



Seeing Through Pricing Transparency

Presented to:
AAHAM ANI 2019

Las Vegas, NV



Today's Session

- This session will provide a review and discussion of pricing transparency requirements, the discussion and review of strategies utilized nationally, and pros and cons to the various approaches
- At the completion of the session, attendees will be better versed and prepared for pricing transparency discussions at their individual organizations
- At the completion of this educational activity, the learner will be able to:
 - Explain the regulatory requirements of pricing transparency
 - Identify pricing strategies utilized nationally
 - Understand the pros and cons of various pricing strategies
 - Design a pricing methodology that best fits the needs of the organization
 - Explain strategies for maintaining pricing transparency



Session Outline

- Introduction to Pricing Transparency
- Methodologies in Pricing in a Transparent World
- Strategies and Considerations in Developing a Pricing Model
- Maintaining Your Pricing Model



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Introduction to Pricing Transparency



History and Background of Healthcare Pricing

- *Why are we here today?*
 - The Affordable Care Act
 - President Trump's Executive Order
 - CMS' OPPI/ASC Rule for CY2020



Current Regulatory Requirements

- *Who, What, When, Where?*
 - Definition of “Hospitals”
 - Standard Charges and Shoppable Services
 - Implementation Date
 - Accessibility



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Future of Healthcare Pricing

- Expansion of Provider Types Under Pricing Transparency
- Standard Data Sets
- Data Centers
- Incentives for Cost Containment
- Value Based Care



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Methodologies in Pricing in a Transparent World



Pricing Methodologies Seen Nationally

- Percentage/Flat Fee Over Source
 - Medicare Fee Schedules
 - Payer Contracts
 - Cost
- Tiered Percentage/Flat Fee Over Source
- Higher Of Mark-Up Over Source
- Across the Board Mark-Ups
- Strategic Pricing Initiatives
- Combination/Hybrid Approach



Pricing Methodologies and Charge Capture

- Hard-Coded
- Soft-Coded
- Time-Based
- Modifier Considerations
- Location of Service



Example of Pricing and Charge Capture #1

Hospital #1 - Mid-Atlantic Nationally Recognized Academic Hospital & System

| <u>PROCEDURE NAME</u> | <u>UNIT CHG</u> |
|------------------------------------|-----------------|
| | <u>AMT.</u> |
| HC GI STUDIES PRICE PER MINUTE ORC | \$6.92 |

Hospital #2 - Mid-West Community Stand Alone Hospital

| Procedure Name | Procedure Num | Charge Amour |
|----------------|---------------|--------------|
| HC COLONOSCOPY | 1795131 | 1,901 |

Hospital #3 - Northwest Suburban Hospital, Health System Member

| HOSPITAL SYSTEM | CHARGE DESCRIPTION | AVERAGE UNIT | |
|-----------------|---|--------------|--------------|
| CHARGE CODE | | PRICE | PRICE |
| | | (INPATIENT) | (OUTPATIENT) |
| Px00000H25451 | COLONOSCOPY THRU STOMA W ENDOSCOPIC STENT P | \$3,248.00 | \$1,427.00 |
| Px00000H11127 | COLONOSCOPY (W/BR/WA) | \$5,047.00 | \$2,217.00 |
| Px00000H22498 | COLONOSCOPY THROUGH STOMA (W/BR/WA) | \$5,047.00 | \$2,217.00 |

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Example of Pricing and Charge Capture #2

Hospital #1 - Mid-Atlantic Nationally Recognized Academic Hospital & System

| PROCEDURE NAME | UNIT CHG |
|---------------------------------------|----------|
| | AMT. |
| HC CT HEAD OR BRAIN, W/O CONTRAST | \$164.62 |
| HC CT HEAD OR BRAIN, W CONTRAST | \$235.16 |
| HC CT HEAD OR BRAIN, W & W/O CONTRAST | \$282.20 |

Hospital #2 - Mid-West Community Stand Alone Hospital

| Procedure Name | Procedure Num | Charge Amou |
|-------------------------------|---------------|-------------|
| HC CT HEAD SCAN W/O CONTRAST | 1660450 | 1,852 |
| HC CT HEAD SCAN W/CONTRAST | 1660460 | 1,820 |
| HC CT HEAD SCAN W/WO CONTRAST | 1660470 | 2,002 |

Hospital #3 - Northwest Suburban Hospital, Health System Member

| HOSPITAL SYSTEM CHARGE CODE | CHARGE DESCRIPTION | AVERAGE UNIT PRICE | |
|--------------------------------|-----------------------|--------------------|--------------|
| | | (INPATIENT) | (OUTPATIENT) |
| Px00000H10045 | CT HEAD W/O CONT | \$777.00 | \$390.00 |
| Px00000H10047 | CT HEAD W/CONTR | \$1,844.00 | \$926.00 |
| Px00000H10049 | CT HEAD W/WO CONTRAST | \$1,844.00 | \$926.00 |

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Example of Pricing and Charge Capture #3

Hospital #1 - Mid-Atlantic Nationally Recognized Academic Hospital & System

| <u>PROCEDURE NAME</u> | <u>UNIT CHG</u> |
|-------------------------------|-----------------|
| | <u>AMT.</u> |
| HC EMERGENCY DEPT VISIT LVL 3 | \$593.51 |

Hospital #2 - Mid-West Community Stand Alone Hospital

| Procedure Name | Procedure Num | Charge Amour |
|----------------|---------------|--------------|
| HC ED LEVEL 3 | 1294943 | 804 |

Hospital #3 - Northwest Suburban Hospital, Health System Member

| HOSPITAL SYSTEM | CHARGE DESCRIPTION | AVERAGE UNIT | |
|-----------------|---------------------------------|--------------|--------------|
| CHARGE CODE | | PRICE | PRICE |
| | | (INPATIENT) | (OUTPATIENT) |
| Px00000H13752 | ER FEE LEVEL 3 (3=MOD SEVERITY) | \$1,196.00 | - |

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Strategies and Considerations in Developing a Pricing Model



Strategies and Considerations

Understand Your Overall Approach

| Approach | Pros | Cons |
|-------------|--|---|
| Strategic | <ul style="list-style-type: none">• Optimize reimbursement from higher payers by individual CDM line item• Increases prices alongside line item services with demonstrated growth | <ul style="list-style-type: none">• Prices lose relationship to cost and related services• Staff struggle to translate pricing policy to patients and payers• Staff struggle to understand how to price CDM line items as they are created or revised |
| Transparent | <ul style="list-style-type: none">• Easily translated to patients and staff• Clear and defensible to the community• Consistent and predictable• Considers market and cost | <ul style="list-style-type: none">• May not fully optimize payer contracts where payers reimburse on percentage of charge• May require “normalization” activities to correct pricing evolution of the hospital |

RATIONAL PRICING



Strategies and Considerations (cont.)

- Like and Similar Services
- Same Service/Varied Areas
- Time-Based Services vs. Flat Fee
- Intensity of Services
- Sensitivity and Transparency



Maintaining Your Pricing Model



Maintaining Your Pricing Model

- Hospital Pricing Policy
- Pricing Considerations
- Charge Capture Methodology
- Local and Regional Costs
- Payor Contracts
- Stakeholder Accountability
- CDM Maintenance



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Discussion/Questions



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