

# HOSPITAL REVIEW

## Collaboration, transparency improve cost clarity and up front collections

By Mitch Morris, MD, Executive Vice President, Optum

Providers are rethinking the payment continuum as they struggle to reduce total cost of care.

Traditional payment processes have made health care the only industry where consumers buy something without knowing the real cost. It's not always clear who has financial responsibility when a service is ordered or rendered. Often, payers and patients aren't billed until after the service is provided.

Without financial transparency, consumers don't understand their financial obligations, and when so much administrative work takes place post-service, there is friction. Administrators spend time and energy chasing down accurate information and payment on the back end, and bills may not be paid in a timely manner, if at all.

Unpaid bills contribute to an estimated \$200 billion in administrative waste in the U.S. health care system<sup>1</sup> and add to a patient's total cost of care.

Patients are now responsible for 30 percent of hospital revenues due to increased use of high-deductible health plans.<sup>2</sup> Yet, providers fail to collect \$0.65 cents on every dollar billed to the patient.<sup>3</sup> That's a big concern for consumers, providers and payers.



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### Shifting to point-of-care payments

When one provider found unpaid bills piling up, administrative leaders turned to Optum.

Optum connected the provider's records system with data on payer benefits and patient copay requirements. When patients arrived, staff members were able to request appropriate payment on the spot.

The move shifted collections from post-service to time-of-service. It was a winning solution for all.

For the consumer, it created an initial understanding of out-of-pocket obligations. For the provider, it increased up front collections by 20 percent. That's because 93 percent of the time, the provider received an estimate from Optum that outlined a patient's responsibility for a given procedure.<sup>4</sup> The changes also reduced denials and improved patient satisfaction since they no longer received multiple bills.

This kind of success can only be found when there is transparency and collaboration in the payment process. It took the work of combining provider and payer systems to provide needed information up front to ultimately benefit the patients.

Combining systems and sharing data can support change in other parts of the payment continuum.

### Simplifying prior authorization

To see that change in practice look no further

than prior authorization. Let's say a physician enters a prescription or orders a test in an EHR. Wouldn't it be great if the system could transmit the information to the claims system and indicate whether the procedure was authorized right then and there?

With an integrated approach, when a physician orders an MRI for back pain, clinical and claims systems would communicate directly. If the criteria are fulfilled for doing an MRI, then the service is authorized.

But what happens in case it doesn't fulfill the criteria? For example, the patient has experienced the pain for less than three months and hasn't tried certain anti-inflammatory medications. In that case, the system alerts the physician and allows them to add additional documentation or choose another care path.

Using an integrated approach, the physician doesn't order an MRI only to have it denied, and the health plan isn't spending time and resources denying claims or defending denials. The patient isn't stuck in the middle, and the whole process is transparent and simplified.

To reach this state, health care needs better collaboration. Payers and providers need to recognize areas of integration and shared goals – like happy customers and business growth.

Integration begins by recognizing shared payer and provider pain points. Both payers and providers share frustrations with steps in the payment process.

### **Five shared provider-payer pain points**

1. Lack of access to complete benefit data
2. Confusion about which services require prior authorization
3. Exchange of incomplete and delayed clinical documentation and coding
4. Claim submissions with inaccurate, incomplete or missing information
5. Inability to determine root cause of denials

These pain points can be turned into opportunities through strategic partnerships aimed at reducing administrative burden. By working together through each phase of the payment process, stakeholders can end unsustainable practices and uncover previously hidden value.

To learn more about the shared pain points and how collaboration can address each, explore the Optum Payment Nexus infographic at [www.optum.com/simplify](http://www.optum.com/simplify).

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<sup>1</sup> Institute of Medicine of the National Academies. *The Best Care at Lower Cost: The Path to Continuously Learning Health Care in America*. Washington, DC: National Academies Press; 2013. [www.ncbi.nlm.nih.gov/books/NBK207218/](http://www.ncbi.nlm.nih.gov/books/NBK207218/).

<sup>2</sup> Dark Daily. Because of expanded numbers of patients with high-deductible health plans, patients are now responsible for 30% of hospital revenues. Sept. 22, 2017. [www.darkdaily.com/because-of-expanded-numbers-of-patients-with-high-deductible-health-plans-patients-are-now-responsible-for-30-of-hospital-revenues-920/](http://www.darkdaily.com/because-of-expanded-numbers-of-patients-with-high-deductible-health-plans-patients-are-now-responsible-for-30-of-hospital-revenues-920/).

<sup>3</sup> Yates S. Tackling the growing self-pay revenue problem: 5 steps to get cash from your self-pay portfolio. *Becker's Hospital CFO Report*. July 19, 2016. [www.beckershospitalreview.com/finance/tackling-the-growing-self-pay-revenue-problem-5-steps-to-get-cash-from-your-self-pay-portfolio.html](http://www.beckershospitalreview.com/finance/tackling-the-growing-self-pay-revenue-problem-5-steps-to-get-cash-from-your-self-pay-portfolio.html).

<sup>4</sup> Optum client results.