

Price transparency helps Arizona health system achieve financial turnaround

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Efforts to understand costs and openly share information on healthcare prices played a key role in a major Arizona health system's successful turnaround from a financial crisis, according to a feature article in the Spring issue of *Frontiers of Health Services Management*, an official publication of the American College of Healthcare Executives (ACHE).

"Price transparency and demonstration of cost-effective, high-quality service to [patients](#) have become strategic imperatives at Maricopa Integrated Health System (MIHS)," writes Stephen A. Purves, FACHE, President & CEO of MIHS. The theme for the Spring issue of *Frontiers* is "Healthcare Conundrum: Achieving Cost of Care With Price Transparency."

Focus on Price Transparency—Health Systems Challenged to Calculate 'True Costs of Care'

In 2014, MIHS was on an "unsustainable financial trajectory," with an operating deficit of more than \$74 million. Arizona's largest public healthcare system and a major training center, MIHS is a safety-net system, predominantly serving patients on Medicaid and other public insurance.

To meet the crisis, MIHS leadership implemented a financial turnaround process, focused on improving productivity, efficiency, and revenue while reducing costs and waste. A critical starting point was

understanding total costs, so as to calculate the contribution margin and total margin for each service provided by the system. "This process, although painful, was necessary to understand resource consumption so that decisions could be made after factoring in community benefit," Mr. Purves writes.

Margin improvement efforts began in earnest at the start of 2015, highlighting leadership development, readiness for change, collaboration, speed to implementation, and idea generation. The approach emphasized value and patient experience, with swift implementation of tools supporting these priorities. By the end of 2018, the system had achieved a financial turnaround of more than \$150 million—without eliminating community services and with a reduction in workforce of less than 1 percent," the author adds.

Price transparency efforts included a highly successful initiative to promote community enrollment in Medicaid or Affordable Care Act plans. Several programs targeted the unique needs of MIHS's patient population, including:

- A robust financial counseling program to help patients determine out-of-pocket costs.
- A sliding-fee discount program for uninsured patients who didn't qualify for state or federal programs.
- A centralized patient assistance center, integrating financial clearance with appointment scheduling and other processes.
- Comparative modeling to ensure that rates were competitive with those of similar hospitals in the market.
- Steps to help patients activate their secure online accounts, facilitating communication and online bill payment.

With increasing enrollment in high-deductible health plans, out-of-pocket spending by patients is expected to increase. This trend toward

increased "consumerism" will drive further changes in price transparency. "Moving forward, MIHS is committed...to becoming a more patient-centered, consumer-friendly organization," Mr. Purves writes. "This commitment includes providing better tools for patients—and their insurers and employers—to understand their out-of-pocket costs for services."

The Spring issue of *Frontiers* presents feature articles and commentaries that illustrate the challenges of and solutions for responding to the demand for price transparency in healthcare. "True costs—identified with the right data and analytics—must be calculated before [price transparency](#) can be achieved," according to the editorial by *Frontiers* Editor Trudy Land, FACHE.

She adds: "[T]o function effectively in a value-based risk payment environment, hospitals and [health systems](#) must be able to provide accurate information to consumers, engage them in their care, negotiate favorable contracts with payers, and clearly identify resource utilization in caring for a defined population."

More information: Stephen A. Purves, How Transparency Efforts Helped One System's Financial Turnaround, *Frontiers of Health Services Management* (2019). [DOI: 10.1097/HAP.0000000000000051](https://doi.org/10.1097/HAP.0000000000000051)

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