely, if ever, does anyone pay “charges.” The Medicare and Medicaid programs pay rates that are dictated by the government and which have nothing to do with the chargemaster. These are not negotiated rates; the government unilaterally establishes the rates it pays each hospital. In contrast, commercial insurers negotiate their rates based upon complex formulas and proprietary payment methodologies.

Hospital Pricing: As Complicated and Confusing as the United States Tax Code

While the release of the CMS data did shine light on a very broken hospital industry pricing system, it did not provide the public with sufficient information to make informed decisions. Patients usually want to know “what will it mean to my wallet?” And determining a patient’s out-of-pocket payment is no small task; it is complicated by the insurance plan, benefit design and other factors. There are 13,000 commercial insurers in the United States, and each one seems to follow its own unique payment methods. Payment rates for identical medical procedures are different for every insurer, and each insurer often has several different insurance products (HMO, PPO, etc.), which often pay us differently.

Health insurers pay hospitals and other providers using a variety of methodologies, including per diems (an amount per day, depending upon whether you are in ICU, a medical-surgical floor, rehabilitation, etc.), case rates (based upon discharge diagnosis or procedure), carve-out pricing for implants or high-cost drugs, outlier payment thresholds (even more confusing), discounts from charges, or an almost incomprehensible combination of these methods. Clearly, these contractual rates do not lend themselves to meaningful comparisons or give consumers the total cost of a hospital stay. Furthermore, Baptist Health is constrained in sharing specific commercial rates due to legal and contractual commitments with insurers.

Also, Medicare does not pay us the same way or the same amount as Medicaid. And Medicaid pays differently in every state. In short, the billing and payment system in the United States is enormously complicated and understood well by only a few of the most astute healthcare financial professionals. We think the system is broken and must be replaced by a simpler, more equitable hospital pricing system.

Baptist Health Central Pricing Office: Our Approach to Improving Pricing Transparency

Baptist Health is a strong advocate of transparency and pricing simplicity so that consumers can decide what is best for them, with an eye on value (quality + cost). In fact, Baptist Health is one of the leading healthcare systems in the nation providing meaningful information to prospective patients and payers.

Consistent with Baptist Health's commitment to outstanding service, over a decade ago we developed a centralized process whereby patients can obtain meaningful price information prior to receiving scheduled services. In 2001, before healthcare price transparency was a front-page news item, Baptist Health started a Central Pricing Office (CPO). We were the first in South Florida to formally open such an office. With a telephone call or online submission to the CPO, patients can obtain the out-of-pocket estimate specific to their service, their insurer and their benefit structure. The CPO also provides discounted prices to patients without insurance at average PPO prices. Low-income or indigent patients who meet Baptist Health's charity care guidelines receive their care free or at a steep discount. The service does not require that the patient seek out this information. It is now standard protocol to communicate these estimates to all patients for scheduled services. Baptist Health's CPO has been recognized as a national best practice and has accommodated site visits and guidance to other hospitals that want to provide a similar level of transparency for their patients.

Under healthcare reform, insurers and healthcare providers are encouraged to experiment with new payment models. Baptist Health has long been a leader in innovative payment methods. For example, we have for years "bundled" the facility and physician fees into one consolidated payment for the vast majority of our outpatient diagnostic imaging services. We have recently implemented a bundled payment for urgent care services. We will provide urgent care services to over 250,000 patients in 2013, and this consolidated payment includes the facility fee, pharmaceuticals, supplies and the physician services provided by urgent care doctors, pathologists, radiologists and other physicians. We are working to expand bundled payments to include a broader range of surgical and procedural services, for both outpatients and inpatients. We expect to make these bundled arrangements to commercial insurers, cash-paying patients and employers to simplify the administrative process, make the pricing for healthcare services far more transparent and complement our service excellence and clinical quality.

Value = Quality + Price

At Baptist Health, we continuously strive to increase the value of the healthcare services we provide to the South Florida community. While value may be defined somewhat differently by each person, at Baptist we believe value is determined by quality and price. Fortunately, the U.S. healthcare system has made great strides in defining quality measures and making them easily accessible to the healthcare consumer. These quality measures address clinical outcomes and best practices as well as patient satisfaction. As we have previously reported, Baptist Health compares very favorably to some of the best hospitals in the nation (the U.S. News & World Report "Honor Roll" hospitals) and is a national leader in clinical best practices, patient safety, outcomes and patient satisfaction.

Our website has the latest information, which is also publicly reported by the federal government. There are significant differences in the local market on quality, patient safety and patient satisfaction. Baptist Health hospitals recently received high marks (again) for patient safety. In the Consumer Reports rating, all eligible Baptist Health hospitals were ranked in the Top 5 in Miami-Dade and Monroe counties; and in the Leapfrog Group rating, all eligible Baptist Health hospitals earned A's. We encourage consumers to look at these important factors when deciding where to go for healthcare.

Rest assured, Baptist Health will continue to seek ways to make this information more transparent, accessible and understandable to consumers.

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