



WEBINAR

Pricing Transparency – What's Your Strategy for 2021?

September 24, 2020



Today's Speakers



Bryan Chamberlin
Partner

Bryan Chamberlin is a Partner with Guidehouse, responsible for client project management and overall project delivery. He has extensive experience with next-generation EHR platforms and implementing best-practice revenue cycle methodologies, specializing in net revenue improvement and business process transformation across all areas of the revenue cycle.



Jeff Leibach
Director

Jeff currently leads Guidehouse's Strategic Pricing and Revenue Rebalancing Solutions. Over the last decade, Jeff's main area of expertise has been in developing and implementing managed care solutions for payers and providers. These solutions include development of several analytic solutions, alignment of clinical and financial models, and negotiation training and preparation. Jeff has significant experience building and leading teams to deliver complex analytical tools to quantify opportunities into business.



Mark Spehar
Associate Director

Mark brings more than 20 years experience leading Strategic Pricing, CDM, Financial Feasibility Studies and Revenue Cycle Assessments. Mark is active in the healthcare industry by speaking nationally on Pricing Transparency Issues and recently serving on the Healthcare Financial Management Association's National Advisory Committee on Payment Models. Mark has also served as a past president and board member for the Western Pennsylvania Chapter of HFMA and is active within the South Florida Chapter.



Drew Lineback
Associate Director

Drew brings more than 15 years of experience in consulting and advisory services to healthcare organizations. He has a successful record overseeing engagements in a variety of healthcare settings in the private sector and federal government spaces, including large-scale revenue cycle transformation and operational improvement efforts. Drew's areas of focus include extensive business office experience, technology implementations, and revenue cycle transformations. He has extensive knowledge designing and executing solutions that address the critical business challenges for healthcare organizations, improving financial performance while improving employee and patient satisfaction.



Today's Agenda

1.

Brief Overview of Price Transparency Rule

2.

Price Transparency Compliance and Related Strategic Considerations

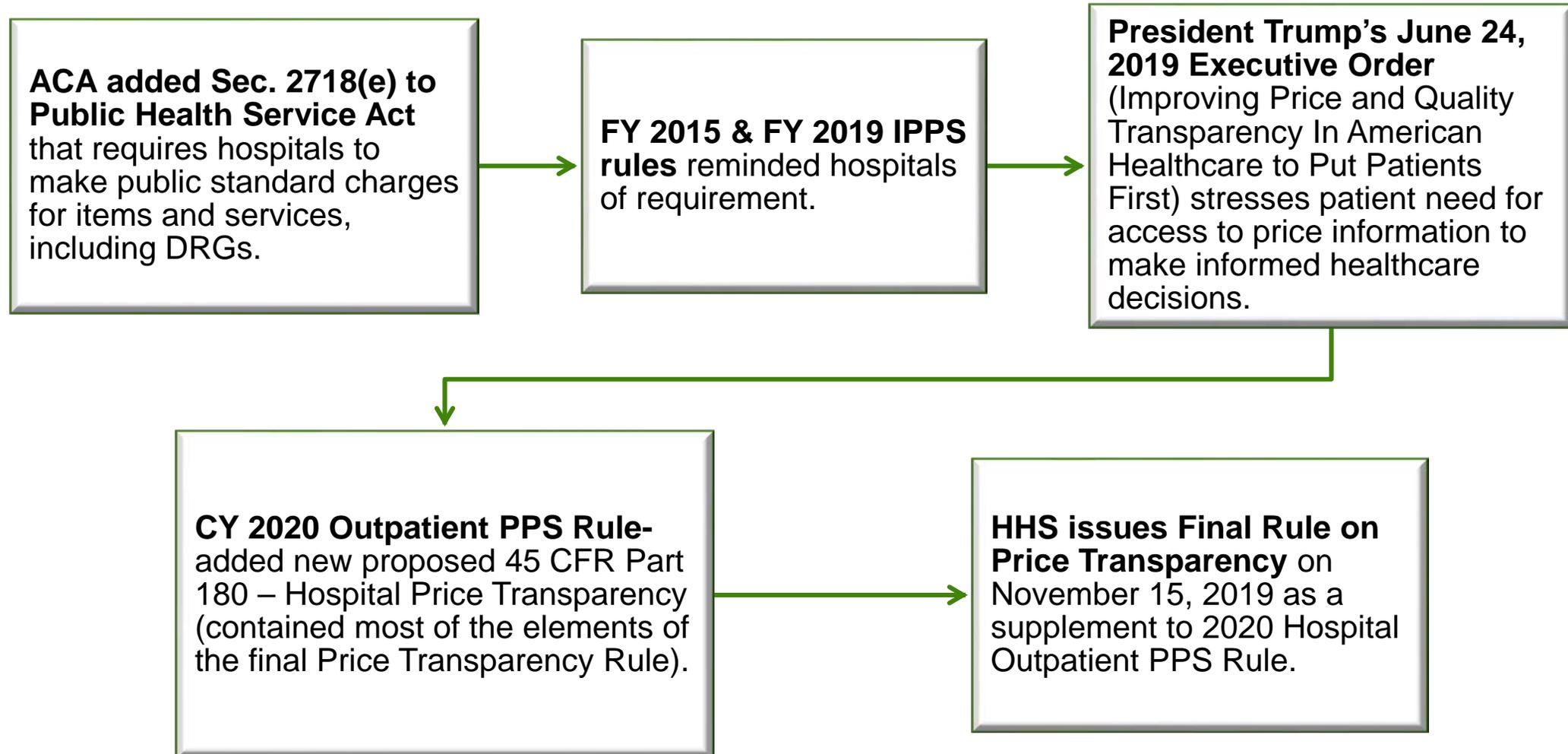
3.

Q&A

1. Brief Overview of Price Transparency Rule

Brief Overview of CMS Price Transparency Rule for 1/1/2021

Transparency Rule Background



Price Transparency Requirements

Hospitals are required to show their prices in two ways under the new rule:

File #1: A comprehensive machine-readable file. This is a single machine-readable file that contains **five types** of standard charges for **all the items and services** (including service groupings) provided by the hospital. The five types of standard charges are:

- Gross Charge - “Charge . . .that is reflected on a hospital’s chargemaster, absent any discounts.”
- Discounted Cash Price (Uninsured Rate) – “Charge that applies to an individual who pays cash (or cash equivalent) for a hospital item or service.”
- Payer-specific Negotiated Charges (Payer A – Payer C) – “Charge[s] that a hospital has negotiated with a third-party payer for an item or service.” Payers will have to be specifically identified by name.
- De-identified Minimum Contracted Rate
- De-identified Maximum Contracted Rate

Service Code	Charges	Payer A Rate	Payer B Rate	Payer C Rate	Uninsured Rate	Min Rate	Max Rate
MS-DRG 470	\$75,000	\$35,000	\$32,000	\$29,000	\$50,000	\$29,000	\$35,000
CPT 99283	\$1,000	\$500	\$750	\$550	\$750	\$500	\$750
Charge Code X-Aspirin	\$25	-	-	-	\$12.50	-	-

Price Transparency Requirements

Hospitals are required to show their prices in two ways under the new rule:

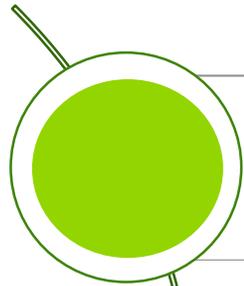
File #2: Consumer-friendly file of shoppable services:

- Hospitals are required to make public a consumer-friendly set of at least 300 shoppable services, including 70 CMS-specified shoppable services and 230 shoppable services that are provided by the hospital.
- Hospitals may opt to use their existing patient estimator tool to fulfill this requirement.
- Published rates should be contracted base rates for services, not averages based on actual claims.

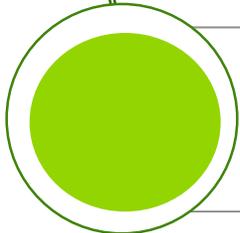
Shoppable Service	Primary Service and Ancillary Services	CPT/ HCPCS Code	[Standard Charge for Plan X]
Colonoscopy	Primary Diagnostic Procedure	45378	\$750
	Anesthesia (Medication Only)	[Code(s)]	\$122
	Physician Services	Not provided by hospital (may be billed separately)	
	Pathology/Interpretation of Results	Not provided by hospital (may be billed separately)	
	Facility Fee	[Code(s)]	\$500

HHS Transparency Rule: Enforcement Measures

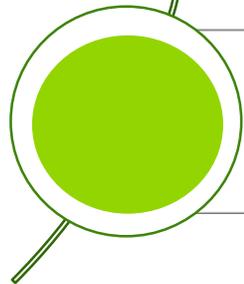
How will HHS Enforce the Rule Requirements?



Written Warnings to hospitals



Corrective Action Plans (for “material” violation)



Civil Monetary Penalties (Maximum penalty = \$300 day) for failure to respond to CMS request for CAP and/or failure to comply with a CAP

Brief Overview of Price Transparency Rule

Exclusions from the Rule

- The following pricing elements are excluded from the rule:
 - Patient Out-of-Pocket Spend: The listed charges show what is the contractual obligation between the hospital and third-party payer for each service, but it does not include the patient out-of-pocket payment.
 - Exact Rate Information: In some cases, the rates would be an approximation; e.g., in cases where services are paid as a percent of charges, the final rate will be based on the total charges after all services have been rendered.
 - Hospital Comparison: It is not a central database of all hospitals. In its current state, a consumer must manually look up each hospital's rates individually to determine the best rate in each market.

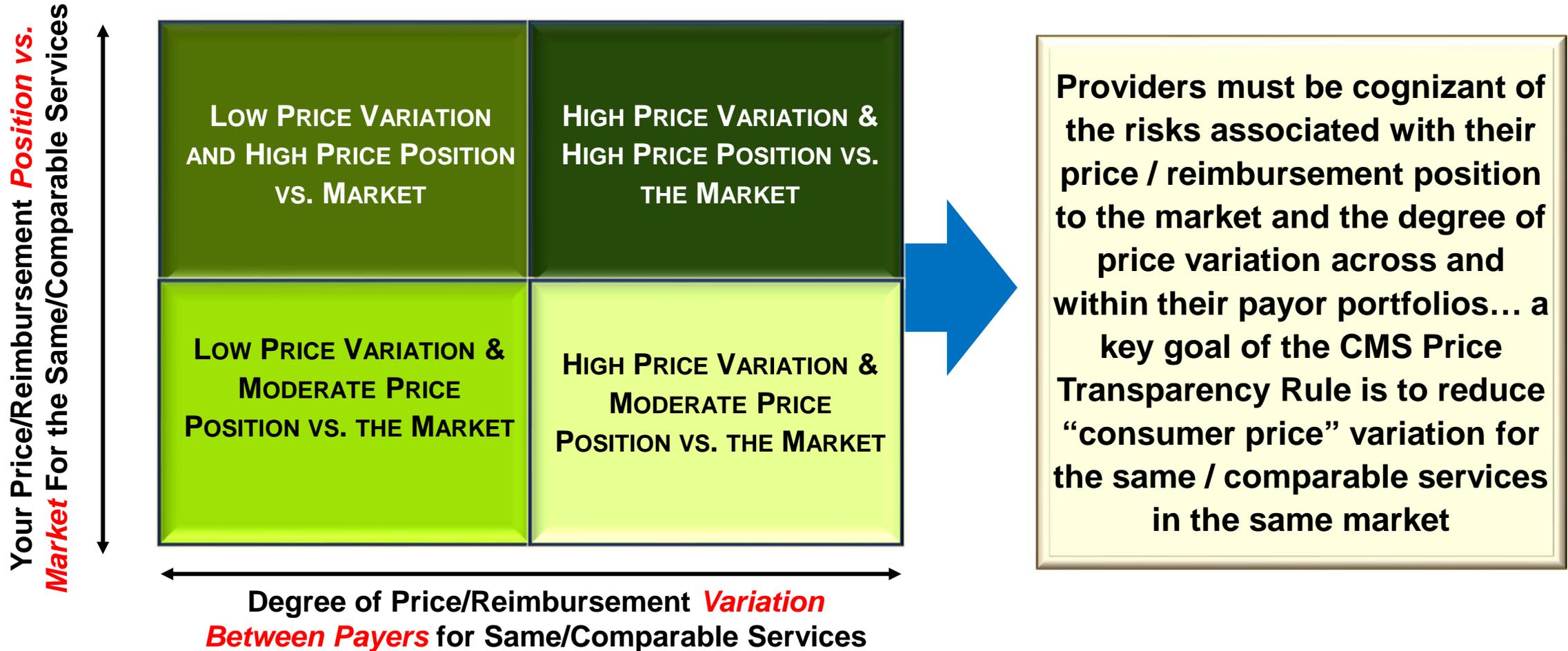
Additional Pricing Transparency Requirements

Final FY2021 Medicare IPPS Rule

- Hospitals will be required to report on the Medicare cost report the median payer-specific negotiated charge that the hospital has negotiated with its Medicare Advantage (MA) organizations payers, by MS-DRG, for cost reporting periods ending on or after January 1, 2021
- Goal is to “reduce the Medicare program’s reliance on the hospital chargemaster and to support the development of a market-based approach to payment under the Medicare FFS system”

Traditional Strategies, Price Positions and Associated Risks

Once The Veil Has Fallen....



2. Price Transparency Compliance and Related Strategic Considerations

CMS Price Transparency Compliance and Strategic Considerations that can Add Value to Longer-Term Pricing, Revenue and Risk Mitigation Strategies

Option
#1

CMS Compliance Plan – Top Five Commercial Payers:

1. **Standard Charges File:** Machine readable payer and plan level specific file with all the five required standard charges needed to satisfy the price transparency requirements **(Required)**
2. **Shoppable Services File:** Machine readable list of the final shoppable services, along with inclusion criteria, that includes the standard charges needed to satisfy the price transparency requirements **(Required)**
3. **Risk Assessment:** Identify risk of potential volume shifts by payer and services from consumer shopping around. **(Optional)**
4. **Consumer Display:**
 - a) Hospital Website Posting
 - b) External Hosting & Interactive Display

CMS Price Transparency Compliance and Strategic Pricing Considerations that can Add Value to Longer-Term Pricing, Revenue and Risk Mitigation Strategies

Option
#2

Enterprise Strategic Pricing– All CMS Required Payers

Step #1: Revenue Impact Analysis: Rebalance your Revenue Portfolio so it is Revenue Neutral while Reducing your Risk

1. Create a model identifying “Ideal Future Rates” based on service, site, and payer-based volume projections.
2. Translate the model outputs into a go-forward contracting & pricing strategy and anticipated net revenue impact.

VALUE STATEMENT: Taking this approach will allow you to preserve budgeted per unit reimbursement.

Step #2: Determine What Shoppable Services to Post, What Not to Post and Why

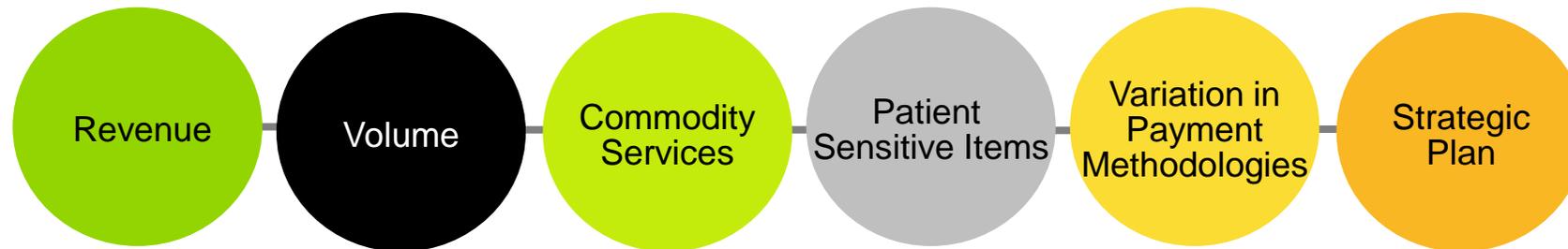
1. Revenue and Compliance Risks with Price Transparency Regulation
 - a. What are the risks in the market, revenue and compliance risks
 - b. What are the internal strategic and financial risks
 - c. Address potential market competition, employer and payer consequences when rates are published or not
 - d. Scenario modeling of payer/employer risks to inform managed care decision-making
2. Prioritization of the 300 shoppable services and why they were chosen
 - a. Analytics to evaluate prioritization criteria and risks of top 300 shoppable codes
 - b. Options to explore if posting 300 shoppable services is not aligning with strategy and organization risk tolerance

VALUE STATEMENT: Evaluation and recommendations of your shoppable service options at this level of specificity will increase compliance, reduce revenue exposure and unintended strategic consequences in the market with patients, payers, employers and competition.

CMS Price Transparency Compliance and Strategic Pricing Considerations that can Add Value to Longer-Term Pricing, Revenue and Risk Mitigation Strategies

Considerations for Determining the 300 Shoppable Services

- CMS defines a “shoppable service” as a service that can be scheduled by a healthcare consumer in advance. Shoppable services are typically those that are routinely provided in non-urgent situations that do not require immediate action or attention to the patient, thus allowing patients to price shop and schedule a service at a time that is convenient for them.
- Inclusion of 70 CMS shoppable services, must disclose those that are not available and still reach total of 300 services
- The following are additional key items to consider when compiling the list of the remaining the 300 Shoppable Services:



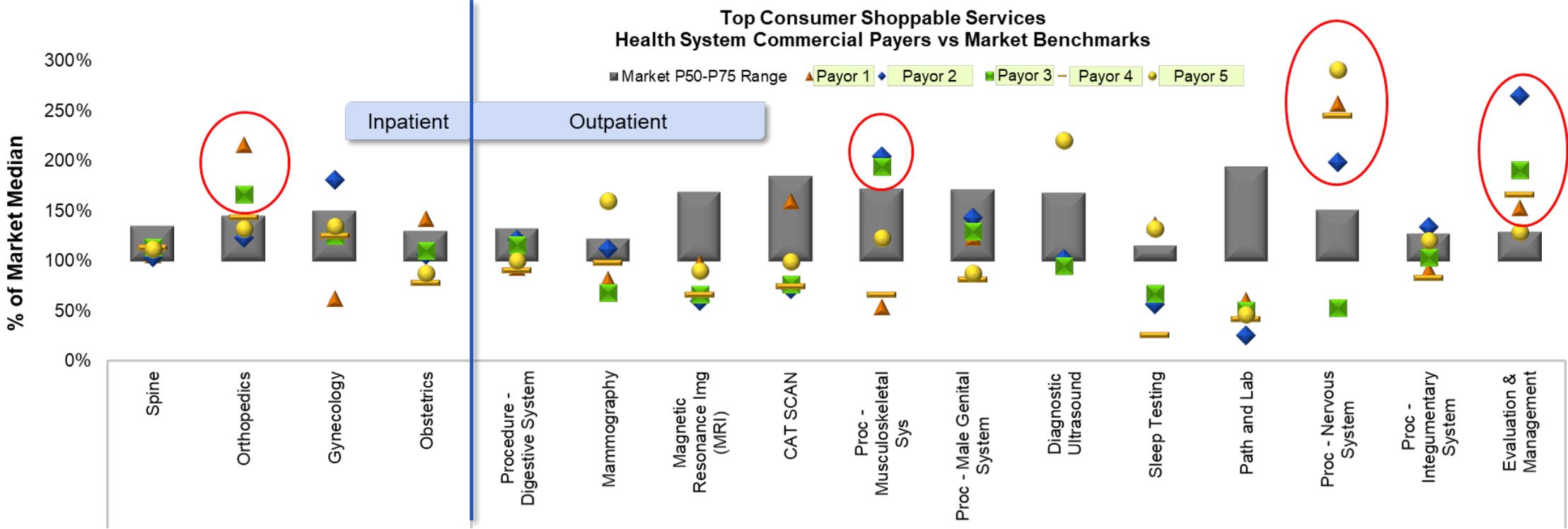
Potential Short-Term / Longer-Term Impact for You...

Plausible Scenario(s) Beyond CMS Compliance or Non-Compliance Decision

- **Additional Scrutiny on High Prices/Rates from Media.**
 - **Risk Mitigation:** Providers will need a defensible charge master strategy and a clear quality and narrative story/rationale on your contracted rates, to help you prepare to defend against accusations of high rates from competitors and media.
- **Price Competition on Shoppable Services & Ambulatory Competition.**
 - **Risk Mitigation:** Providers should review your current price parity, tiered-pricing as well as ambulatory/free-standing site of care strategies to assess and ensure you can compete in this new dynamic and minimize price, volume and payer product exclusion risks.
- **Pricing Strategy Shift - From Rate Optimization to Rebalancing.**
 - **Risk Mitigation:** From a generalized perspective, the CMS price transparency rule is an indicator of impending changes to the 25+ year fee-for-service pricing/reimbursement strategies that hospitals have used to optimize revenue by achieve favorable rates relative to your peer group. If you have price disparity between your payors on reimbursement or your rates are high relative to market... you will be at greater risk of experiencing revenue, volume and margin reductions, post price transparency rule implementation. This would also apply to price variability across a system's own facilities in same market area.
 - To mitigate risks, providers will need to consider changing their traditional negotiations pricing/approach with payers. In many cases from a "revenue protect" perspective; it will require that both parties agree to an enterprise-wide revenue neutral... rate/revenue rebalancing approach. This would require a shifting of higher rates to higher value and more proprietary-oriented services, while at the same time consider lowering rates across more commoditized, shoppable, and price sensitive services.

Illustration: Metro Market Health System Select Consumer Shoppable Services (from CMS Defined)

- Across the services CMS has specified to be part of the consumer friendly shoppable service list, Health System's rates for a number of key service lines fall outside of the market benchmarks, and run the risk of volume degradation
- System has an opportunity to rebalance rates for these services to mitigate risk and optimize revenue



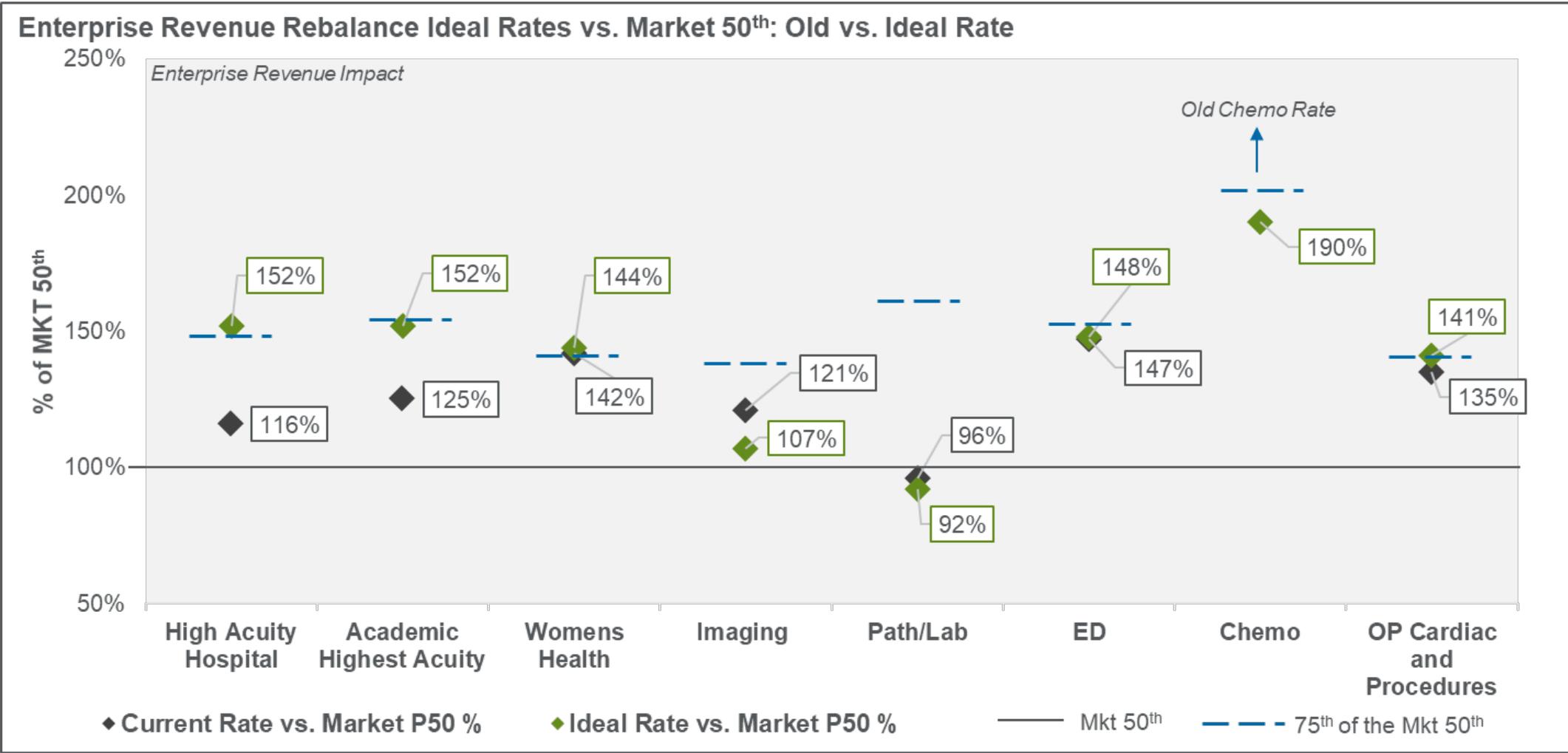
Analysis based on sample CMS specified Consumer Shoppable Services code list, compared to Health System commercial reimbursements by payor

Potential Short-Term / Longer-Term Impact for You...

Plausible Scenario(s) Beyond CMS Compliance or Non-Compliance Decision

- **More Challenging Negotiations w/Payors.**
 - **Risk Mitigation:** Given that hospitals/employed physician groups must publish minimum and maximum cash prices... including the lowest cash payment they will accept from consumers... this provides payors, self-insured companies and labor unions with a low floor from which to negotiate their rates downward. If they cannot get lower rates, then they may seek to move providers in a market to a second-tier status, exclude from some products as well as redesign group benefits with differential cost sharing/reference pricing to encourage members to use lower cost providers. This will require a change in traditional negotiation strategies and tactics to ones which reflect the new normal.
- **“Wild West” of Market Pricing.**
 - **Risk Mitigation:** Prices for some hospital services will become more competitive for commoditized and shoppable services as intended by CMS... while other prices will need to be raised on more emergent and complex/higher risk services to close the revenue gap. In some markets, hospitals/health systems who have long viewed that they were under-reimbursed by payors will seek material rate increases. This will require that providers with downward revenue, volume and margin risks develop and execute integrated pricing and growth strategies while also considering how to best reduce their operating costs to align with changed reimbursements.
- **Poor Planning and Execution.**
 - **Risk Mitigation:** When all the above market dynamics are added up together... insufficient planning, lack of anticipation of market change and poor execution... can lead to material revenue, volume and margin reductions. Moving from a traditional wholesale discount from charges pricing model to a dynamic pricing model at an enterprise level is very complex and if this path is chosen, requires the appropriate level of people, process and technology resource commitment to plan/execute for optimal outcomes.

Illustration: Target Rates Translated into Aggregate Rebalancing Outputs by Type of Service



Industry Response to Pricing Transparency

HFMA's Take

- In his recent column in hfm magazine ***Price transparency as a guiding principle: directionally correct***, Joe Fifer, President & CEO of HFMA, simply stated that “disclosing payer-specific negotiated rates won’t help consumers understand their out-of-pocket medical expenses, which is a key goal of price transparency.”
- Joe also said “..in July, HFMA filed a friend-of-the-court brief supporting the appeal, arguing that the HHS mandate, which takes effect on Jan. 1, 2021, creates a huge administrative obligation for hospitals but little or no new information for consumers. (It also ignores the economics of payer mix — i.e., that hospitals with different public payer mixes cannot compete on a level playing field.)”
- Despite its opposing viewpoint on the proposed rule, HFMA supports CMS focusing on pricing transparency and the potential positive impact on patients and is optimistic that they “eventually will agree on the methods in addition to the principle.”

Industry Response to Pricing Transparency

HFMA's Recommendations

- “Based on the consensus recommendations of HFMA’s Price Transparency Taskforce, HFMA’s members believe there is a better approach to providing actionable information to consumers that will allow them to make value-based decisions about where to receive “shoppable” healthcare services for both insured and uninsured patients”
- Insured Patients – source should be health plan and contain:
 - a) Total estimated price of the service
 - b) Network status
 - c) Out-of-pocket responsibility
- Uninsured Patients – source should be hospitals and contain:
 - a) Identify the estimate’s limitations
 - b) Identify inclusions and exclusions
 - c) Quality and Other Relevant Information

Pricing Transparency in California

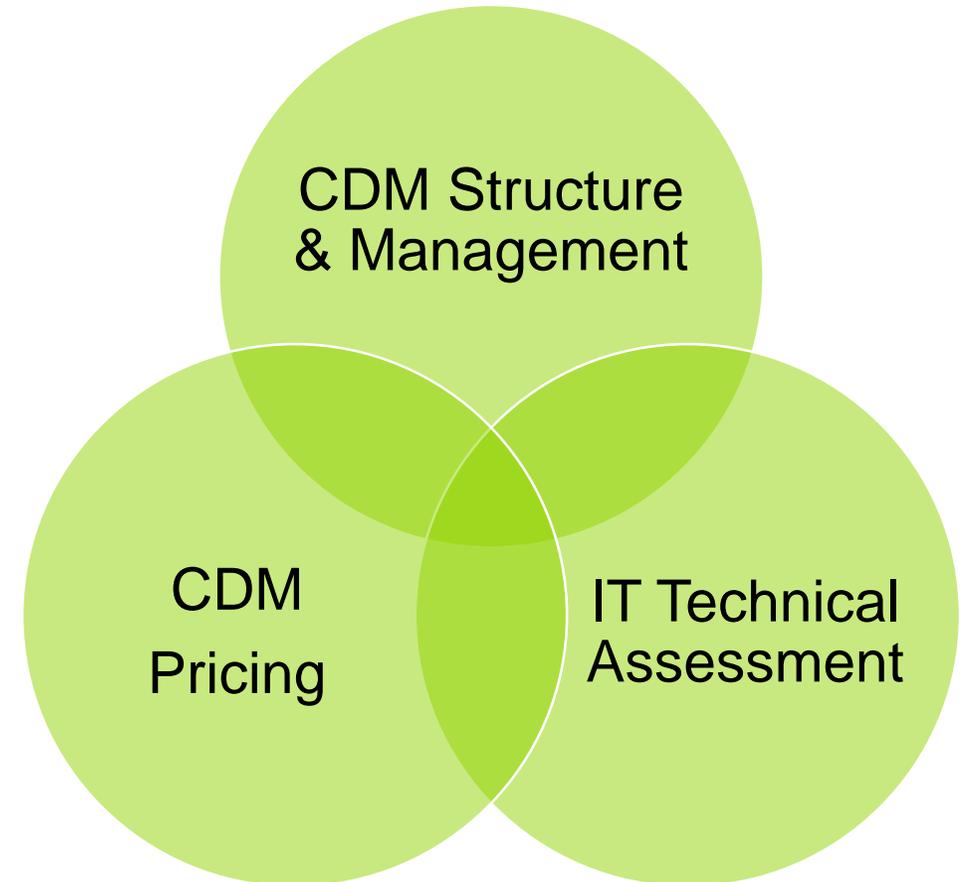
State Specific Items

- Since 2004, California Hospitals have been submitting their chargemaster pricing to the Office of Statewide Health Planning and Development (OSHPD). Specifically hospitals are required to submit:
 1. Copy of chargemaster
 2. A list of average charges for 25 common outpatient procedures
 3. The calculated estimate of the percentage change in gross revenue (charges) due to price changes

Other Strategic Considerations

Additional Revenue Cycle Strategies – Focus on the CDM

- Rational & defensible pricing cannot be fully developed without a clean, compliant and complete charge description master (CDM)
- The hospital's CDM is a primary component of the revenue cycle and has a direct impact on net revenue, regulatory compliance and revenue integrity
- Ensuring the integrity of the CDM involves the effective management of complex information systems, operational activities, and clinical processes in a health system
- Comprehensive CDM and technical reviews can help strengthen the linkage between clinical services and billable events



Other Strategic Considerations

3 Steps to ensure an accurate and complete CDM

Step #1 Conduct a CDM Data Integrity Analysis

- Conduct Comparative Coding Analysis using current data sources applicable to Medicare OPPS, the American Medical Association's CPT® coding guidelines other applicable third-party payer coding and billing guidelines
- Review CPT/HCPCS, Modifier and UB-04 Coding & Description Accuracy
- Identify CDM Coding Gaps / Issues Impacting Billing
- Perform a Comparative Procedure Description Analysis

Step #2 Perform a review of the CDM Structure, Charging & Reconciliation methods

- Ensure completeness of CDM build
- Review charge capture methodologies and appropriateness of charging methods as well as potential opportunities to automate
- Compare charge reconciliation methods to leading practices focusing on:
 - Department specific reconciliation methods
 - Order to charge generation reporting
 - Charging related billing error analysis and trending

Step #3 Complete a CDM Utilization Analysis

- Identify charge service gaps (i.e. services provided but not charged)
- Identify all items that have no use over the past 24-month period for possible deletion
- Review all hospital charges correlating to a CPT/HCPCS code with an 'expired' date for possible removal
- Ensure all active charges:
 - Have a price in the CDM and/or fee schedule
 - Price appropriately/as expected in various workflows

Other Strategic Considerations

Digital Patient Engagement

- A recent study found new and expanding healthcare disruptors are outperforming 9 out of 10 health systems when it comes to providing a seamless, integrated digital experience
- The study focuses on the digital best practices that fall in the following categories:
 1. Awareness – Search engine optimization, safe browsing and communication, and site performance
 2. Consideration – Site usability and accessibility, mobile optimization, navigation usability, and content readability
- Disruptors are not only seizing the consumerization of healthcare in providing access, convenience, choice, and price transparency for lower-acuity services, they are also reaching customers with Amazon-like capabilities built into their tools
- The lack of digital engagement expertise is putting hospitals and health systems at risk of losing consumers to disruptors offering more routine, lower-acuity care.

Other Strategic Considerations

Digital Patient Engagement – Improving the Patient Journey

Keys to Success

Consumer experience should align quality, service, cost, and population health – all enabled by technology – to drive an organization's strategic objectives around consumer demands and expectations

Providers must consider how a digital operating model will **drive value and improve caregiver and consumer engagement in a sustainable fashion** – all while contending with operational headwinds and new competition

An impactful consumer experience strategy cannot be developed in the way hospitals traditionally think about care delivery – it **must be developed from a consumer standpoint**

Health system leadership should **look to more digitally advanced industries** as models for their digital offerings

Providers also need to **revisit their access strategies and bolster their tools** to both protect and grow their market and drive differentiation

Q&A

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THIS IS Our Pricing

Strategy

REVENUE OPTIMIZATION OPTIONS?

GOAL
Protect Cash
Replenish Cash
Manage Cash
Grow Revenue, Margin & Market Share
Bold Strategies

