

Price Check: The Mystery of Hospital Pricing

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CALIFORNIA HEALTHCARE FOUNDATION

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About the Authors

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About the Foundation

The **California HealthCare Foundation**, based in Oakland, is an independent philanthropy committed to improving California's health care delivery and financing systems. Formed in 1996, our goal is to ensure that all Californians have access to affordable, quality health care. For more information about CHCF, visit us online at www.chcf.org.

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I. Introduction

IN AN EFFORT TO EVALUATE HOSPITAL-PRICING PRACTICES, the California HealthCare Foundation sent a group of would-be patients to 64 hospitals throughout California. These “mystery shoppers” posed as low-income, uninsured patients who needed to find a hospital for an upcoming test or procedure. They were instructed to seek answers to three questions:

- How much would a specific medical procedure cost?
- Was financial assistance available and under what terms?
- Did the hospitals post notices about financial assistance?

CHCF undertook this project to see how well hospitals communicate prices, financial assistance policies, and billing practices to patients. Although some of the shoppers had positive experiences, overall the project revealed a wide communications gap between hospitals and their patients — a gap that has poor implications for patients who must pay all or part of their medical bills.

Patients Need To Know Because Patients Need To Pay

In an era in which patients are being asked to pay a larger portion of their medical costs, transparency in prices and policies is vital to patients’ ability to make informed choices about their health care — choices about whether they will undergo procedures their doctors have recommended, where they will have those procedures done, and how they will cope with the bill when it arrives.

These patients include the approximately 6.5 million Californians, both unemployed and employed, who lack health insurance — or slightly more than 20 percent of state residents under the age of 65. (For more information, see *California’s Uninsured, 2005* at www.chcf.org.)

They may also be individuals who do have health insurance, but who have a plan that includes high deductibles and/or copayments for services, thereby shifting some of the employer’s costs to the consumer. As a result of this cost sharing, many consumers can end up paying many thousands of dollars out of their own pockets to pay for care. (See *Health Insurance: Can Californians Afford It?* at www.chcf.org.)

The trend toward patients having either no insurance or having insurance that requires them to shoulder a substantial burden of the cost is increasing, making more Californians responsible for some or all of the hospital care they receive.

Advocates, Administrators, and Lawmakers Step In

The cost-shifting trend has not gone unnoticed. Recent newspaper stories have highlighted the shock of patients being presented with large bills for short hospital stays — bills that the patients themselves had to pay. In recent years, health care advocates, lawmakers, and hospital administrators have taken action to deal with these issues.

In 2003, the California Legislature passed two bills relating to hospital pricing and billing practices. The first — AB1627 — required hospitals to provide information to patients on fees for 25 common services and to post notices informing patients that the information was available to them. This bill was signed into law and called the Payers' Bill of Rights. (That bill was amended in 2004 after this project was completed.) The second — SB379 — would have mandated changes in the way hospitals bill and collect from self-pay patients, but was vetoed by the governor.

That same year, the California Hospital Association developed and encouraged member hospitals to adopt voluntary guidelines regarding billing and collection practices. These guidelines stated, among other things, that hospitals should have clearly stated written payment and financial assistance policies, that hospitals should post notices about these policies, and that hospitals should train staff on communicating these policies.

The Reality Does Not Match the Ideal

Despite these efforts, the Mystery Shopper Project shows that many hospitals have a long way to go to meet the need for transparency in pricing and policies. Although some shoppers had positive experiences, many did not, suggesting that getting the information one needs is more often a matter of luck (in reaching a helpful employee, for example, or in needing a procedure that is fairly simple).

Shopper Experience

I called the main number of the hospital and got a recording. I pressed "0" and G answered, asking me to hold while she transferred me. I answered the phone; I told him I was calling to get the price of an ultrasound. He replied, "Okay, I don't know why they transferred you here. I'm going to transfer you to admitting." When I reached admitting, a female employee answered and asked me to hold on a second. She returned and told me I had been transferred to radiology but needed a different department.

Shopper Experience

I found J particularly helpful and empathetic. She seemed surprised initially when I asked her about pricing, but it seemed that once she realized I needed financial help she warmed up and tried to help me find additional assistance.

II. Key Findings

Better Systems Are Needed

Though there are exceptions, most of the sample hospitals did not have adequate automated or manual systems in place to answer pricing questions. This meant that when shoppers made their initial contact with the hospital, their experiences were highly variable. The hospital operator was the primary triage person for the mystery shoppers who telephoned the hospital. The information desk was usually the initial triage point for shoppers who visited in person. (Interestingly, shoppers who made their requests by phone were much more likely to get information than patients who visited in person.)

These initial contacts sent the shoppers to a variety of places, including the admitting department, the financial counseling department, or the billing or cashier's office.

Shopper Experience

The first call was placed to the hospital's main number at 10:35 AM. I told the operator I was calling to find out the price of a cardiac catheterization. She connected me with the cardiology department. The person who answered the phone identified the department as well as herself... I explained that I wanted to find out the hospital and doctor charge for this test, since I do not currently have insurance... She politely told me that I had reached the wrong department and that she would transfer me back to the hospital operator. I should ask for admitting. She promptly transferred me back to the operator. I requested admitting, and the phone was quickly answered... She said that she did not have [the] information, but she offered to transfer me to someone else in the admitting department who would be able to assist me. The person to whom I was transferred asked, "How can I help you?" I repeated my scenario to her. She said that she did not have that information, but the admitting director would be able to help me. She told me his name and transferred me to his extension.

Shopper Experience

I told the operator I was calling to find out the price of a CT scan. I was first transferred to a department where the person answered the phone and said his name so quickly I had no idea

which department I had reached. I stated that I wanted to get the price of a CT scan for which I had an order. The woman who answered said something that was incomprehensible and proceeded to transfer me to a woman who also answered the telephone in an incomprehensible manner. I asked the lady three times who I had reached and finally determined that it was the X-ray department. I stated my name and that I wanted to get a CT scan price. She said she was going to transfer me to billing. A third person answered, again incomprehensibly, but I did catch 'imaging.' By this time I was on my third transfer. Once again I stated that I was inquiring about the price of CT scan. Again, this was not the right person.

Shopper Experience

My quest to determine the cost of a cardiac catheterization was very simple. I was able to determine the price of my procedure on the first attempt, and discussed payment options and financial assistance.

Shopper Experience

I found J to be very helpful... He is definitely someone I could count on to give me the right information. It's too bad they hide him so well.

Getting a Price Can Be a Frustrating Process

Although 470 of the 622 mystery shoppers ultimately got a firm or estimated price for their procedures, the ease with which each mystery shopper obtained the information varied greatly. For some, the price was readily available; for others, it was difficult or impossible to obtain. Many shoppers had to endure multiple transfers, voice-mail messages, and call backs, not to mention long hold times. One mystery shopper reported up to 17 points of contacts in her quest for a response.

Shopper Experience

I continuously got voice mail when I attempted to reach the surgery scheduler. I called back the hospital operator and explained that I was unable to reach the scheduler and that I kept getting voice

mail. The operator said she really didn't think the scheduler would be able to assist me and she transferred me to the general surgery clinic, the very first department I spoke to.

Indeed, voice mail was a significant challenge for the mystery shoppers. The people they needed to reach frequently did not answer their phones, forcing the mystery shoppers to make repeated phone calls to the same number as they tried to get a response.

Shopper Experience

J returned my phone calls, only to ask for more information. After I left two more messages, she did not return any more of my calls.

As the mystery shoppers bounced from department to department, hospital employees gave various reasons why they could not provide the shoppers with a price. Frequently, they said the shoppers had been sent to the wrong department; sometimes, they cited the lack of a diagnostic (CPT) code, and occasionally, the employees claimed it was against hospital policy to give out prices. On some occasions, the employees gave no reason at all.

Of course, obtaining a price was only half the battle. The shoppers also had to find information about financial assistance. Some were able to do so from the same source that gave them the pricing information; others had to begin an entirely new process.

Occasionally, when shoppers had to get answers from more than one department, they ended up getting conflicting information — for example, one price quote from the imaging department and a different price quote from a financial counselor. Employees never gave a reason for the discrepancies, even when the mystery shoppers specifically asked about the difference in pricing.

Type of Procedure Partially Determines Whether Hospitals Provide a Price

Although there were some exceptions, it was generally easier for the shoppers to obtain a price for a radiology test than for a surgical procedure or a cardiac catheterization, both of which required researching costs from different departments and/or estimating prices based on previous patients.

Hospitals Must Expand Training to Ensure Employees Understand How To Deliver Pricing and Payment Information

A few key experiences by the mystery shoppers reveal that many hospital employees are not trained adequately either to provide pricing information themselves or, when they are unable to do that, to transfer patients to someone who can:

- A few of the hospitals had a designated person or department that could handle pricing and self-pay patient questions, but the shoppers were not always referred to the right place. For example, at a prominent hospital in Los Angeles there is a department that gives price estimates to self-pay patients, but on initial contact, the hospital operator transferred only two of the six mystery shoppers to this department.
- Sometimes, employees said it was against hospital policy to give out prices, despite the fact that other employees in different departments at the same hospital quoted a price.
- Some employees said CPT or ICD-9 codes were required, even though other employees in the same hospital said these codes were not needed.

Overall, the majority of hospital employees interacting with the mystery shoppers were courteous. However, shoppers reported that some staff members were too busy to help or were unfamiliar with the contact person in their hospital who was responsible for providing pricing information.

Hospital Pricing Information Is Inconsistent, Making It Difficult to Shop for the Best Value

Among the hospitals, there was little consistency in the prices given to the mystery shoppers. Some prices were estimates, while others were more firm; some prices were discounted, while others were quoted as published charges with a percentage of discount noted. Sometimes hospitals had to provide a range of prices because of the complexity of the procedure or the number of variables involved.

A patient faced with different prices from different hospitals might not know to ask about whether the discount was included, or whether the physician's fee was included, or other questions that might shed light on the discrepancy. Such a patient would be in no position to make the best choice among the hospitals.

Financial Assistance Can Be a “Catch-22”

To get a discount for an elective procedure, the patient frequently has to agree to pay for services in advance. In almost half of the sample hospitals, payment plans were available only for those who can pay full charges. For an uninsured patient already facing a large financial burden, this seems like an unnecessary hardship.

Shopper Experience

I found that discounts were available but the cost had to be paid upfront at the time of service. Even when I explained that I did not have a lot of money and was unemployed, I was still denied a payment plan unless I was paying the regular rate. I was also told I would have to be admitted through the ER to qualify for charity care because scheduled procedures do not qualify.

Shopper Experience

C was respectful, pleasant, and helpful. I just don't know whether she understood the magnitude of concern a patient who is uninsured feels when a procedure costs \$27,000 and the patient is told an upfront payment of \$13,000 might be required.

All of the mystery shoppers who visited the hospitals were shopping for elective procedures and many were referred to public programs or to a county hospital, where available. Unless the shoppers were persistent in asking about financial assistance, few hospital staffers volunteered information about financial assistance or charity care within their own hospitals.

Written Notices Communicating Financial Assistance Are Often Inadequate or Inaccessible

According to the reports of the mystery shoppers, approximately 45 percent of the hospitals had either one or no conspicuous notices. This statistic does not necessarily mean that the hospitals did not post the notices; rather, it more likely means that the notices did not catch the attention of almost half of the mystery shoppers—people who were actively seeking them. The problem is the result of a variety of factors, including the location, size, and typefaces used in the notices.

Shopper Experience

The placards were small 4 x 8 inch signs that a reader would have to get close to in order to read. All signs were in English only.

Shopper Experience

The signs were in high traffic areas, but they were hard to see because there were other signs posted about non-financial information. The signs did not stand out.

Shopper Experience

The signs could have easily been missed. The sign on the cashier's desk was just a small sign in a plastic casing. In the waiting area, the sign was just a sheet of paper sitting on a table with magazines.

The messages on the notices varied. Most were brief, but some were lengthy and detailed. The notices did not mention specific eligibility requirements. To the mystery shoppers, many of the notices implied that the hospital's financial assistance or charity care

is available to all patients, when, in fact, financial assistance and charity care are usually reserved for emergency patients and inpatients (and sometimes, the homeless).

To be fair, there were certain limitations on the extent to which the mystery shoppers could search for and document the content of the notices. For example, some hospitals had security guards who prevented the mystery shoppers from visiting certain areas without authorization. In addition, some registration and waiting areas were very crowded, making it challenging for mystery shoppers to look for and read notices hanging on walls above chairs that were occupied by other patients.

According to 82 percent of the mystery shoppers who responded, the content of most notices was brief. The notices informed patients that financial assistance might be available or that they might qualify for financial assistance or charity care. The notices also directed the patient to contact an outside number or a hospital department or registration desk for information.

In a smaller number of instances shoppers found lengthy notices that stated that patients without insurance would be treated fairly and with respect, regardless of their ability to pay. They promised to provide financial counseling to uninsured patients and to help in applying for local, state, and federal programs. A few went even further and declared that discount pricing for services at managed care rates would be billed and that all uninsured patients would be offered reasonable payments and payment schedules. Although the more detailed notices did not always mention specifics or provide any contact names or telephone numbers, they did make it clear that financial assistance was available for the uninsured, including discounts; payment plans; and local, state, and federal programs.

III. Conclusions

Hospitals Must Become More Attuned to the Needs of Consumers, Who Increasingly Are Paying the Bill for Care

Providing information on pricing and financial assistance is a difficult thing to do, however, rising numbers of uninsured, and increasing numbers of patients with high-deductible health plans, requires a change in practice. While hospitals may not see themselves as retail environments, they must do a better job of providing pricing information so that consumers can have relevant information about their choices.

Hospitals Should Make Their Pricing Responses Consistent with Other Hospitals

Because each hospital has its own way of quoting a price—for example, sometimes the price is already discounted, sometimes it isn't—a potential patient shopping around for the best deal will have difficulty comparing prices. It would be helpful if the hospitals could decide upon a uniform way to communicate this information so that consumers could make like comparisons.

Hospital Staff Should Be Better Trained to Communicate About Price

The ability of hospital staff to handle questions about prices and financial assistance policies was inconsistent at best. Sometimes, different shoppers at the same hospital received conflicting pieces of information depending on who helped them; other times, employees admitted they had no idea how to field the question. Even hospitals with the best of procedures and policies won't get very far if their staff doesn't know about the procedures and policies or isn't skilled in communicating them. Although it is apparent that many hospitals have adopted charity care policies, the message has not been effectively articulated to the hundreds of employees who are likely to provide pricing and financial assistance information to consumers.

It may also help for hospitals to develop more formal, automated systems to aid employees in finding pricing information. Hospitals in other states (Wisconsin) have gone so far as to post prices for common procedures on Web sites.

Hospitals Should Make Postings More Visible and Accessible

There may be no perfect solution to the challenge of posting easily visible and prominent notices of financial assistance. Hospitals are required to post numerous notices of different sizes, resulting in a visual cacophony. It may make more sense to place appropriately sized and graphically pleasing framed notices on registration desks and counters and/or hang large, colorful notices at eye level in waiting rooms, rather than placing black and white, small notices above eye level on cluttered walls or on busy corridors.

Hospitals Should Prepare Brochures for Employees to Give to Patients

If most of the mystery shoppers had been given a flyer or brochure with the financial assistance information, the lack of notices would not have been critical. However, only 18 of the 248 mystery shoppers who visited—a mere 7.3 percent—were offered written information about the hospitals' financial assistance policies or procedures, or about eligibility for charity care. Hospitals should offer flyers, brochures, or some other type of literature to patients who inquire about financial assistance. Ideally such information should be available in more than one language.

IV. Methodology

DEVON HILL ASSOCIATES, A FIRM EXPERIENCED IN using mystery shoppers in the health care field, conducted this project for CHCF. Devon Hill chose a sample of 64 hospitals throughout California. To be part of the sample, a hospital had to have more than 100 beds and be medical and surgical in nature. The sample included for-profit and not-for-profit hospitals, public and private hospitals, and adult and children's hospitals. CHCF did not make Kaiser Foundation Hospitals part of the sample because Kaiser primarily serves its own subscribers.

Devon Hill gave the shoppers fictional scenarios describing their biographical information, their financial situation, and the procedure they needed. Once they had learned their scenarios and received training from Devon Hill, the shoppers presented themselves, in person or over the phone, to hospital employees as either prospective patients or family members of prospective patients in need of a specific test or procedure. They said that they had no income or had an income within 300 percent of the federal poverty level guidelines and that they were uninsured. Some posed as having no personal assets (such as a house or a car). Sometimes the procedure the shopper asked about was relatively simple (such as a CT scan), and sometimes it was complex. Sometimes, but not always, the shopper had a diagnostic code (CPT or ICD-9).

The mystery shoppers who visited their hospital in person looked for notices of financial assistance at the in-patient and out-patient admitting areas, the emergency department, and the cashier's or business office. Sometimes, however, security personnel denied shoppers access to these areas.

The shoppers asked for the price of their procedure and the availability of discounts and financial assistance.



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