FYA
For Your Advantage™
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An Essential Tool for Healthcare Leaders

From TrendLeader Connections

Sponsored by PHNS
The HealthCaring Solution

By S. Harvey Price

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## About FYA

FYA - *For Your Advantage,* is a free twice - monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

The newsletter is provided free to healthcare CEOs only. CEOs may use the material in any way they wish—except for the editorial content that is copyrighted by the author. You are welcome to print copies of FYA.

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# Deciphering Hospital Bills

Get ready for the next wave of criticism of hospital practices-the bills that hospitals generate. Most patients and their families have shrugged off the bills as long as insurance companies or government programs paid them. As we enter the era of consumer-driven payment models, expect greater scrutiny.

The New York Times is running a series known as "Being a Patient." In one of the articles, hospital bills were described this way: "Medical paperwork is a world of co-payments and co-insurers, deductibles, exclusions and contracted fees. Nothing is as it seems: patients receive statements that often do not reflect what is actually owed; telephone calls to customer service agents are at best time-consuming and at worst fruitless. The explanations of benefits that insurers send out-known as E.O. B.'s-are filled with unintelligible codes. The system is so impenetrable that it mystifies even the most knowledgeable."

President Bush named Dr. David Brailer to the position of National Coordinator for Health Information Technology in the Department of Health and Human Services. When asked about hospital bills, he replied, "I'm the president's senior adviser on health information technology, and when I get an E.O.B. for my four-year-old's care, I can't figure out what happened, or what I'm supposed to do. I can't figure out what care it was related to or who did what."

Dr. Brailer uses the following analogy to describe the current state of medical billing: "Suppose you walk into a restaurant and you don't get a menu, you don't get any choice of what food you'll eat, they don't tell you what it is when they're serving it to you, they don't tell you what it's going to cost. Then weeks or months later, you get a bill that tells you all the food you ate and the drinks you had, some of which you remember and some you don't, and although you get the bill, you still can't figure out what you really owe."

If Dr. Brailer is confused and frustrated imagine the reaction of the average patient.

The billing issues are causing patients to vent their discontent with the system and creating tensions among patients, hospitals, doctors and insurers.

A Harvard Medical School professor said, "The number of bureaucrats between the point of service and the final cash reckoning

*(continued)*

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# Deciphering Hospital Bills (...Continued)

is just incredible."

Unfortunately, there is very little that an individual hospital can do to change the billing process to make it as easy to understand as an American Express statement.

Dr. Brailer said, "Fragmentation is a fact of life in healthcare, and people consider that to be one of the most fundamental problems. We pay by the piece. Everybody gets paid individually to do something: to see a patient, to admit someone, to do a lab test, to do a prescription, so healthcare is swamped by detailed, line-item bills."

Following an office visit, a physician sends a diagnostic code to the insurer. The insurer decides the level of payment. These codes differ from the codes the insurer uses in the E.O.B.'s it sends to patients. The billing codes used by hospitals are also entirely different.

Then there is the bill I saw recently for a patient that spent 10 days in the hospital for congestive heart failure. One item read: $120,000. The explanation for the service was "Miscellaneous."

There are attempts to find a solution for the billing morass.

The increasing use of electronic records to enable insurers, physicians, hospitals and pharmacies to share data is showing signs of helping alleviate the problem. Especially, if standardized insurance billing forms becomes a bi-product of this trend.

Blue Cross Blue Shield of South Carolina is offering physicians an electronic card reader that lets patients find out how much they owe while they are still in the doctor's office.

The Healthcare Financial Management Association has initiated the Patient Friendly Billing Project. The association is working with insurance companies on a long-term project to make bills more comprehensible.

All of these and other efforts to simplify patient bills are noble, but in the words of Dr. Brailer most efforts are at the wishful-thinking level because the changeover would be expensive.

It's not much solace, but the next time the subject of patient bills comes up, remember this is a systemic challenge of our industry, not the fault of individual providers.

**That's my opinion. What's yours? Send it to:**
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**About**

PHNS is an innovative healthcare services company providing strategic outsourcing services in information technology, health information management and receivables management to approximately 160 hospitals. PHNS is not a consultant, vendor or software company but a partner, a solution. PHNS understands healthcare because our partners are healthcare and healthcare only. Unlike its competitors, PHNS strategically aligns itself with a hospital's clinical and financial goals and objectives. Through its unique business model, PHNS reduces costs by aggregating, consolidating and sharing resources among its participating hospital partners. PHNS helps hospitals manage information systems, computer technology, patient records, coding and patient billing to improve patient care, safety and efficiency and increase profitability and efficiency. For more information, visit www.phns.com.

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# Negative Outlook for the "Have-nots"

*By: Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS*

The outlook for many struggling not-for-profit hospitals for 2006 and 2007 is rather bleak according to an October 2005 report by Standard & Poor's, the credit rating agency ("S&P"). The report focuses on not-for-profit hospitals with speculative-grade credits (generally those in the "BB", "B" and "CCC" categories), but the trends and issues that the report identifies also may cause increasing downward pressure on hospitals with investment-grade credits and other hospitals that don't have credit ratings.

S&P believes that the gap between the not-for-profit hospital "haves" (those with investment-grade credits) and "have-nots" (those with speculative-grade credits) is destined to widen over time, which will limit the access to capital for the "have-nots" and force them to seek consolidation or closure. Among the S&P findings that support these conclusions are the following:

- The "have-nots" were weaker overall in 2005 with less days' cash on hand, weaker operating margins and higher age of plant (creating pressure for increased capital spending), and are severely challenged by and vulnerable to industry-wide pressures such as staffing shortages, reimbursement pressures, volume declines, physician recruitment and physician turnover, increases in uncompensated care, and competition from specialty hospitals (do any of those sound familiar to you?);
- Only six of the 50 "have-not" credits were originally assigned a speculative-grade credit-- the other 44 were originally investment-grade "haves" that were lowered as a result of declining financial results and financial position;
- Operating margins for the "have-nots" remain negative, declining to a negative 1.5% from a negative 1.3% (that's especially disturbing when a new American Hospital Association report says that profit margins at all U.S. hospitals in 2004 reached a six-year high of 5.2%);
- Days' cash on hand for the "have-nots" deteriorated to 43 days from 50 days, indicating significant vulnerability in the event that operating performance declines further; and
- While many "have-nots" are postponing facility and technology investments in order to preserve limited cash, many "haves" are investing heavily in technology platforms, replacement hospitals and/or facility expansions that will further enhance their competitive positions.

But it's not all bad news. Eleven of the speculative-grade credits raised their ratings since 2003, which S&P said demonstrates that "a dedicated management team with a sustained focus on core operations can turn things around." Moreover, the report states that many "haves" compete side by side in the same market with "have-nots", which S&P says indicates that "the factors that lead an organization to a non-investment grade rating are generally specific to the organization and not systematic." So, not surprisingly, that means a hospital's financial performance is very much dependent on the skills, quality, experience and success of its management team.

If you're a "have-not", what are you and your management team doing to turn your hospital into a "have?" If you're a "have", what are you doing to help your neighboring "have-nots" continue to deliver healthcare services to your community?

**I would like to hear your comments. Send them to: Richard.Kneipper@phns.com**

***About*** TrendLeader Connections

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

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# 100 Percent Is Not Perfection

*By Fred Lee*

When I go to healthcare conferences on patient satisfaction, the star performers talk in terms of being in a certain percentile in patient-satisfaction scores. This means that compared to other hospitals in the same database, their scores are in a certain percentile. "We were at the 14th percentile on the Press Ganey and set a goal to be at the 85th percentile by the end of last year," they will say. "This year our goal is to reach the 99th percentile."

All progress should be applauded. But what happens when they reach a goal like the 99th percentile? They will be able to tout their scores nationally. They will be able to create the impression that patients will be completely satisfied when they are admitted to their hospital. Most employees view 100 percent as perfection. They are likely to believe they have reached the ultimate goal. Any more pushing to improve might be seen as senseless when you are already at the top.

However, let's take a look at what it really means in terms of patient satisfaction and loyalty to be at the 99th percentile. According to the Healthcare Advisory Board's research, the 99th percentile of hospitals would mean that only about 60 percent of patients are "very satisfied" with their care!

The Disney organization does not try to motivate employees by trying to make them look better than they are. They are not in a national guest satisfaction database with other resorts and theme parks. They do not use comparative percentiles with their employees to prove they are better than Sea World or Universal Studios. They simply put out the stark facts about what percentage of guests are "very satisfied" with their care on a scale of one to five. It is the unvarnished truth that creates a culture where "good isn't good enough" and "we can always do better."

Competition is not a better motivator than our own deepest desire to be more competent tomorrow than we are today. In his book *Understanding Psychotherapy* Michael Franz Basch cites considerable research on infant development before concluding:

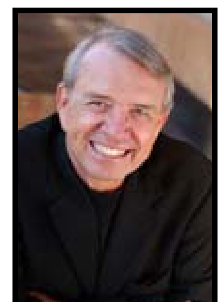
"My emphasis here on the search for competence as fundamental for behavior marks a definite departure from a concept that underlies much of the literature in dynamic psychiatry: namely, Freud's theory that all behavior has as its goal the pleasure that attaches to the discharge of ...energy generated by a sexual or an aggressive instinct theory, which Freud himself called the mythology of psychoanalysis...is buttressed by these experiments which demonstrate that even in infancy the search for competence is the prime motivator for behavior, and that its attainment is the basic source of pleasure."

In other words, the drive for competence is the primary source of pleasure in the normal development of a human being. When it is constantly thwarted, given up, or displaced, psychiatric intervention is often needed.

There is pleasure attached to competence. Often competition can stimulate people to excel, but it is a distortion of our basic drive if winning is more important than the pleasure of achieving higher levels of competence.

In the right atmosphere of teamwork, coaching, and learning, constant improvement is fun-just as improving one's athletic skill can be more exhilarating than actual competition.

*Fred Lee is a highly popular speaker; and the author of "If Disney Ran Your Hospital." His book was named the 2005 book of the year by the ACHE.*



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