



CPAs & BUSINESS ADVISORS

SHIP COORDINATORS - CHARGEMASTER, PRICING, TRANSPARENCY: WHAT DOES THIS ALL MEAN?


December 2018

TODAY'S PRESENTER

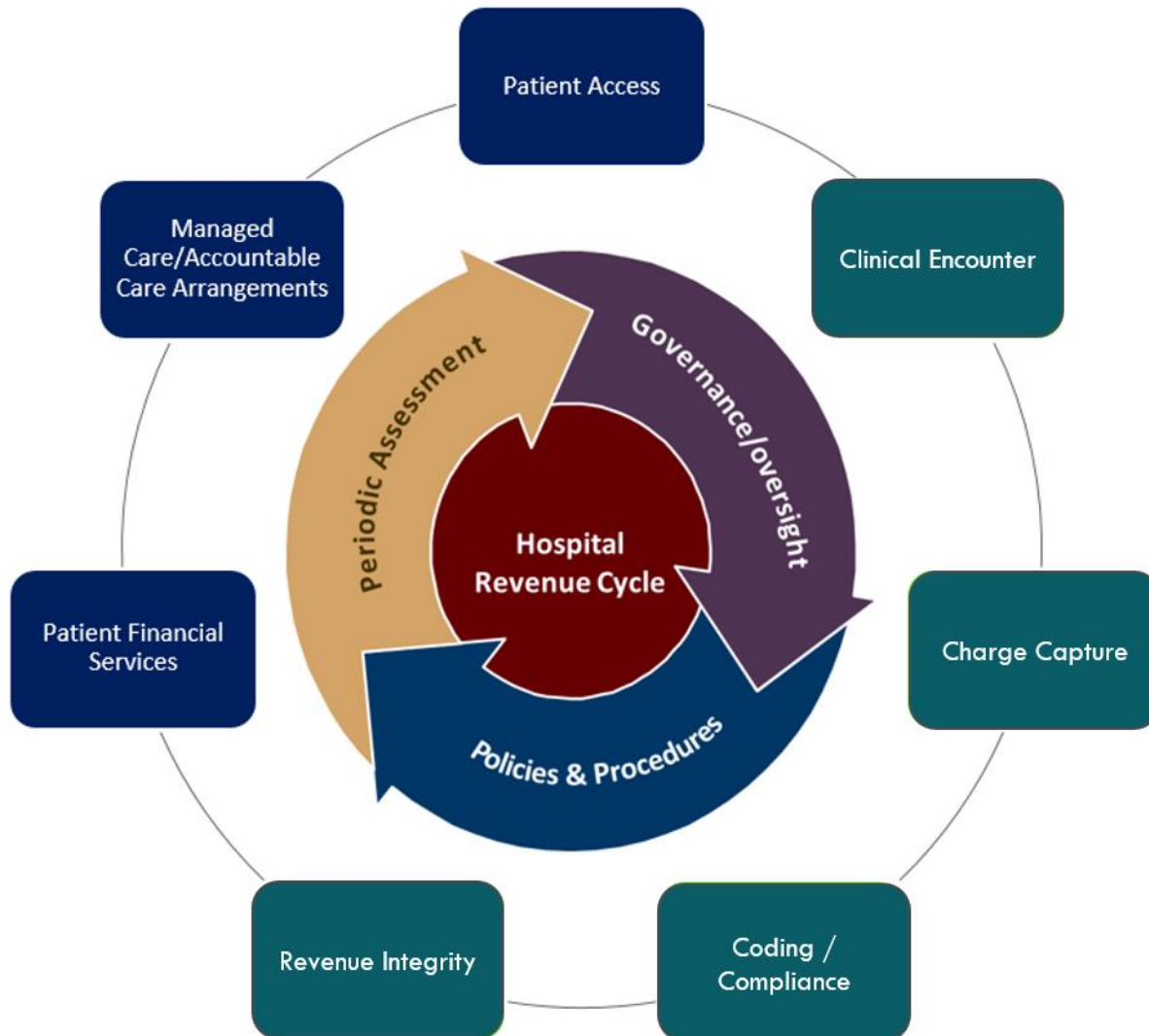


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LEARNING OBJECTIVES

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- 1. Discuss the Chargemaster, Pricing Transparency and charges.
 - 2. Distinguish the similarities and the differences between these concepts/functions.
 - 3. Identify best practices associated with these concepts.
 - 4. Discuss how SHIP Coordinators can support their hospitals with this new mandate.

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

DEPARTMENT RESPONSIBILITIES

- 
- A hand holding a silver pen is positioned over a document with a grid and text. The document includes the text "YES/NO CHECKLIST" and "EMERGENCY". The background is a blurred office setting with a keyboard visible at the bottom.
- New Services
 - Annually – Review for Accuracy
 - Coding updates: Change/Add/Delete
 - Descriptions
 - Pricing
 - Utilization
 - Charge Reconciliation

CHARGEMASTER - BEST PRACTICES

Policies and Procedures:

- **Chargemaster**
 - Charge Reconciliation
 - Maintenance
 - Charge Capture
- **Room Rate**
 - Types and What's Bundled
- **Observation**
- **Supplies**
 - Minimum Charge
 - Mark-up
- **Pharmacy**
 - Minimum Charge
 - Take Home Drugs
 - Self Administered Drugs
 - Mark-up
- **Modifiers/Current Procedural Terminology (CPT)/Health Care Common Procedural Coding System (HCPCS)**
 - Annual update process
 - Hard vs. Soft coding
 - Mark-up
- **Surgical Procedures**
 - Rationale used for charging
 - Charge development
 - Operating Room (OR)/Anesthesia/Post Anesthesia Care Unit (PACU)
 - After Hours Recovery
- **Pricing**



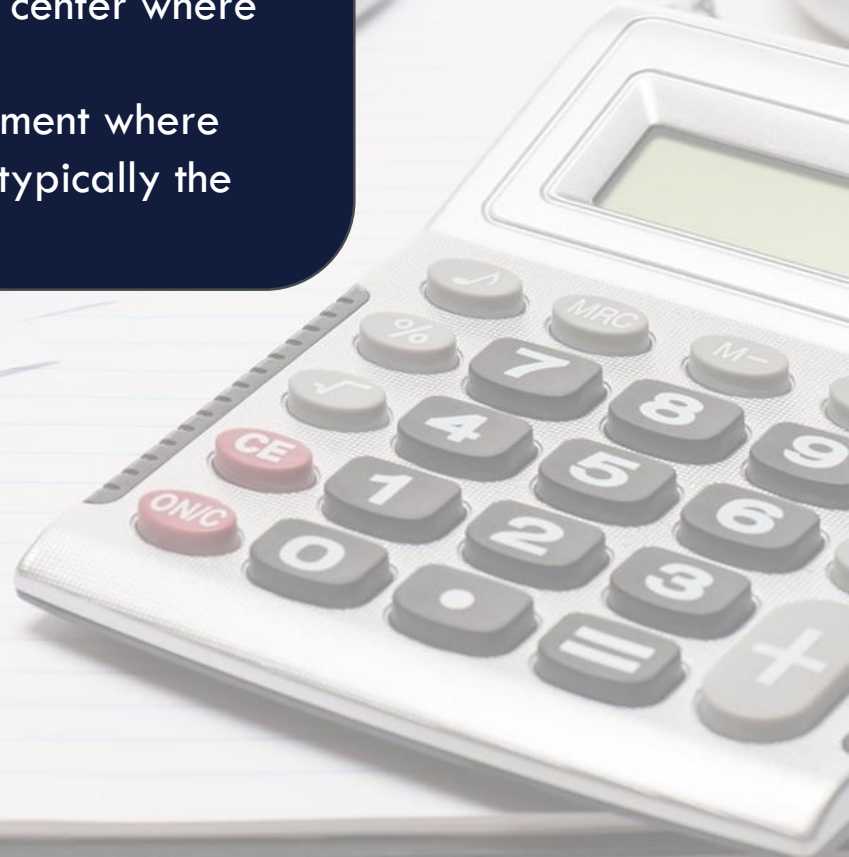
CHARGEMASTER & THE COST REPORT

CHARGEMASTER & THE COST REPORT

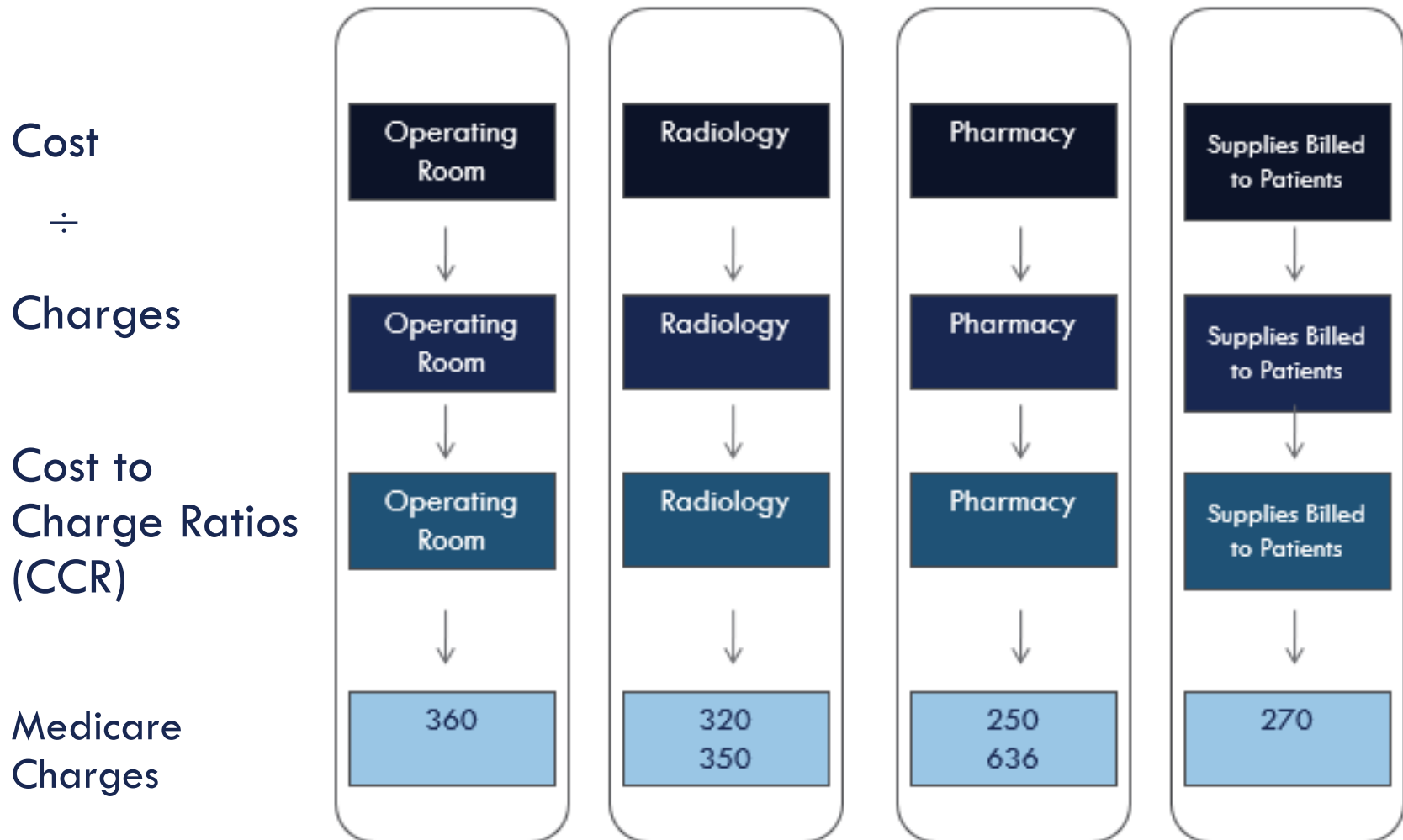
Key is the matching principle:

- 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 – MATCHING PRINCIPLE



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



CHARGEMASTER SUCCESS FACTORS

Ideas to Keep Chargemaster Current/Successful

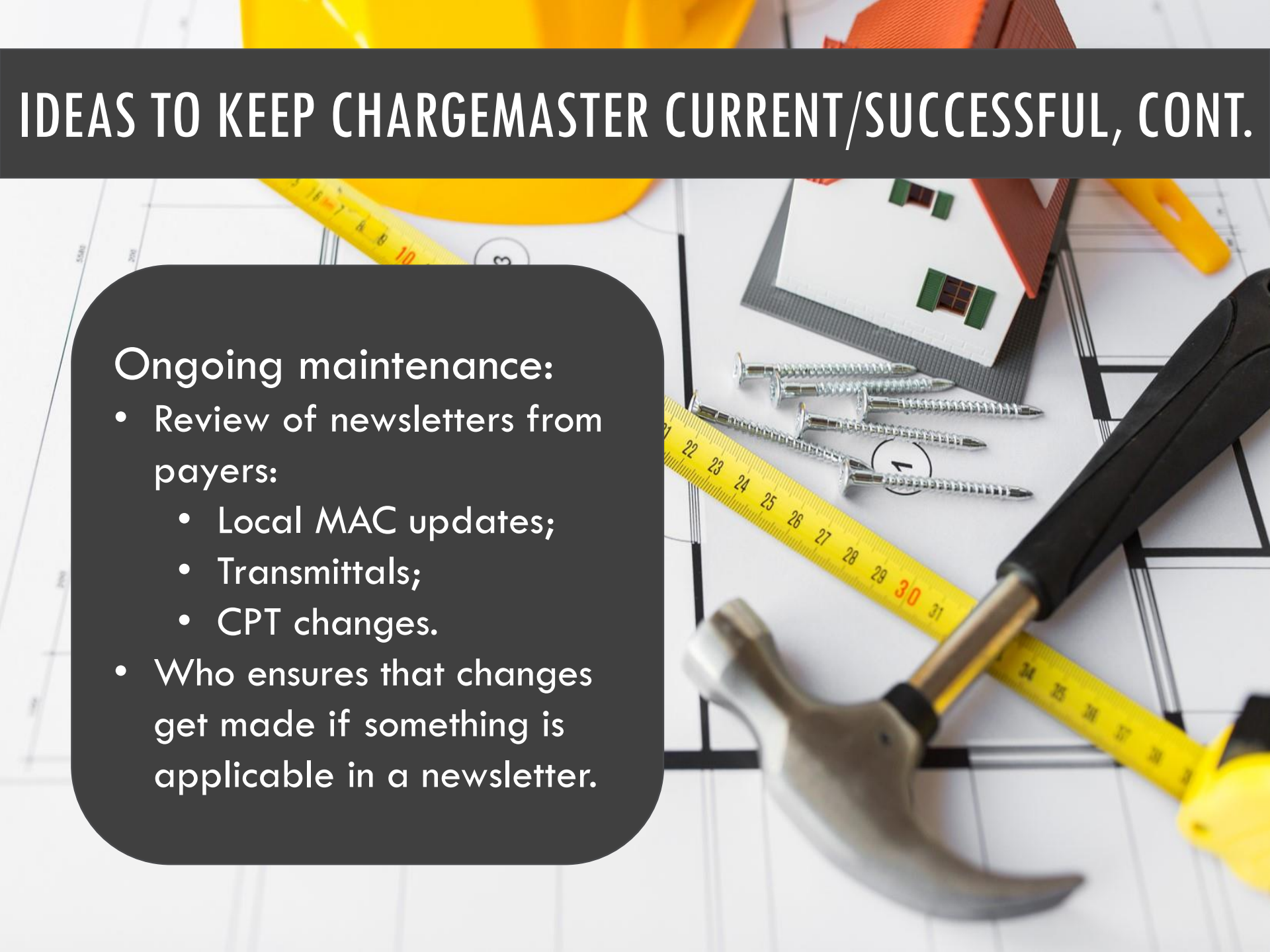
- Recommend annual update/review of chargemaster that covers all departments
 - CPT code changes
 - Pricing
- Organized by the “Chargemaster Team”
- System Upgrade or Conversion – Post Implementation Review Recommended



IDEAS TO KEEP CHARGEMASTER CURRENT/SUCCESSFUL, CONT.

Ongoing maintenance:

- Review of newsletters from payers:
 - Local MAC updates;
 - Transmittals;
 - CPT changes.
- Who ensures that changes get made if something is applicable in a newsletter.



IDEAS TO KEEP CHARGEMASTER CURRENT/SUCCESSFUL, AGAIN



“Change Form”

- Form used to make changes (additions, deletions, or changes) to the chargemaster;
- Supporting information should accompany change form and be kept for future reference should questions arise;
- Must have approval from key personnel/departments:
 - Department heads;
 - Health Information Management (HIM);
 - Chargemaster team; (Director);
 - Finance;
 - Compliance.

IDEAS TO KEEP CHARGEMASTER CURRENT/SUCCESSFUL, ONCE MORE

Ensure that you have all of the current reference manuals:

- CPT and HCPCS books
- Uniform Billing Editor
- Specific department reference manuals

Ordering of manuals should be consolidated:

- Kept current
- Discount pricing
- Appropriate number

IDEAS TO KEEP CHARGEMASTER CURRENT/SUCCESSFUL, FINAL

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
- 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

CHARGEMASTER REVIEW, AGAIN

What is involved in a Chargemaster Review?

- CDM
- Revenue & Usage
- Compliance Analysis
- Small Sample of outpatient encounters
 - 20-30
 - Charts/detail patient bill/Uniform Billing (UB)
- Series of Interviews

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



CHARGE ANALYSIS (PRICING ANALYSIS)

TERMINOLOGY

HFMA's Pricing Transparency Task Force:

- Care purchaser
- Charge
- Cost
- Out-of-Pocket Expenses
- Price
- Price Transparency
- Provider
- Value



CHARGE ANALYSIS (PRICING STUDIES)

Chargemaster Review vs. Pricing Study

General Practice –This would validate the strategy 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 ANALYSIS (PRICING STUDIES), CONT.

Revenue and Usage by Financial Class

Hospital Chargemaster

MEDPAR Data purchased from a vendor:

- Peer data for 6-10 hospitals identified by facility

Charge code comparisons:

- If CPT/HCPCS used
- Enough utilization by the peer hospitals to produce valid data
- Does not have room rates
 - Can obtain at times from other sources

Deliverable

Spreadsheet Tool:

- By department by Charge code charge compared to all peer group amounts
- Ability to do “what ifs” (i.e., move from 50th to 75th percentile, hold flat, etc.)
- Notes overall increase based on where you lock down for a given area
- Can document rationale to provide documentation as to how price was arrived at

CHARGE ANALYSIS (PRICING STUDIES), AGAIN

Same CPT Different Pricing

- Multi Views for Radiology
- With and Without Contrast
- Send outs for Lab

Pharmacy & Supplies need to be excluded

General Assumptions with Commercial Payers

Assumes charge codes utilized appropriately

Peer data is generally a year old with some markup assumptions applied, may have some CPT changes due to updates not considered.





CHARGE STRATEGY

CHARGE STRATEGY, AGAIN

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

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.



PRICING

TRANSPARENCY

HFMA: PRICE TRANSPARENCY BROCHURE

https://www.hfma.org/transparency/



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Improving Price Transparency

Featured Content

[Understanding Healthcare Prices: A Consumer Guide](#)



HFMA has developed a guide to help consumers understand where to get answers to their questions about healthcare prices, compare prices among providers, and manage their out-of-pocket costs. [Download the guide](#) and post it on your organization's website: no permission is needed.



- ### Quick Start
- [Price Transparency Task Force Report](#)
 - [Price Transparency Report Highlights](#)
 - [Price Transparency for Providers](#)
 - [Price Transparency for Health Plans](#)
 - [Price Transparency for Consumers](#)

- ### All About Price Transparency
- [Why Price Transparency Matters Now](#)
 - [Definitions](#)
 - [Guiding Principles](#)
 - [Recommendations for Improving Price Transparency](#)
 - [Essential Elements of Price Information](#)
 - [Examples of Price Transparency Tools](#)
 - [Policy Considerations](#)

COMPONENTS OF TRANSPARENCY

Charge:

Dollar amount set for services provided prior to any negotiated discounts.

Price:

Expected payment for services provided which is dependent upon whether insured or not.

Cost:

Definition depends on party incurring the expense - patient/provider/insurer/employer.



In health care, readily available information on the price of healthcare services that, together with other information, helps define the value of those services and enables patients and other care purchasers to identify, compare, and choose providers that offer the desired level of value.

Price Transparency as defined by HFMA

PRICING TRANSPARENCY IN REGULATION

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

PRICING TRANSPARENCY IN REGULATION, AGAIN



2019 IPPS Final Rule – additional considerations:

- Seems to lend itself to policy and procedure
- States may have additional requirements over and above federal
- Larger organizations struggle with the pure volume
- Ensure address CDMs outside of main (i.e. separate pharmacy master)
- Centers for Medicare and Medicaid Services (CMS) FAQs & AFAQs:
<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Downloads/FAQs-Req-Hospital-Public-List-Standard-Charges.pdf>
- No hospital is exempt
- State online postings do not exempt from individual posting on facility website

PRICING TRANSPARENCY IN REGULATION

CONT'D



2019 IPPS Final Rule – additional considerations:

- Although this may not be easily understood by patients, the intent of the CMS is to move hospitals to be transparent with their pricing.
- Currently no known penalties for non-compliance, but anticipate future rule making on this.
- CPT codes do not need to be published, but they can be if you are confident you have the correct licensing with the American Medical Association (AMA) to do so. Same for UB Revenue Codes.
- Hospitals are encouraged to provide educational guidance as part of their website posting.

HOW SHIP COORDINATORS CAN HELP

Check in with your rural facilities and see if they feel they have complied with the January 1st Implementation Date

For those who have not:

- **Assess why they have not**
 - Issues getting standard charges
 - Issues defining standard charges
 - Unclear of what should be posted
 - Cannot get charges in machine readable format
- **The Fundamentals and Benefits of Defensible Pricing/Strategy and accurate chargemaster**
- **The need for structure around:**
 - Chargemaster
 - Charge amount establishment/strategy/transparency
 - Core Policies Suggested

HOW SHIP COORDINATORS CAN HELP, CONT.

- Opportunity to be strategic:
 - Charging Methodologies
 - Chargemaster
 - Pricing
 - Transparency
- Ask these questions:
 - When was the last time you looked at your chargemaster and surrounding policies & procedures?
 - Are you confident you are capturing charges in the chargemaster?
- Lots of questions remain
- Pricing Transparency is here to stay – be proactive rather than reactive.

QUESTIONS?

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THANK YOU

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