The Chargemaster and Your Revenue Cycle: Critical Components for Success

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Revenue Cycle Solutions

NATIONAL
RURAL HEALTH
RESOURCE CENTER

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Goals for today's conversation

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At the conclusion of this webinar, participants will be able to:

- Understand core components and functionality of the chargemaster
- Summarize how best practice hospitals use the chargemaster to increase reimbursement, lower denials and improve cash flow
- Incorporate a culture of chargemaster accountability and ownership
- Comprehend 2020 Final Rule impact on chargemaster codes and availability including 2021 prescribed changes
- Cite case studies and "Issues from the Field"

Chargemaster issues – Perception or Reality

Most hospitals have:

- Self described - Issues with their “revenue cycle” or “ chargemaster”
- Business office issues
- Lack of revenue cycle focus / results / reports / accountability

Reality is that most hospitals and physician groups have multiple revenue cycle needs but use generic / catch all phrasing to describe their concerns

What Is the Revenue Cycle, Really?

- Most hospitals have an issue defining revenue cycle
- Successful hospitals and physician groups define the concept of revenue cycle

- Our definition:
  - The revenue cycle comprises all non-clinical activity that surrounds the provision of services to patients. Best practice revenue cycles use results and outcomes to govern the quality of actions and inputs. All components of the revenue cycle are interdependent, requiring the consistent feedback, attention and participation of all revenue cycle participants.

- The goal is to facilitate the development of a data-driven, quality-focused, and customer-centered revenue cycle
- The reality within most hospitals is that they experience pockets of revenue cycle activity that are independent and provide little to no guidance to assist improvements

What Makes A Successful Revenue Cycle?

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To achieve the highest quality and customer satisfaction, builders must be excellent at the foundational elements.

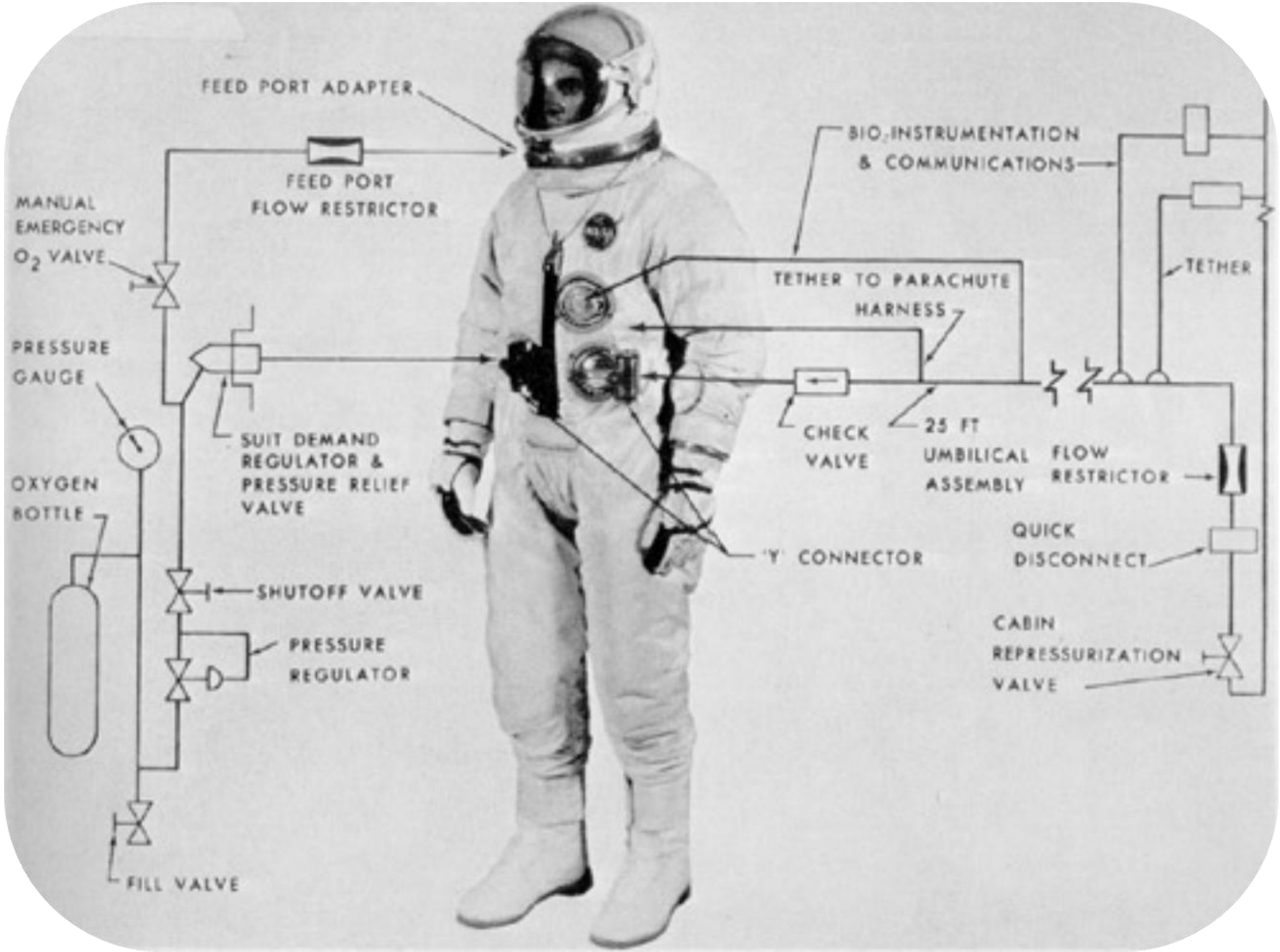
The most successful contractors are known for attention to detail and quality.

What Makes A Successful Revenue Cycle? Continued

- The same is true for the revenue cycle
- Successful revenue cycles are based on strong foundational concepts that support each other and contribute to success
- Revenue Cycle Foundational components:
  - Chargemaster
  - Pricing
  - Revenue Capture/Control
  - Registration/Scheduling
  - Coding
  - Business Office
  - Customer Service

The “Components” Needed To Improve Results

- Most revenue cycles are overly complicated
- Hospitals address problems, not causes
- Solutions to problems are layered on top of each other without addressing the reasons or causes of the problems
- The majority of revenue cycle issues are caused by flaws in the foundational components:
  - Chargemaster
  - Pricing
  - Revenue Capture and Control


FEED PORT ADAPTER
FEED PORT
FLOW RESTRICTOR
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O_2 VALVE
PRESSURE
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OXYGEN
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REGULATOR &
PRESSURE RELIEF
VALVE
SHUTOFF VALVE
PRESSURE
REGULATOR
FILL VALVE
BIO. INSTRUMENTATION
& COMMUNICATIONS
TETHER TO PARACHUTE
HARNESS
TETHER
CHECK
VALVE
25 FT
UMBILICAL
ASSEMBLY
FLOW
RESTRICTOR
'Y' CONNECTOR
QUICK
DISCONNECT
CABIN
REPRESSURIZATION
VALVE

Chargemaster Fundamentals

- The chargemaster is the foundational element upon which the revenue cycle is built
- The charge description master (CDM) is a critical component for patient communication, pricing, revenue recognition, budgets, coding, billing, follow-up, denial management, reimbursement, quality, and customer service
- In order for a hospital to thrive, it must have a best-class chargemaster. All revenue cycle components depend on that solid foundation.
- All revenue cycle participants should be familiar with the construct of the CDM and the process for ongoing maintenance, implementation and quality review
- The reality in most hospitals is that the chargemaster is something that “someone else” is responsible for, resides outside of “their responsibilities” and is really a “ low level data entry” function

What Is the Chargemaster?

- The chargemaster is the central component of every billing system
- The chargemaster is built through a series of screens within each system that require consistent components such as the following:
  - Charge code
  - Description
  - Revenue Code
  - Current Procedural Terminology (CPT)/Healthcare Common Procedure Coding System (HCPCS)
  - Price
- All systems have the ability to create an electronic file in either PDF, TXT or Excel formats. These chargemaster files are the basis for quality control, ongoing management and reporting.

Chargemaster components

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Item Number

- Facility assigned mnemonic that is unique to one service line item

Item Description

- Text Description of the CPT/HCPCS, truncated to the character requirement of the CDM while retaining all pertinent information from the CPT/HCPCS description

Revenue Code

- 3-digit code categorizing the service performed. All CPTs/HCPCS are designated into Revenue Code categories

CPT / HCPCS

- 5-digit number or alpha-numeric code that describes in detail the service provided. CPTS and HCPCS are divided into limiting categories by product, type of service or body part examined.

Charge Amount

- Fee assigned to service line item

Alternate CPT / HCPCS

- Some CPTs and HCPCS overlap, and payors can determine which code is required for processing. Alternate CPT/HCPCS fields allow for one item number to be designated by payor to multiple code selections

Department

- Numeric designation of servicing or expense area within the facility

GL Number

- Numeric designation identifying the department within the General Ledger for accounting purposes

CPT and HCPCS Procedure Codes

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CPT

- Current Procedural Terminology, also called, Level I HCPCS
- Assigns 5 digit numeric or alpha-numeric code identifying the service provided
- Developed and maintained by the AMA

HCPCS

- Healthcare Common Procedure Coding System
- Assigns 5 character alphanumeric code identifying service or material (procedure, drug, supply, supply with procedure combination)
- Developed and maintained by CMS

What Is the Chargemaster's Role in the Revenue Cycle?

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- The chargemaster represents all billable services, supplies and pharmaceuticals that are provided to the hospital's customers
- The CDM translates those services into formats that the payors will recognize and reimburse
- Likewise, the chargemaster communicates those same services to patients in an understandable manner

What Do Hospitals Need To Review Their CDM?

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- The first component of a proactive, data-centered internal chargemaster review process centers on the ability to create an electronic download of the chargemaster in a TXT or Excel format
- Every hospital should be able to generate the file with minimal effort
- ***Tales from the Road***
  - Reality is that 6 out of 10 clients have a difficult time creating the file
  - Of the four that can generate a file, half (2) typically need to reconfigure the download to provide basic information
- **Difficulty in generating the chargemaster file is the first symptom of a sub-par, underperforming revenue cycle**

The Chargemaster: What Are You Looking For?

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Once you get the file, what do you do?

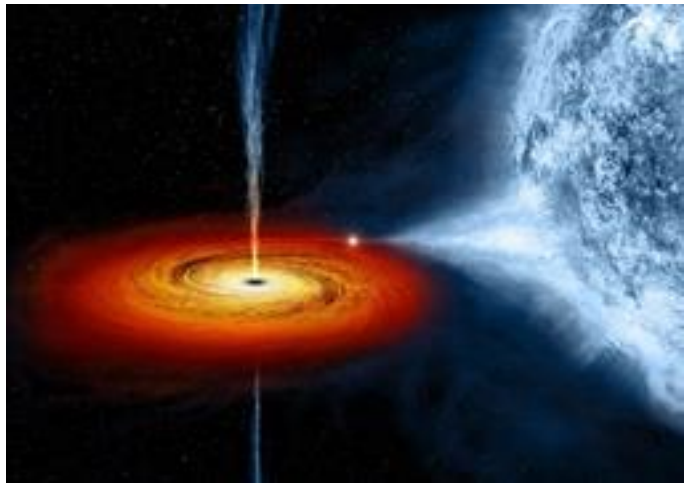
- Manipulate the data into a consistent format for analysis
- Merge, into the chargemaster, a series of internal control variables that facilitate comparison and identification of issues
- The control variables allow for focused review and research
- Examine every line in the chargemaster to identify issues. Many line items have multiple issues.

You are looking to identify issues with:

- Descriptions
- Revenue Code assignment
- CPT/HCPCS assignment
- Deleted codes
- Codes lacking CPT assignment
- Missing codes
- Modifier assignment
- Duplicate codes
- Pricing

Chargemaster Findings

- Reality:
  - **Most chargemasters are not representative of current service provision**
  - **Chargemasters are like black holes. Things go in and never come out.**
- All issues found within the chargemaster contribute to sub-par revenue cycle functionality
- Many will contribute to denied claims, delayed reimbursement, compliance concerns or customer service issues
- A recent review of a large community hospital illustrated the following:
  - Total lines reviewed: 7,930
  - Description issues: 6,153 (77.59%)
  - Revenue Code issues: 437 (5.51%)
  - Deleted codes: 558 (7.04%)
  - Pricing/Duplicate/Other: 2,840 (35.81%)
  - Total Comments: 7,442 (93.85%)
- These findings are consistent across most reviews



Chargemaster Findings continued…

- This hospital had deleted codes going back to 1998 active in their system
- Their response: *"It's ok, we know not to use them."*
- **Reality: The 558 codes were used 1,875 times, accounting for $187,920 in gross revenue or ($187,920 in denials).**
- The hospital had active codes with the following descriptions:
  - DELETED
  - DO NOT USE
  - DO NOT USE EVER
  - BLANK
  - DR SMITH STUFF
  - PROCEDURE
  - SUPPLY
  - DRUG
  - OTHER

- Their response: *"It's ok, we have processes in place to ensure that these don't get used."*
- **Reality: These nine codes were used 865 times over 12 months.**

Tales from the Road

- Over the past 24 months, we have worked with over 100 hospitals and physician groups on Chargemaster Concerns
- All of the issues, concerns, and excuses repeat.
- Ultimately the groups fall into one of 4 categories.

The False Start

The Treadmill

The Excuse Maker

The Doer

Characteristics of the Four Categories, Treadmill

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The Treadmill

- Has limited revenue cycle meetings but never assign ownership or accountability. Same meeting over and over and over….
- Facility culture is “that’s the way we always do it”
- The same Revenue Cycle Improvement projects get brought up over and over with no resolution or improvement:
  - Denial Management
  - Physician Documentation
  - Customer Service policies
- Business office runs the revenue cycle and chargemaster process

Characteristics of the Four Categories, False Start

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The False Start

- Tries to get meetings going but runs into something more important and places Chargemaster, Revenue Capture, Denial Management on the back burner
- Department heads are generally frustrated by the lack of progress across all areas
- Revenue Cycle Operations are controlled by the latter process components (Coding/Business Office)
- Revenue Cycle Reports are non-existent
- Departments feel no chargemaster ownership or accountability of process
- Facility has ineffective customer service policies
- Budgets are provided, not discussed

Characteristics of the Four Categories, Excuse Maker

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The Excuse Maker

- I know this is important, but…
- You don't understand, we don't have the staff!
- We tried to get started but we never get any support
- We don’t have any denials
- We’re a critical access hospital, none of this applies to us
- Our system is awful, and it can’t give us the reports we need
- We’re not billers and coders, we’re nurses. We don’t have anything to do with business!
- I’m the department head, I don’t have anything to do with the chargemaster, pricing or revenue capture. That’s the billing office’s job. Talk to them.
- I’m sure we’re doing fine financially, administration would let us know if there was an issue…

Characteristics of the Four Categories, Doer

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The Doer

- Has meetings
- Assigns chargemaster responsibility
- Sets process expectations
- Holds people accountable
- Revenue cycle focuses on the patient
- Quality and control are vital components
- Reports are informative, detailed and consistent
- Revenue Cycle is an administrative concern
- Participants are empowered to make a difference
- There is no difference between clinical quality and business quality

Tales from the Road, Continued

- Ultimately, the hospitals we work with are:
  - 10 percent Doer
  - 35 percent Treadmill
  - 20 percent False Start
  - 35 percent Excuse Maker
- There is not a perfect approach
- Hospital / Physician culture is a powerful force
- Being the Doer does not ensure chargemaster success
- Being an Excuse Maker does not ensure chargemaster failure
- It just takes longer for the Treadmill, Excuse Maker and False Start groups to achieve success

Steps To Take Control of Your Chargemaster

Make the chargemaster an administrative priority

- Administration must ensure that all revenue cycle participants understand the role and importance of the chargemaster to the financial stability of the hospital
- To be successful, a chargemaster review process must be done in departmental chunks. **It is impossible to fix it all at the same time.**
- Success depends on:
  - Administrative support
  - Administrative guidelines and framework
  - Assignment of responsibilities
  - Demand for quality
  - Commitment to customer service

  Administrative support and empowerment gives the hospital the ability to hit the chargemaster reset button

Steps To Take Control of Your Chargemaster, Continued

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Set up consistent, controlled system generation pathways for chargemaster files

- Administration must ensure that the system can generate a consistent chargemaster file upon demand
- The system file must be the result of proper vetting and quality control
- Success depends on:
  - Electronic download and manipulation into Excel or Access
  - Consistent application of system resources
  - Understanding of column headers and contents
  - Good relationship with system architects and analysts
  - Archiving of downloads with consistent naming convention for review and compliance concerns

Steps To Take Control of Your Chargemaster, Once More

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Ensure departmental accountability and ownership

- Administration must ensure that every department, through revenue cycle teams, take accountability for and ownership of their departmental chargemaster
- To be successful, a chargemaster process must center around the people who provide the service. **It is impossible to ensure quality, customer service and result without departmental control.**
- Success depends on:
  - Departmental control
  - Consistent review, auditing and discussion
  - Assignment of responsibilities
  - Accountability
  - Commitment to customer service

Steps To Take Control of Your Chargemaster, Further

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Incorporate chargemaster review into every revenue cycle team meeting

- Every revenue cycle meeting should be agenda-driven
- Every agenda should include 10 minutes to discuss the chargemaster:
  - Updates
  - Deletions
  - Issues
- Use departmental revenue cycle reports to examine the efficacy of the chargemaster
  - Are charge descriptions in the reports easily understood?
  - Would a patient understand?
- Use denial management to review the chargemaster foundation to ensure it is leveraging success rather than contributing to denied claims or diminished returns

Steps To Take Control of Your Chargemaster, Final

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Schedule regular reviews

- The chargemaster will only be as good as the attention and focus that is placed upon it
- A comprehensive, outside review should be done at a minimum every 3 – 5 years
- Full internal reviews should take place on an annual basis
- Departments should review their full chargemaster on a quarterly basis
- Successful reviews depend on:
  - Systematic, controlled review guidelines
  - Report expectations
  - An expectation for action
  - Revenue cycle team participation
  - Tracking, trending and scoring

Opportunity - CPT Changes Effective 2020

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- 248 New CPT codes created
- 75 Revised CPT Descriptions- may or may not impact how code is used. Material description changes include:
  - Integumentary system Repair (closure) clarification of intermediary and complex repair
  - Breast
    - Biopsies- Incision and excision language removed and new guidance for percutaneous and open procedures
    - Reduction
    - Mastectomy
  - Hemorrhoid procedures
- 71 CPTs deleted
- 70 Revised HCPCS – may or may not impact how code is used
- 256 New HCPCS
- 78 HCPCS deleted

Opportunity - E/M Changes Effective 2020

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- New codes 99421-99423 to report on-line digital evaluations
- For use when a patient initiates a service
- The communication should be performed through Health Information Portability and Accountability Act (HIPAA)-compliant platforms, like an electronic health record portal or secure email
- Do not report within 7 days of a visit for the same issue
- Online digital evaluation and management service, for an established patient, Up to 7 days, cumulative time during the 7 days;
  - 99421 - 5-10 minutes
  - 99422 - 11-20 minutes
  - 99423 - 21 or more minutes

Opportunity - E/M Changes Effective 2020, Continued

- New codes for professionals "***who may not report the physician or other qualified health care professional E/M services*** (e.g., speech-language pathologists, physical therapists, occupational therapists, social workers, dietitians)."
- Qualified nonphysician health care professional online digital evaluation and management service, for an established patient, for up to 7 days, cumulative time during the 7 days;
  - 98970 - 5-10 minutes
  - 98971 - 11-20 minutes
  - 98972 - 21 or more minutes
- Not recognized by Medicare OPPS

Opportunity - HCPCS Changes Effective 2020

- Medicare reserves “evaluation” services for Physicians and NPPS
- Describes service by other healthcare professionals as “Assessment”
- Qualified nonphysician health care professional online ***assessment***, for an established patient, for up to 7 days, cumulative time during the 7 days;
  - G2061 - 5-10 minutes
  - G2062 - 11-20 minutes
  - G2063 - 21 or more minutes

Opportunity - E/M Changes Effective 2021

- Identifies changes published as part of 2020 update. More changes to come
- Office or outpatient E/M level will be based on Medical Decision Making or total time
  - Includes medically appropriate history and/or physical examination, ***when performed.***
  - MDM table changes
  - Time will include all professional activities on the date of encounter
  - Time based code selection still not applicable in the Emergency Department
  - Update descriptions and educate practitioners and coders
- Deletion of CPT 99201 – Lowest level new patient Evaluation and Management
  - Changes to CPT leveling expected to make this code obsolete
- Creation of new code to represent prolonged services in the Office or Other Outpatient Services setting will represent total time spent
  - Review descriptions and new intent of
  - 99415 - Prolonged clinical staff service first hour
  - 99416 - Prolonged clinical staff service each additional 30 minutes

In Summary

- The chargemaster is the foundation of your revenue cycle
- Chargemaster success does not happen by accident
- Success depends on an understanding of the role and responsibility of the chargemaster within the revenue cycle
- Administration must make the chargemaster a priority
- Administration must empower departments to take accountability and ownership
- Together with administration, departments must create a work plan for addressing issues and reclaiming the hospital's CDM. The goal is to generate departmental success to eliminate the "it's too complicated" or "we don't do it this way" mentality.
- Policies and procedures must be implemented to govern ongoing maintenance, implementation and auditing of codes
- The review approach must be based on consistent action aimed at continuous quality improvement
- Use 2020 updates as an excuse to stress test internal policies and controls
- **Constant informed action is the key. The only way to improve is to start.**

Questions?

Our next conversation

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March 18th 1:00 pm – 2:00 pm EST

At the conclusion of Part 2, participants will be able to:

- Ensure that the chargemaster is an administrative priority
- Implement a process centered on communication and expectation
- Comprehend the impact of 2019, 2020, and 2021 Pricing Transparency Requirements
- Instill a process of quality control
- Utilize the chargemaster as a competitive advantage
- Cite case studies and “Issues from the Field”

What Is Stroudwater Revenue Cycle Solutions?

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- **Stroudwater Revenue Cycle Solutions** was established to help our clients navigate through uncertain times and financial stress. Increased denials, expanding regulatory guidelines and billing complexities have combined to challenge the financial footing of all providers.

- Our goal is to provide resources, advice and solutions that make sense and allow our clients to take action.

- We focus on foundational aspects which contribute to consistent gross revenue, facilitate representative net reimbursement and mitigate compliance concerns. Stroudwater Revenue Cycle Solutions helps our clients to build processes which ensure ownership and accountability within their revenue cycle while exceeding customer demands.

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