

Pricing Transparency

Do you have a Clear Vision?

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TODAY'S PRESENTERS



RICHARD T. (TERRY) LANG, FHFMA, CPA
Senior Director – Reimbursement

Terry brings over 35 years of experience in healthcare in both hospital and long-term care organizations including holding the Chief Financial Officer position for three Central and Northern New York hospitals. His significant experience in hospital financial operations gives him the unique ability to relate to clients and understand their needs and goals first-hand.



MEGHAN BANKOWSKI, CPA
Managing Director – Financial & Operational Performance

Meghan brings over 10 years of experience assisting healthcare organizations with their accounting, compliance, and advisory needs. Her experience includes serving large healthcare systems, hospitals, nursing facilities, home health agencies, and physician practices.



AGENDA

- What is driving price transparency?
- A look into the key components of the final rule.
- Are you ready?
- Q&A



WHAT IS DRIVING PRICE TRANSPARENCY?

Shift towards a consumer-centric model of healthcare delivery

Rising deductibles and out of pocket costs

Empowered consumers who are in charge of their healthcare decisions



WHAT IS DRIVING PRICE TRANSPARENCY?

- Surprise out-of-network medical bills are a top concern of American consumers today
- According to a Wolters Kluwer healthcare survey conducted in June 2019, 43% of respondents have not moved forward with medical treatment because they were concerned about the cost to them.
- According to Deloitte's annual global healthcare consumer survey conducted in 2020, 49% of American consumers said they would take advantage of a tool that allows them to directly compare pricing between providers



2019 IPPS/LTCH FINAL RULE

Final Rule Became Effective January 1, 2019

- As extension of 2015 IPPS/LTCH Final Rule requires hospitals to:
 - Make available a list of their current standard charges via the internet in a machine readable format and update this information annually
 - Machine readable is defined as having the ability to download the information using OCR (Optical Character Recognition) software
 - The consumer must have the ability to download the information
 - PDF is not considered a machine readable format since it is a scanned document
- Non-compliance will be subject to enforcement actions



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Effective January 1, 2021

- Requires **Hospitals** to post their **standard charges** online for all **items and services** in a machine-readable format
 - Can be the same data set (with addition of charge information) utilized for reporting standard charges under the 2019 IPPS/LTCH Final Rule
 - Standard Charges must be reported with the following for each charge:
 - Gross charge
 - Discounted cash price
 - Payer-specific negotiated charge
 - De-identified minimum negotiated charge
 - De-identified maximum charge



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE OVERVIEW (CONTINUED)



- Requires hospitals to display **300 Shoppable Services** in a **Consumer-Friendly Manner**
 - Includes 70 CMS-specified and 230 hospital selected shoppable services
 - Must include payer-specific negotiated charges, de-identified minimum and maximum negotiated charges, and discounted cash prices
- Failure to comply with the Final Rule could result in the hospital being fined up to \$300 per day
- Court challenges have been unsuccessful
- No stopping the final rule now. It is here to stay!



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE



Definition of a Hospital

- All Medicare-enrolled institutions that are licensed as hospitals
- Non-Medicare enrolled institutions that are licensed as a hospital by a state or locality responsible for licensing hospitals
 - State includes all 50 states, District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands
- Federally owned or operated hospitals including those operated by the Indian Health Program, Veterans Administration, or Department of Defense are exempt from the reporting requirements of this Final Rule.



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Definitions for Standard Charges

- **Gross Charge-** Charge for an individual item or service that is reflected on a hospital's chargemaster absent any discounts
- **Discounted Cash Price-** Charge that applies to an individual who pays cash or cash equivalent (ex. Credit card) for a hospital item or service
- **Payer-specific negotiated charge-** Charge that a hospital has negotiated with a third-party payor (in-network) for an item or service
- **De-identified minimum negotiated charges-** Lowest charge that a hospital has negotiated with all third-party payers for an item or service
- **De-identified maximum negotiated charges-** Highest charge that a hospital has negotiated with all third-party payers for an item or service



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Requirements

- Includes all items and services
 - Individual items and services and service packages provided by the hospital to a patient in connection with an inpatient admission or an outpatient department visit for which the hospital has established a standard charge
 - Includes facility fees such as supplies, procedures, room and board, and other items and services of employed physicians and non-physician practitioners
- A “Service Package” includes both the primary service and the associated ancillary services that are normally included in the provision of the primary service
 - Each third-party payor may have different service packages



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Requirements (continued)

- Include a description of each item or service, including service packages with standard charge information
- Display the file prominently and clearly identify the location on the hospital website
 - Website must be publicly assessable
- Data must be easily accessible
 - Data should be available free of charge
 - Not require a user to establish an account or password or submit personal identifying information
 - Digitally searchable (machine readable)
- Data must be updated at least annually
 - The date of the last update must be clearly indicated in the file or associated with the file



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

- Rule for Hospitals with Multiple Locations or Off-Campus Provider Based Clinics
 - Each hospital location operating under a single hospital license (or approval) that has a different set of standard charges from the other locations under the same license (including the main hospital) must separately make public a list of standard charges.
 - Hospital locations operating under the same hospital license can post a single file of standard charges as long as the file includes the charges for all items and services for that location(s).



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Display of Standard Charges

- Use existing Hospital CDM as the basis
- Group by department including off-campus locations
- All “items and services” offered by the hospital must be included
- Utilize machine readable format such as XML
- Display multiple tabs with a tab for each major payer
- First tab would have the gross charge, cash price, and de-identified minimum and maximum negotiated charges
- Subsequent tab (one for each major payor) would list the payer –specific charges grouped according the payor contract



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

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TABLE 1—SAMPLE DISPLAY OF GROSS CHARGES¹⁴²

Hospital XYZ Medical Center					
Prices Posted and Effective [month/day/year]					
Notes: [insert any clarifying notes]					
Description	CPT/ HCPCS Code	NDC	OP/ Default Gross Charge	IP/ER Gross Charge	ERx Charge Quantity
HB IV INFUS HYDRATION 31-60 MIN	96360		\$1,000.13	\$1,394.45	
HB IV INFUSION HYDRATION ADDL HR	96361		\$251.13	\$383.97	
HB IV INFUSION THERAPY 1ST HR	96365		\$1,061.85	\$1,681.80	
HB ROOM CHARGE 1:5 SEMI PRIV				\$2,534.00	
HB ROOM CHG 1:5 OB PRIV DELX				\$2,534.00	
HB ROOM CHG 1:5 OB DELX 1 ROOM				\$2,534.00	
HB ROOM CHG 1:5 OB DELX 2 ROOMS				\$2,534.00	
SURG LEVEL 1 1ST HR 04	Z7506			\$3,497.16	
SURG LEVEL 1 ADDL 30M 04	Z7508			\$1,325.20	
SURG LEVEL 2 1ST HR 04	Z7506			\$6,994.32	
PROMETHAZINE 50 MG PR SUPP	J8498	00713013212	\$251.13	\$383.97	12 Each
PHENYLEPHRINE HCL 10 % OP DROP		17478020605	\$926.40	\$1,264.33	5 mL
MULTIVITAMIN PO TABS		10135011501	\$0.00	\$0.00	100 Each
DIABETIC MGMT PROG, F/UP VISIT TO MD	S9141		\$185.00		
GENETIC COUNSEL 15 MINS	S0265		\$94.00		
DIALYSIS TRAINING/COMPLETE	90989		\$988.00		
ANESTH, PROCEDURE ON MOUTH	170		\$87.00		

¹⁴² Note that this example shows only one type of standard charge (specifically the gross charges) that a hospital would be required to make public in the comprehensive machine-readable file. Hospitals must also make public the payer-specific negotiated charges, the de-identified minimum negotiated charges, the de-identified maximum negotiated charges, and the discounted cash prices for all items and services.

CMS Example of the Display of Standard Charges





PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Display 300 Shoppable Services

- A “shoppable service” is a non-urgent service that can be scheduled in advance by a health care consumer
- Includes 70 CMS-specified and 230 hospital selected shoppable services
 - Hospital selected services should be based on services commonly provided to the hospital’s patient population
 - If the hospital does not provide one or more of the 70 CMS-specified shoppable services, additional hospital services should be selected to reach the 300 threshold.
 - The 70 shoppable services need to be displayed with an “N/A” placed next to those services that the hospital does not offer.
- Location where the shoppable service is provided in both the inpatient and outpatient setting
- Services can be linked by MS-DRG, DRG, APC, CPT/HCPCS or other common payer identifier.



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

TABLE 2—SAMPLE OF DISPLAY OF SHOPPABLE SERVICES

Hospital XYZ Medical Center			
Prices Posted and Effective [month/day/year]			
Notes: [insert any clarifying notes or disclaimers]			
Shoppable Service	Primary Service and Ancillary Services	CPT/ HCPCS Code	[Standard Charge for Plan X]
Colonoscopy	primary diagnostic procedure	45378	\$750
	anesthesia (medication only)	[code(s)]	\$122
	physician services	Not provided by hospital (may be billed separately)	
	pathology/interpretation of results		
	facility fee	[code(s)]	\$500
Office Visit	New patient outpatient visit, 30 min	99203	\$54
Vaginal Delivery	primary procedure	59400	[\$]
	hospital services	[code(s)]	[\$]
	physician services	Not provided by hospital (may be billed separately)	
	general anesthesia	Not provided by hospital (may be billed separately)	
	pain control	Not provided by hospital (may be billed separately)	
	two day hospital stay	[code(s)]	[\$]
	monitoring after delivery	[code(s)]	[\$]

CMS Example of the Display of Shoppable Services





PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Internet-Based Price Estimator

- A hospital that maintains an internet-based price estimator that meets the following criteria is deemed to have met the requirements for shoppable services if it:
 - Is consumer friendly
 - Allows the healthcare consumer to obtain an estimate of the amount they will be obligated to pay the hospital for a shoppable service
 - Provides estimates for as many of the 70 CMS-specified shoppable services that are provided by the hospital and additional hospital selected shoppable services that will reach the combined total of 300
 - Is prominently displayed on the hospital's website, accessible without charge, and without having to register or establish a user account or password



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Internet-Based Price Estimator (continued)

- The following is encouraged, but not required at this time:
 - Appropriate disclaimers including acknowledgement of the limitations of the price estimate and advising the consumer to consult where applicable regarding individual payment responsibilities and remaining deductible balances.
 - Notification of financial aid, payment plans, and assistance with Medicaid or other state plan enrollment
 - Quality of care information
 - Making the estimates available in languages other than English
- A hospital that meets the requirements for offering an internet-based price estimator tool **is still required to make public all standard charges in a comprehensive machine readable format.**
- CMS plans on revisiting the use of Internet-based price estimator tools in the future to determine if they are meeting the goals of the Final Rule.



PRICE TRANSPARENCY REQUIREMENTS FOR HOSPITALS TO MAKE STANDARD CHARGES PUBLIC FINAL RULE

Monitoring and Enforcement

- CMS will be monitoring compliance with this Final Rule including:
 - Evaluating complaints made by individuals or entities to CMS
 - Reviewing individuals or entities analysis of non-compliance
 - Auditing hospital websites
- If CMS determines that a hospital is non-compliant with any of the requirements of the Final Rule, they may assess a civil monetary penalty to the hospital
 - The penalty is not in excess of \$300 per day
 - The penalty will be publicized on a CMS website
 - The hospital will have appeal rights



ARE YOU READY?

Preparing for Price Transparency

1. Form a multidisciplinary task force
2. Determine the best approach to gathering information- identify standard charges, shoppable services and contract and reimbursement data
3. Evaluate potential tools and partners, considering patient experience
4. Validate and refine pricing strategy
5. Execute the plan



PREPARING FOR PRICE TRANSPARENCY

Step 2- Gathering Information

- Identify and confirm listing of participating insurances.
 - More difficult than it sounds given the various products, TPAs, and agreements.

- Organize actual participating contracts and develop an audit process that routinely compares the expected reimbursement amount received to the reimbursement amount expected
 - Updated Annually

- Develop a Contract Matrix
 - Includes basic reimbursement info, carve-outs, information by specialty (i.e. radiology, labor and delivery, etc),



PREPARING FOR PRICE TRANSPARENCY

Step 2- Gathering Information

- Pricing must be defensible
 - In other words, same procedures performed in different departments should be the same price unless there is a defensible reason why pricing varies.
 - Other than a cost difference, having different prices for same procedures creates potential compliance concerns related to price transparency.
- Need to be clear what services are being included in the service package



PREPARING FOR PRICE TRANSPARENCY

Step 3- Evaluate Potential Tools and Partners

- CMS estimates the total burden to hospitals for the first year is about 150 hours per hospital
- Does the hospital have internal resources to dedicate?
- Will you use this requirement as an opportunity?



PREPARING FOR PRICE TRANSPARENCY

Step 3- Evaluate Potential Tools and Partners

We know we need to comply with the law, but this is something we should be doing anyways?

➤ Benefits:

- To give the best “shopping” experience
- Stay ahead of competition
- Retain and gain new patients

➤ Things to consider:

- Daunting task?
- Machine readable formats
- Can the consumer understand the information?
- What’s next down the road? Will everything change?
- The bare minimum is not the way to go

Black Book Survey, **90%** of patients do not feel obligated to stay with a healthcare provider who doesn’t deliver an overall satisfactory digital experience. In addition, **88%** of respondents under age 40 state they will choose their next medical provider based on a strong online presence.



PREPARING FOR PRICE TRANSPARENCY

Step 4- Validate Pricing Strategy

- When was the last time the hospital performed a thorough pricing review?
- What is the current strategy for how the hospital sets its prices?
- Does the hospital know where charges are in relation to the market?
- Would you consider a price decrease to be more competitive in certain areas?
- How will the hospital respond when asked why charges are what they are?

Now that we know what to post...

HOW DO WE MARKET THIS?



Step 5- Execute the plan

SCENARIOS

Ever been frustrated on a website?

Scenario 1:



Patient goes to a hospital's website in search of a full price estimate → Patient sees the CDM list posted and gets scared off thinking that is their full estimate → Patient goes to a competing provider instead.

Scenario 2:



Patient goes to a hospital's website in search of a full price estimate → Patient sees the CDM price listed and sees that there is a simple explanation of what CDM charges mean → Patient now realizes that the CDM price isn't what their out-of-pocket will be → Patient requests the full estimate.



Which scenario would your organization prefer?

This is why it is absolutely crucial for hospitals to understand how their patients think and developing a controlled strategic message that aligns with their expectations.



QUESTIONS?





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