CHARGEMASTER, PRICING, TRANSPARENCY: WHAT DOES THIS ALL MEAN?
LEARNING OBJECTIVES

Discuss the chargemaster, charges and pricing transparency.

Discuss the similarities and differences between the concepts.

Identify best practices associated with these concepts.

Discuss other considerations related to these topics.
The revenue cycle is a complex system that involves multiple departments and personnel. The chargemaster, charge capture, pricing and charge validation (revenue integrity) are critical functions that rely on internal controls and ongoing validation (monitoring) to ensure effectiveness.
In the United States, the chargemaster, also known as charge master, or charge description master (CDM), is a comprehensive listing of items billable to a hospital patient or a patient’s health insurance provider. In practice, it usually contains highly inflated prices at several times that of actual costs to the hospital. The chargemaster typically serves as the starting point for negotiations with patients and health insurance providers of what amount of money will actually be paid to the hospital. It is described as “the central mechanism of the revenue cycle” of a hospital.
Key Elements

- Department Number
- Department Name
- Charge Code
- Charge Description
- CPT/HCPCS/Modifiers
- Revenue Code
- Charge Amount
ELECTRONIC HEALTH RECORD ENVIRONMENT

- Affiliate/Managed Arrangements
- Chargemaster Tools
- Interfaces/System Optimization
  - Ancillary Department Systems
    - Pharmacy/Lab, etc.
- Charge Routing
- Charge Entry – Manual / Automatic / Combination
- Claim Edits – Beware
- Encoder
- Work Queues
DEPARTMENT RESPONSIBILITIES

• New Services
• Annually – Review for Accuracy
  • Coding updates: Change/Add/Delete
  • Descriptions
  • Pricing
  • Utilization
• Charge Reconciliation
BEST PRACTICES - POLICIES AND PROCEDURES

Chargemaster
- Charge reconciliation
- Maintenance
- Charge capture

Room Rate
- Types and what’s bundled

Observation
- Ensure equals generally the room rates for 24 hour time period
BEST PRACTICES - POLICIES AND PROCEDURES

**Supplies**

- Minimum charge
- Mark-up (periodic review)
- Process – Materials/CDM

**Pharmacy**

- Minimum charge
- Take home drugs
- Patient’s own meds in the IP setting
- Self administered drugs
- Mark-up
BEST PRACTICES - POLICIES AND PROCEDURES

Modifiers/CPT/HCPCS

• Annual update process
• Hard vs. Soft coding

Surgical Procedures

• Rationale used for charging
• Charge development
  • OR/Anesthesia/PACU
  • Levels
    • How established
    • Periodic evaluation/validation
• After Hours Recovery

Pricing
Key is the matching principle:
• Costs are in the same department as revenues and revenue code assignments
• Important to get wages/costs in the correct cost center where the revenue is billed out
• Typically wages should be coded to the department where (location) the services are performed as that is typically the department the revenue is coded to

Personnel involved in the chargemaster should understand how revenue codes are “cross walked” to the cost report.
COST REPORT

Common matching problems

Expense (wages) are not transferred to the cost center (department) where revenue is being generated

Same revenue codes in multiple cost centers

Common revenue codes matching problems

IV Administration
Blood Administration
Supply Charges
Chemo Administration
COST REPORT – MATCHING PRINCIPLE

<table>
<thead>
<tr>
<th>Cost</th>
<th>Operating Room</th>
<th>Radiology</th>
<th>Pharmacy</th>
<th>Supplies Billed to Patients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges</td>
<td>360</td>
<td>320</td>
<td>250</td>
<td>270</td>
</tr>
<tr>
<td>Medicare Charges</td>
<td>350</td>
<td>636</td>
<td>636</td>
<td>270</td>
</tr>
</tbody>
</table>
CHARGEMASTER
SUCCESS FACTORS
IDEAS TO KEEP CHARGEMASTER CURRENT/SUCCESSFUL

• Recommend annual update/review of chargemaster that covers all departments
  • CPT code changes
  • Pricing

• Organized by the “Chargemaster Team”
  • Review of Newsletters, Transmittals
  • Annual Updates
  • Annual Review

• Change Form/Process/Notification
• Current Reference Materials
• System Upgrade or Conversion – Post Implementation Review Recommended
Everything may not be showing accurately on the claim form, even though correct on the chargemaster.

Have periodic audits, review inpatient, outpatient and professional claims:
- Proper coding
- Missed charges
- Proper units
Periodic Audits (cont’d):

- High dollar and high volume drugs
- Observation – carve out and units
- Drug Administration
- Infusion
- IV Hydration
- ED Professional and Professional Bell Curve

Nurse Auditor/Coding Resource.
CHARGEMASTER REVIEW
WHAT IS INVOLVED IN A CHARGEMASTER REVIEW?

• CDM
• Revenue & Usage
• Compliance Analysis
• Same CPT Different Pricing
• Small Sample of outpatient encounters
  • 20-30
  • Charts/detail patient bill/UB
• Series of Interviews

Pristine CDM may not correlate to missed charges or claim errors.
CHARGEMASTER POLLING QUESTION

How long has it been since your organization had a chargemaster review?

1. Within the last year
2. 1-3 years
3. 3+ years
CHARGE ANALYSIS (PRICING ANALYSIS)
CHARGE ANALYSIS (PRICING STUDIES)

Chargemaster Review vs. Pricing Study

General Practice – This would validate the strategy (pricing policy is a component of this) is being executed as intended or may assist in developing the strategy on Charging.

It also assumes the charge codes are utilized appropriately – unless done in conjunction with a CDM review where they are looking at not only accurate set up of the CDM but that they are being utilized as intended by the clinician.
Why it matters:
• Defensible pricing/charging

What is it? It is science and an art. Number crunching but there is still some finesse to the final price approved. Not one size fits all – for the hospital or a department – variation can be throughout the organization – but as long as it is documented – then you have defensible pricing (doesn’t mean they will always agree with the price – but we need to be sensitive to these things and be able to react accordingly):

• Market & Percentile
• Cost + Markup
• Reimbursement Rate
• Areas that have unique pricing

Policy:
• Define
• Include Markups
• General Policy and Areas of Exception
• Annual Price Changes
• Interim Price Changes
• New Service Price
Other considerations:

• Engage Clinical Departments in the strategy
  • They may know specifics about the market and their services

• Patient Complaints Sensitivity

• Medicare Cost to Charge Ratios – 1.0 or a little over

• Myth: Charges really do not matter – but they do

• Limitations on amount of increases overall based on state or payer specific contractual provisions
  • May also be xx number of days before implementation for notification.

• Align with annual budget process and contract negotiations

• Engage with CDM Coordinator/Coding to assess updates that may impact revenue from a budgeting perspective and/or potential adjustments to charge amounts for changed codes.
Does your organization have a formal charging (pricing) policy?

Do you feel you have defensible pricing?
PRICING
TRANSPARENCY
PRICING TRANSPARENCY IN REGULATION - PUBLIC HEALTH SERVICE ACT (PHS)

ACA

• “Each hospital operating within the United States shall for each year establish (and update) and make public (in accordance with guidelines developed by the secretary) a list of the hospital’s standard charges for items and services provided by the hospital.”

2015 IPPS Final Rule as part of the ACA

• Not very specific
• Could comply with a facility website link to hospital association data

2019 IPPS Final Rule

• Must post Standard Charges on Website
• Effective January 1, 2019
• Must be in machine readable format (i.e., no pdf files)
• Must be updated at least annually
• PPS hospitals required to publish list of prices by MS-DRG
Hospitals Must Now Post Prices. But It May Take a Brain Surgeon to Decipher Them.

The Trump administration required hospitals to post list prices for all their services starting this year. Credit: Tom Brenner for The New York Times
PRICING TRANSPARENCY IN REGULATION

February, 2019 ONC Proposed Rule

- Requested comments on requiring pricing info as part of mandated electronic health information (potential penalties)
- Comments related to whether negotiated rates should be made public – CMS have legal authority to proceed???

June 24, 2019 Executive Order (EO)

- Directed HHS to issues regulations requiring hospitals to post charge information
  - Charges, negotiated rates, and shoppable items and services

2020 OPPS Proposed Rule

- Comments sought for many of the above items plus many others
Who submitted comments on the OPPS Proposed Rule on the transparency section of the rule?
RATIONALE

Health Care Costs
• Continue to rise and spending projected to consume 20% of the economy by 2026
• High deductible health plan enrollees seek price information

States
• >50% have required pricing info for providers and health plans.

Adoption of Proposed Rule
• More informed decisions
• Increase market competition
• Ultimately drive down costs and thus affordable
HOSPITAL PRICE TRANSPARENCY

New Part 180 to Title 45 of CFR

- Will house the regulations on price transparency
- For purposes of section 2718 (e) of PHS Act.
- High deductible health plan enrollees seek price information

Definitions and Specific Requirements

- Defines Terms
- Defines Format for Reporting
- Defines Elements to Report

Establish Monitoring and Penalties

- Comments on Monitoring and Notification of Noncompliance
- Penalties and Appeals

We believe this will meaningfully inform patients’ decision making and allow consumers to compare prices across hospitals.

OPPS Proposed Rule
August 9, 2019
PROPOSED RULE

Proposed Definitions to enter into the Code

- Hospital
- Different Reporting Requirements
- Standard Charges
- Hospital Charges “item and services”
- Machine-Readable File
- Shoppable Items and Services
- Public Disclosure of Noncompliance
- Actions Addressing Noncompliance
- Appeals of CMPs
CMS sought comments

- From Definitions – to penalties – to time burden for compliance
- From Website to Openly Published Forum

Standardized Data Elements

- Description of each item or service (individual and packaged)
- IP and OP gross charge
- Corresponding payer-specific negotiated charge
- Any code used for billing (i.e., CPT/HCPCS)
- Rev Code as applicable

We are concerned that the lack of uniformity leaves the public unable to meaningfully use, understand and compare standard charge information across hospitals.

OPPS Proposed Rule
August 9, 2019
OTHER PROPOSED REQUIREMENTS

Frequency of Updates
- at least annually, clearly denote date of update

Single license/multiple locations
- Apply to all locations

Shoppable Service
- Scheduled in advance
- Grouping of related services along with the service — defining ancillary charges
- Make public a list of payer-specific negotiated charges for 70 services published in the proposed rule & as many additional ones selected by the hospital for a combined total of at least 300 (based on 2011 autoworkers claims which identified 350 services).
- Charges for employed physicians included
Format of Display
- Recognizing not all consumers have internet
- Must provide a paper copy (i.e., booklet or brochure) to consumers within 72 hours of request

CMPs
- Likely some form of auditing around compliance of this
- $300 maximum daily dollar CMP

Burden
- Not expected to be too involved as this should all be readily available information and in current electronic systems

Cost Reporting and Maintenance of Hospital Chargemasters
- CMS seeking comments on continued value of chargemaster charges in setting hospital payment
- Costs associated with maintaining the chargemaster for purposes of Medicare cost reporting and payment
- Would it be possible to modernize or streamline the Medicare cost reporting process – i.e., replace with other processes or modified in content methodology, or approach.
Phase II and Beyond

A BRAIN SURGEON MAY NOT BE ENOUGH TO DECIPHER THEM.
Implementation Date

Expansion of Provider Types – not just hospitals

Quality tied to Standard Charges

Value Based Care
CONCLUSION

Chargemaster Review/Charge (Pricing) Analysis/Defensible Pricing

The need for structure around:
  Chargemaster
  Charge amount establishment/strategy/transparency
  Core Policies Suggested
  Periodic auditing/monitoring

Pricing Transparency – Continual Evolution

Cost Reporting/Chargemaster/Streamlining and Efficiencies

STAY TUNED…………………………….
QUESTIONS?

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THANK YOU

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