Revenue-Focused Performance Improvement and Risk Management Strategies: Part III-Revenue Integrity

November 21, 2013

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Chargemaster, Pricing and Other Revenue Cycle Challenges for 2014

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- Submit via email within three days

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Importance of Having a Strong CDM and Charge Capture NOW!

- To be prepared for a number of challenges in 2014
  - ✓ ICD-10 go-live
  - ✓ Patient Protection and Affordability Care Act (PPACA)
  - ✓ Health Insurance Exchanges
  - ✓ The Health Information Technology for Economic and Clinical Health (HITECH) Act
    - Stage 2: Meaningful use - Advance clinical processes
  - ✓ Bundled payments
    - Accountable Care Organizations (ACOs)
  - ✓ 2014 coding updates and more…

Course Objectives

- CDM fundamentals
  - ✓ Data elements
  - ✓ Management philosophy
- CDM resources
  - ✓ Coding & billing publications
  - ✓ CMS published regulation and policy
- CDM distinct considerations
  - ✓ Supplies
  - ✓ Pharmacy
  - ✓ Payer mix
  - ✓ Other / charge capture
- CDM challenges for 2014
  - ✓ Federal Final Rule
  - ✓ CPT / HCPCS coding changes
- CDM pricing strategies
- Other 2014 performance improvement challenges and obstacles

Charge Description Master (CDM) Fundamentals

Polling Question # 1

- My facility has a strong CDM maintenance program.

A. Yes

B. No

C. Not applicable

D. I have no idea

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CDM Fundamentals - Review

- **Data elements -** procedures, services, drugs and supplies
  - ✓ HCPCS /CPT
  - ✓ Description
  - ✓ Revenue codes (UB)
  - ✓ Modifiers
  - ✓ Price

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CDM Fundamentals – Review (cont.)

- **Management philosophy**
  - ✓ Separately charged services and supplies
  - ✓ Procedural charge capture methodologies
  - ✓ Pricing transparency
  - ✓ Modifiers

Item / Service with Payment Status Indicator

- Services paid by MAC under a fee schedule or payment system <u>other than OPPS:</u>

  A → Services provided in a hospital OP setting
  - ✓ Significant procedure
  - ✓ Not Discounted when multiple

- Services <u>paid under OPPS</u> with separate APC payment:

  S → Significant procedure
  - ✓ Not discounted when multiple

  T → Significant procedure
  - ✓ Multiple reduction applies

  V → Clinic or emergency department visit

  X → Ancillary services

Item/Service with Payment Status Indicator (No Separate or Conditional Payment Circumstance)

- Paid under OPPS, packaged/composite; Addendum B displays APC assignments when services are separately payable; addendum M displays composite APC assignments:

N → Items and services packaged into APC rates

- ✓ There is no separate APC payment

Q1 → Packaged APC payment if billed on the same date of service as a HCPCS code assigned status indicator “S,” “T,” “V” or “X”

- ✓ In all other circumstances, payment is made through a separate APC payment

Q2 → Packaged APC payment if billed on the same date of service as a HCPCS code assigned status indicator “T”

- ✓ In all other circumstances, payment is made through a separate APC payment

Q3 → Composite APC payment based on OPPS composite-specific payment criteria; payment is packaged into a single payment for specific combinations of services

- ✓ In all other circumstances, payment is made through a separate APC payment or packaged into payment for other services

Addendum B - Excerpt

HCPCS Code	Short Descriptor	SI	APC	Relative Weight	Payment Rate	National Unadjusted Copayment	Minimum Unadjusted Copayment
A4642	In111 satumomab	N					
A4648	Implantable tissue marker	N					
C1815	Pros, urinary sph, imp	N					
C1820	Generator neuro rechg bat sy	N					
C1821	Interspinous implant	N					
C1874	Stent, coated/cov w/del sys	N					
C1875	Stent, coated/cov w/o del sy	N					
L0112	Cranial cervical orthosis	A					
L0113	Cranial cervical torticollis	A					
L0120	Cerv flexible non-adjustable	A					
L0130	Flex thermoplastic collar mo	A					
L0140	Cervical semi-rigid adjustab	A				.	
Q3025	IM inj interferon beta 1-a	K	9022		$305.42	.	$61.08
Q3026	Subc inj interferon beta-1a	E					
Q3031	Collagen skin test	N					

Note the Status Indicator (S.I.) Column

Polling Question # 2

- Items and services with an "N" status indicator should not be reported separately on a hospital Medicare claim.

A. True

B. False

CDM Coding Resources

CDM Coding Resources

- **Coding and billing publications, regulations and policies**
  - ✓ CPT® Professional Edition
  - ✓ Level II HCPCS publications
  - ✓ Optum™ Uniform Billing Editor (UB-04 Editor)
  - ✓ CMS
    - Federal Register Final Rule and periodic updates
    - National and Local Medicare Administrative Contractor (MAC) policies
    - Level II HCPCS File
    - Addenda B and D1 – 2014
    - Transmittals recent and historical (i.e., A-02-050 & A-03-035)

CDM Distinct Considerations

CDM Distinct Considerations - Supplies

- Supplies
  - ✓ Billable versus non-billable supplies
  - ✓ HCPCS code assignment
  - ✓ Revenue code assignment
  - ✓ Device edits – Likely discontinued
  - ✓ Durable medical equipment orthotic and prosthetic (DMEPOS)

CDM Distinct Considerations – Supplies (cont.)

- *If there is no separate Medicare payment, why should we bill supplies separately?*

- Because…
  - ✓ Medicare tracks costs / charges for future payment
  - ✓ CMS does not require hospitals to bundle packaged items
  - ✓ Other payers may pay separately
  - ✓ CAHs currently receive separate outpatient payment

- Remember
  - ✓ Report costs of billable services, supplies and drugs to payers regardless of package status

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CDM Distinct Considerations – Supplies (cont.)

- Develop a supply CDM process that is truly manageable
  - ✓ CDM versus item master
  - ✓ Evaluate the size and number of supplies in the CDM (i.e., zero priced items for tracking only)
  - ✓ Consider the need for a cost threshold for billable items
  - ✓ Is it time to consolidate supply listing in the CDM?

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CDM Distinct Considerations - Pharmacy

- Drugs are receiving higher scrutiny
- Pharmacy CDM approach
  - ✓ Focus on the primary pharmacy data element, national drug codes (NDCs)
  - ✓ Correlate within the CDM to map NDCs to HCPCS Level II code(s), as applicable
  - ✓ Assign appropriate 3rd digit specific revenue code(s)
  - ✓ Validate and address appropriate utilization (billed units) of drugs which relate also to payments associated with NDCs and HCPCS Level II codes

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CDM Distinct Considerations – Pharmacy (cont.)

- Key elements to remember when reviewing the pharmacy CDM:

  - ✓ ROA (route / methods of administration); review descriptions and consider how the drug is dispensed acronyms such as: IM, IV, SQ, PO, neb, MDI, etc.
  - ✓ Dosage form; type of drug
  - ✓ HCPCS/CPT codes
  - ✓ Revenue codes (inpatient and outpatient requirements)
  - ✓ Validate all NDCs; identify invalid or obsolete NDCs

CDM Distinct Considerations – Pharmacy (cont.)

- Review compounded drugs; assign the applicable NDC based on a hierarchy when multiple NDCs exist within the compounded drug

- Review crosswalk from the formulary files to the CDM procedure numbers; correlate the formulary to the CDM database

- Consider self-administered drug issues that relate all aspects of the revenue cycle

CDM Distinct Considerations

- Confirm proper mapping of dispensed unit charges, HCPCS and revenue code assignments from order entry to billing is accurately occurring

- Perform periodic NDC / CDM reviews, maintain coding and billing compliance

- Consider including the NDC within the CDM in the event that Medicare and other payers begin to require the NDC as a billing identifier
  - ✓ Medicaid currently requires this in many states
  - ✓ Other payers are beginning to require the NDC
  - ✓ Determine a policy and procedure on updating the NDCs in the Pharmacy formulary and correlate with updating the CDM

Polling Question # 3

- The NDC defines which of the following:

A. HCPCS Level II code

B. Billable dose unit

C. Appropriate revenue code

D. None of above

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CDM Distinct Considerations

- Payer mix
  - ✓ Percentage (%) of charge or fixed
  - ✓ Outpatient Perspective Payment System (OPPS)
  - ✓ Contract fee schedules
- Other points to keep in mind:
  - ✓ Medicare billing regulation changes and updates
  - ✓ Payer contracts
  - ✓ Cost report impact
  - ✓ Budget
  - ✓ Productivity impact

CDM Distinct Considerations

- Charge Capture
  - ✓ Performing periodic claims review against medical record documentation
  - ✓ Evaluating charge sheets or tools that are used to perform charge entry
  - ✓ Understanding overall payor mix

Chargemaster Challenges for 2014

2014 Changes

- Federal Final OPPS Rule delay
- More code bundling
  - ✓ Radiology
    - Fluoroscopic guidance
  - ✓ Vascular interventions
    - Radiology supervision and Interpretation
  - ✓ Charging challenges
- Description changes
  - ✓ Impact how codes are reported

2014 Changes (cont.)

- Areas impacted in 2014
  - ✓ Endoscopy
  - ✓ Breast interventions
  - ✓ Interventional procedures
    - Image-guided drainage procedures
    - Embolization
  - ✓ Chemodenervation procedures

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2014 Changes (cont.)

- ✓ Pathology and laboratory
  - Quantitative therapeutic drug assays
  - Infection agent testing
  - Molecular pathology
- ✓ Respiratory therapy
- ✓ EMG
- ✓ Evaluation and management (E&M) coding

2014 Changes (cont.)

- Musculoskeletal surgical procedures
  - ✓ Tumor excision
  - ✓ Casting and strapping
  - ✓ Fracture treatment
- Ophthalmology procedures
- Cardiovascular procedures
  - ✓ TAVR
  - ✓ Aortic aneurysm repair codes

2014 Changes (cont.)

- Psychotherapy
  - ✓ Clarifications of guidelines
- Radiation oncology
  - ✓ Simulation code changes
- General surgery
  - ✓ Breast procedures
  - ✓ Repair / closure codes
  - ✓ Thoracoscopy procedures
  - ✓ Urology procedures

Polling Question # 4

- Failure to properly maintain the CDM could result in:

  A. Lost reimbursement

  B. Inappropriate reporting of services

  C. Lost revenue

  D. All of the above

Compliance Impact of Coding Changes

- Changes in codes may present compliance issues
- Example:
  - ✓ Selective debridement
    - One code description was revised to describe “each additional”
    - New code added as “parent” code
  - ✓ Failure to make changes in CDM and provide staff education resulted in inappropriate reporting of these services

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Financial Impact of Coding Changes

- Example 1:
  - Cardiac catheterization
    - Routine cardiac cath reported with 5 separate CPT codes
    - Codes changed in 2011 to reporting 1 comprehensive code
    - 2,000 cardiac caths/year = $18,400,000 revenue loss

Old Codes	Old Charge	New Codes	New Charge
93510	$9,000	93458	$9,000
93543	$200	None	
93545	$4,000	None	
93555	$2,400	None	
93556	$2,600	None	
Total	**$18,200**		**$9,000**

Financial Impact of Coding Changes (cont.)

- Example 2:
  - Radiology – CT scans
    - 10,000 procedures/year = $15,000,000 revenue loss

Old Codes	Charge	New Code	Charge
74150	$2,000	74175	$2,000
72192	$1,500	None	
Total	**$3,500**		**$2,000**

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Chargemaster Pricing Strategies

Objectives

- Reasons to assess your line item pricing methodologies
- Price transparency considerations
- Overview of pricing methodologies
- Components of key pricing methodologies

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Reason To Assess

- Net revenue objectives
- Managed care
- Annual budgeting
- Realign to cost
- Department changes
- CDM updates
- Market changes
- Price transparency

Price Transparency

Health Care Price Transparency Promotion Act of 2013 (H.R. 1326)	
Sponsors:	**Requirements:**
• Michael Burgess (R-TX) • Gene Green (D-TX) • John Carter (R-TX) • Bill Cassidy (R-LA) • Robert Wittman (R-VA)	• States to establish laws mandating that hospitals publicly disclose the cost of various services • Health insurers to provide consumers with information about estimated out-of-pocket costs for health care products and services (Goedert, *Health Data Management*, 3/26) • The Agency for Healthcare Research and Quality to identify the types of health care cost data that consumers find beneficial (*AHA News*, 3/26)

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Price Transparency (cont.)

- Medicare provider charge data
- Top 100 inpatient services
- Top 30 outpatient services
- Link: http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data
- Other state websites

Polling Question # 5

- When was the last time your hospital implemented a pricing strategy (other than an Across The Board increase)?

A. Within the past year

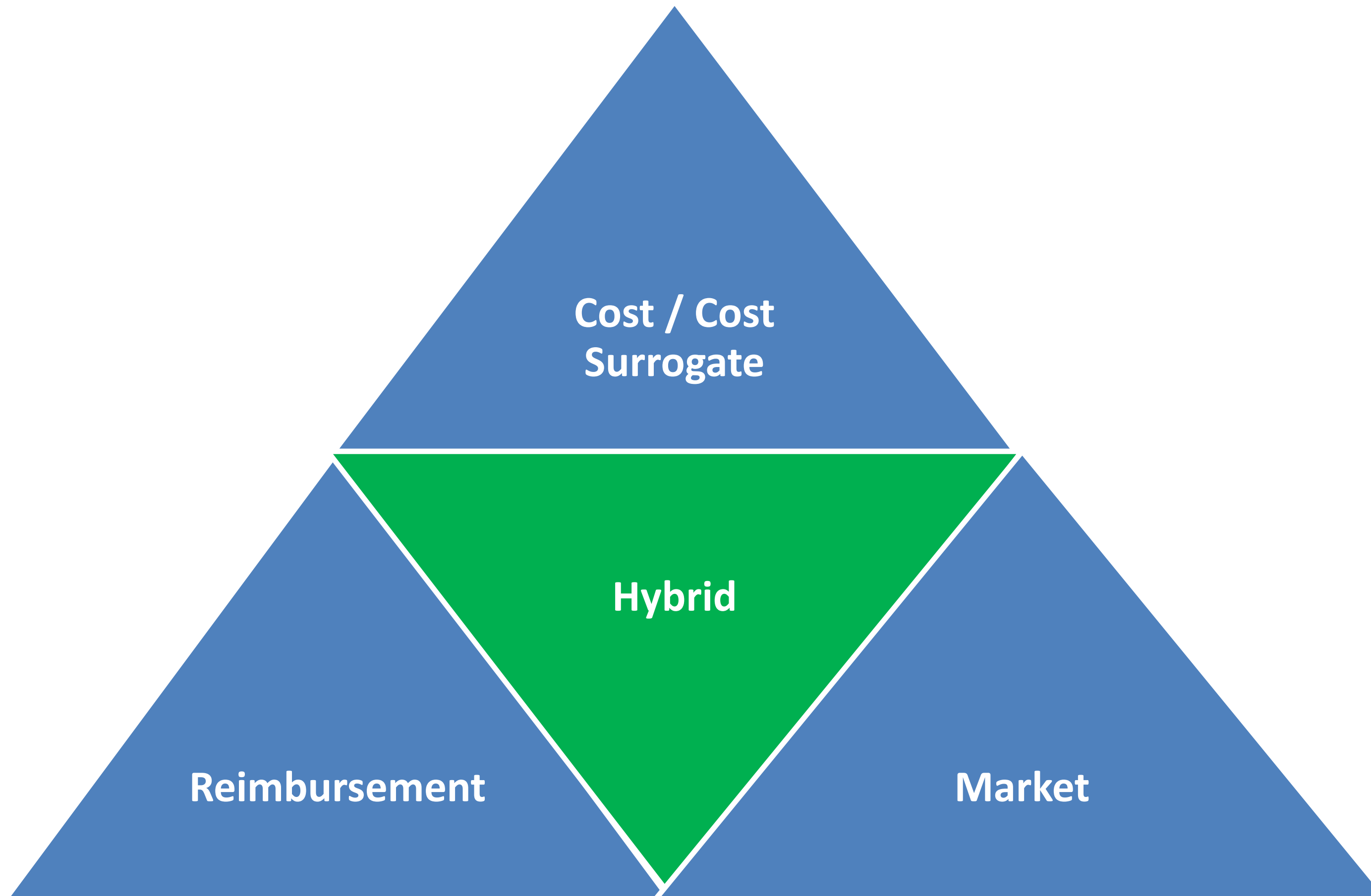
B. 1 – 3 years

C. 4 – 6 years

D. Over 6 years

Pricing Methodologies

PRICING TRIANGLE



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Pricing Methodologies (cont.)

Methodology	Description
Cost / Cost Surrogate Methodology	• Focuses on developing a rational / defensible pricing strategy by using internal cost accounting and Medicare data to develop line item pricing
Reimbursement Methodology	• Focuses on developing a pricing strategy to drive net revenue by focusing on services that are price sensitive while meeting organizational net revenue objectives
Market Methodology	• Focuses on developing a pricing strategy competitive with market area competitors
Hybrid Methodology	• Focuses on developing a pricing strategy that incorporates a combination of cost / cost surrogate, reimbursement and market pricing methodologies

Polling Question # 6

- What type of pricing strategy has your facility most recently implemented?

  A. Across The Board

  B. Cost / Cost Surrogate

  C. Reimbursement

  D. Market

  E. Combination of the Above

Cost / Cost Surrogate Approach

- Methodology
  - ✓ Evaluate reliability of existing cost accounting data
  - ✓ Download cost surrogate data (Medicare data)
    - APC schedules (Addendum B): http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates.html
    - Clinical lab fee schedules: http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ClinicalLabFeeSched/clinlab.html
    - Medicare physician fee schedules: http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Carrier-Specific-Files.html
  - ✓ Calculate break-even points for each department
  - ✓ Rebase prices using cost or cost surrogate data
  - ✓ Model gross and net revenue impact of price changes
  - ✓ Assess new prices for reasonableness and consistency

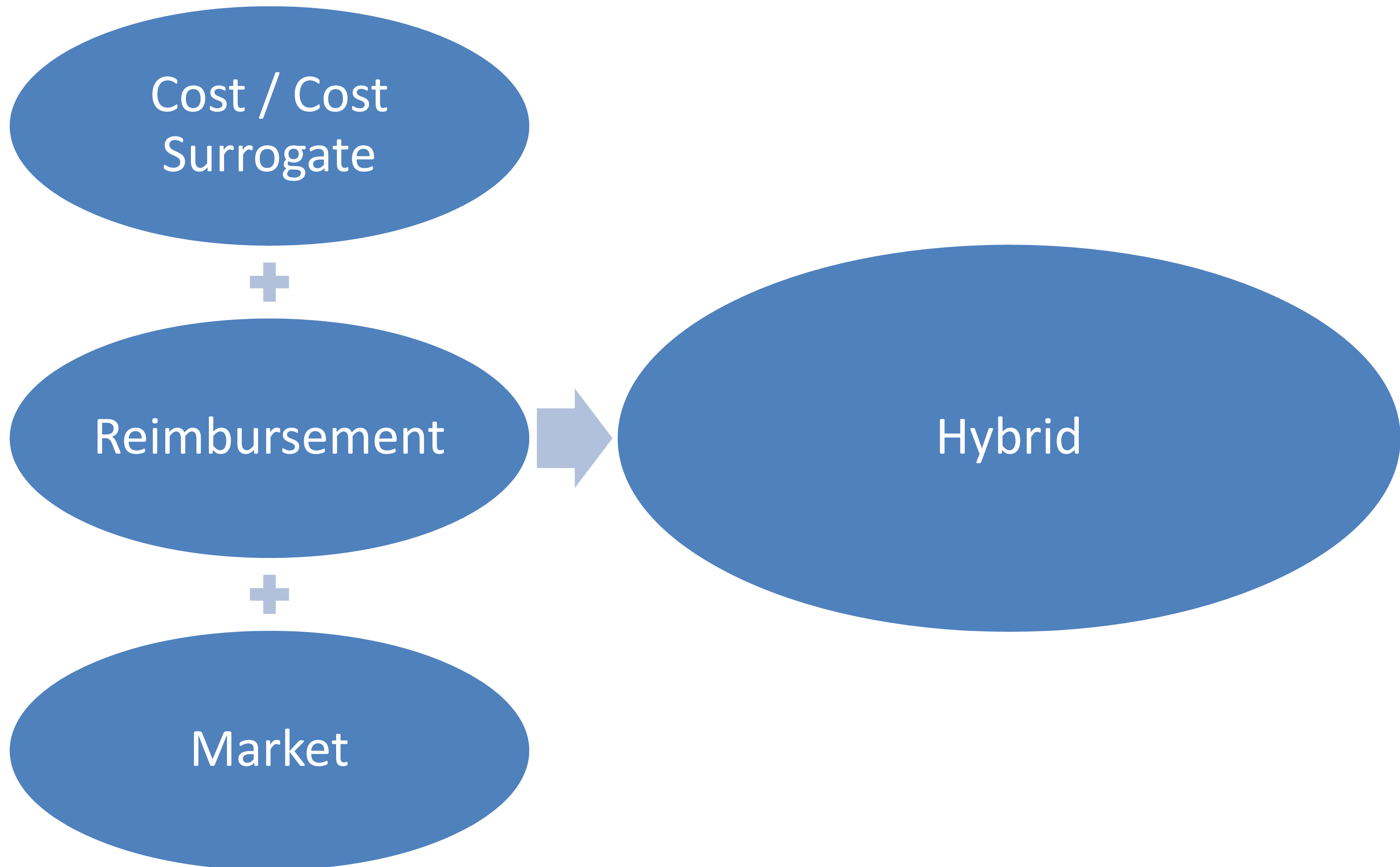
Reimbursement Approach

- Methodology
  - ✓ Review and identify payer contracts and/or components that are percent of charge
  - ✓ Calculate service level price sensitivity
    - Percent of charge net revenue / Gross revenue = Price sensitivity
  - ✓ Rebase prices by applying a larger increase to services with a higher sensitivity
  - ✓ Model gross and net revenue impact of price changes
  - ✓ Assess new prices for reasonableness and consistency

Market Approach

- Methodology
  - ✓ Assess internal and external market / competitor pricing data
    - Formats: Individual hospital, percentiles
  - ✓ Evaluate market position at the aggregate, department and service levels
  - ✓ Rebase prices to the market, average or percentile of the market
  - ✓ Model gross and net revenue impact of price changes
  - ✓ Assess new prices for reasonableness and consistency

Hybrid Approach



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2014 Performance Improvement Challenges and Obstacles

2014 Performance Improvement Challenges and Obstacles

- ICD-10 go-live
- Patient Protection and Affordability Care Act (PPACA)
  - ✓ Many uncertainties
- Health Insurance Exchanges
- The Health Information Technology for Economic and Clinical Health (HITECH) Act
  - ✓ Stage 2: Meaningful use - Advance clinical processes
- Bundled payments
  - ✓ Accountable Care Organizations (ACOs)
- CPT 2014 updates and more…

Polling Question # 7

- ICD-10 implementation does **not** have an impact on CDM or charge capture.

A. True

B. False

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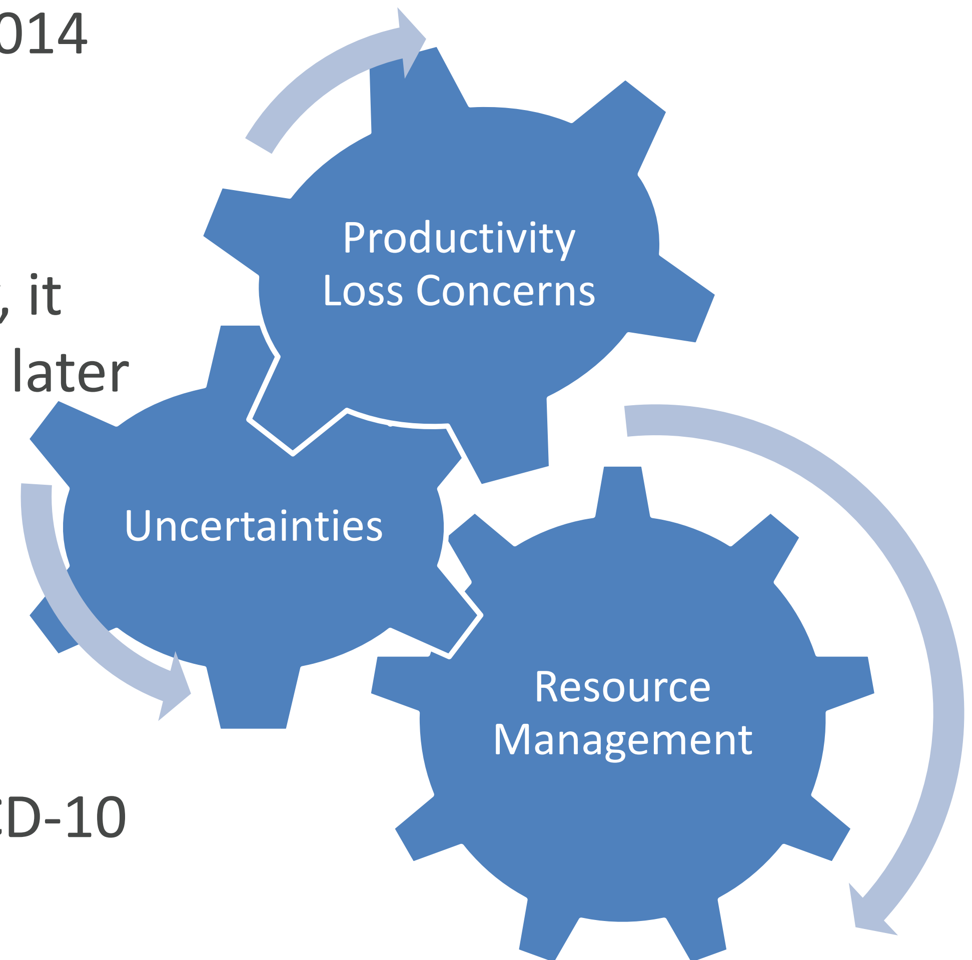
Effects on Revenue Integrity

- Many uncertainties and unknowns with upcoming 2014 changes
- If the process is broken now, it will be cumbersome to fix it later
- Productivity losses – A/R management
- Dealing with outcomes of ICD-10



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Revenue Integrity Evaluation: Act Now vs. Later

- Urgency to build a strong CDM and charge capture
  - ✓ Gain better understanding of broken processes to fix them now prior to ICD-10 go-live
    - Evaluate charge description to code mismatch
    - Detect revenue leakage
    - Improve charge capture performance
    - Minimize financial and compliance risk
  - ✓ Competitive market edge
    - Evaluate market data
    - Review pricing structure
  - ✓ Clean and reliable claims data for forecasting and predicting revenue performance
  - ✓ Denial and dispute mitigation

Questions?

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