



CPAs & BUSINESS ADVISORS

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

PRESENTER



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LEARNING OBJECTIVES



Discuss the chargemaster, charges and pricing transparency.



Discuss the similarities and differences between the concepts.

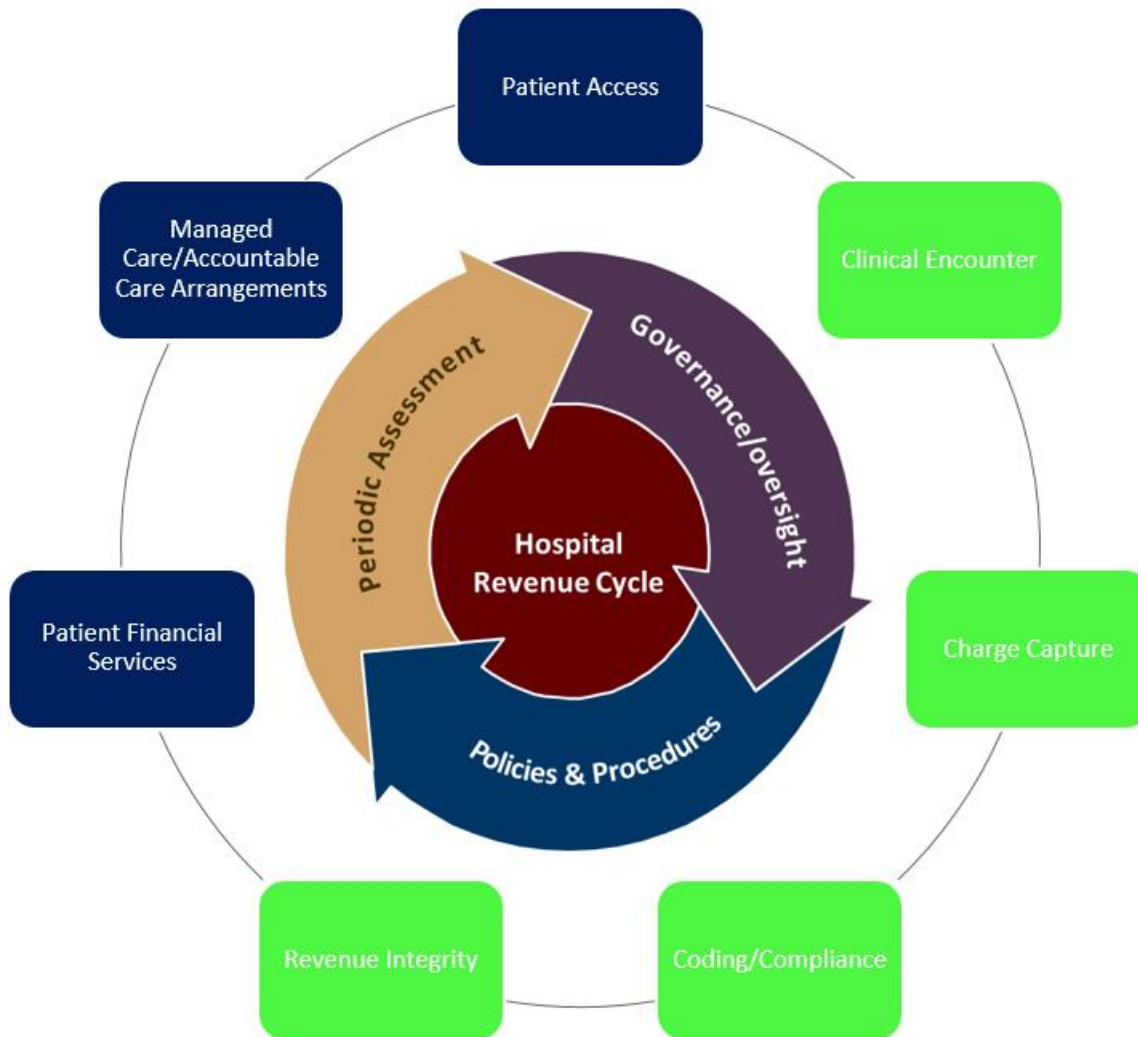


Identify best practices associated with these concepts.



Discuss other considerations related to these topics.

REVENUE CYCLE OVERVIEW



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.



CHARGEMASTER

WIKIPEDIA DEFINITION

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.^{[1][2][3]} 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



A person's hand is shown using a silver laptop on a wooden desk. The background is a dark blue gradient with floating white text representing code, including words like 'public', 'private', 'void', 'SwitchDevices', and 'console.log'.

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

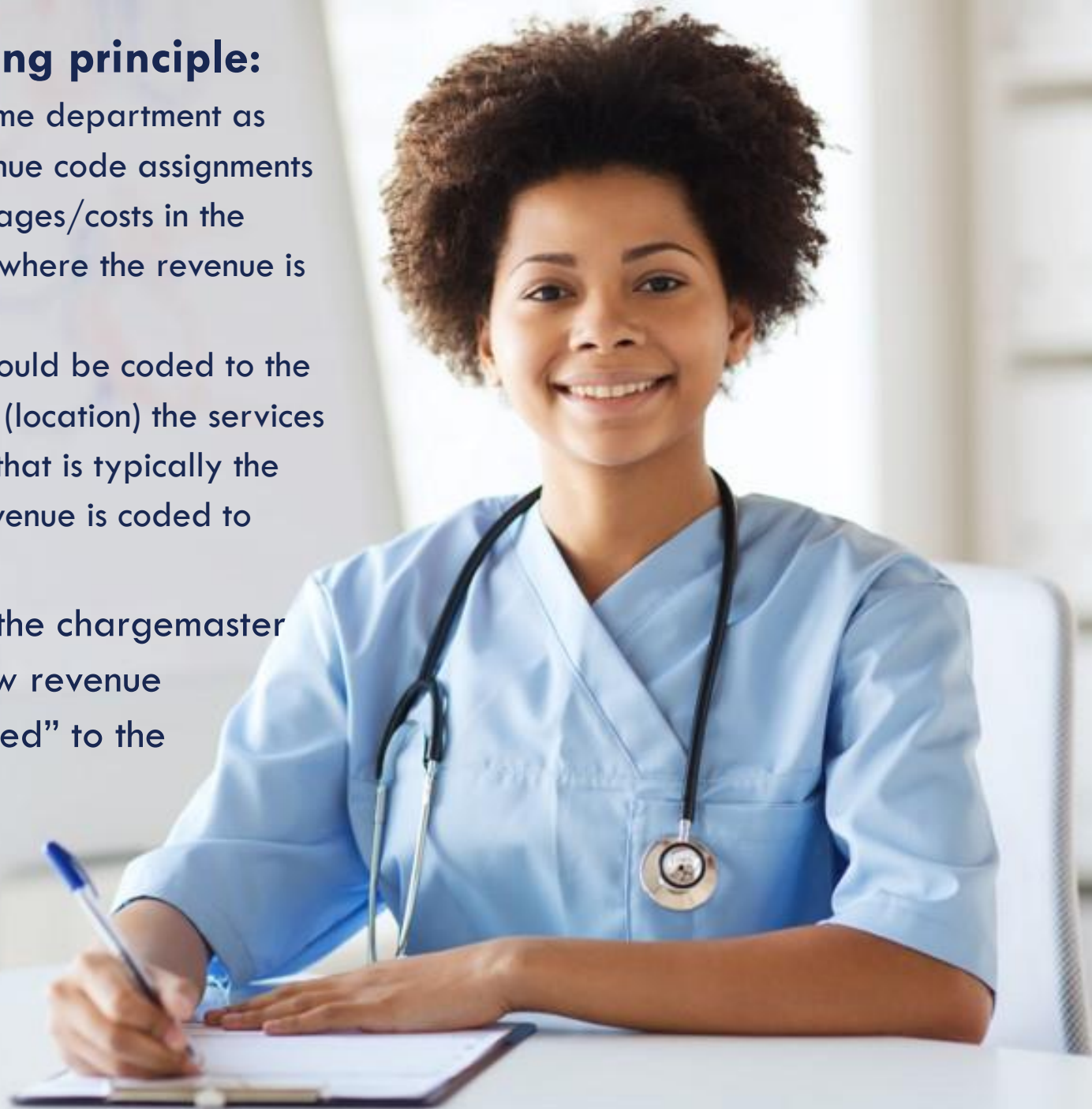


CHARGEMASTER & THE COST REPORT

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

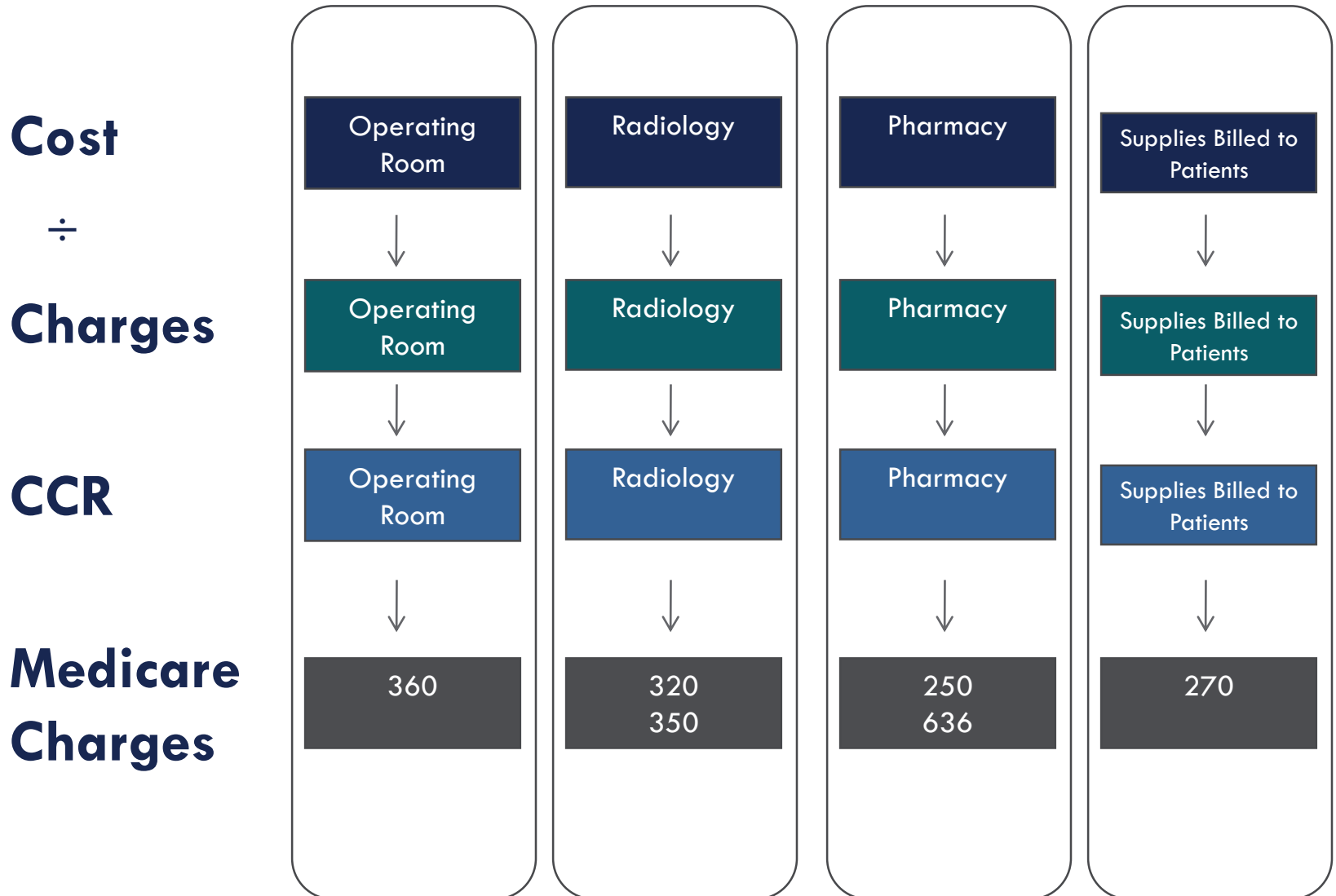
IV Administration

Blood Administration

Supply Charges

Chemo Administration

COST REPORT – MATCHING PRINCIPLE





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.



CHARGE STRATEGY

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
- Reimbursement Rate
- Cost + Markup
- Areas that have unique pricing

Policy:

- Define
- Annual Price Changes
- Include Markups
- Interim Price Changes
- General Policy and Areas of Exception
- New Service Price

CHARGE STRATEGY

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.



QUESTIONS TO CONSIDER

**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

PRICING TRANSPARENCY ARTICLES – POST 1/1/19

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. CreditCreditTom 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 issue regulations requiring hospitals to post charge information
 - Charges, negotiated rates, and shoppable items and services

2020 OPSS Proposed Rule

- Comments sought for many of the above items plus many others

PRICE TRANSPARENCY POLLING QUESTION

Who submitted comments on the OPSS 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



As health care costs continue to rise, health care affordability has become an area of intense focus.

OPPS Proposed Rule
August 9, 2019

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

PUBLIC COMMENT

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*

OTHER PROPOSED REQUIREMENTS (CONT'D)

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.



PHASE II AND BEYOND (CONT'D)

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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