

Know how.

Make the Most of Price Transparency Data: Charge and Reimbursement Benchmarking



With the introduction of price transparency regulations and increasing prevalence of high deductible health plans, **hospital chargemasters have become price comparison tools.**

The public dissemination of a provider's charges and reimbursement rates has created confusion, **affected patient visits, and put volume-sensitive services at risk.**



**80% of patients research
healthcare costs.¹**

Providers' gross and net charges are both critically important as consumers compare prices and seek services from the hospital they perceive to offer the best financial value. While insurance reimbursement rates offer a clearer picture of a patient's out-of-pocket cost, consumers tend to fixate on the gross charges of items and services, so it is imperative that a hospital's itemized charges remain competitive with neighboring facilities and ambulatory service providers. Failure to do so bears the risk of losing market share.

Providers have lacked access to a dataset in which they can compare and adjust their charges **for better consumer appeal and competition within their market.**

Instead, they've focused on increasing charges to assist with payer negotiations and optimizing now-outdated payment structures, such as percent-of-charge contracts. This disparate fee incentive resulted in multiple years of across-the-board chargemaster markups that might not match actual service cost increases and certainly not market forces.

Given the high stakes associated with charge allocation, how does a provider obtain trustworthy competitive intelligence? How do these providers benchmark and compare their charges and reimbursement with their market?

Strategic analysis of available market price transparency data offers insights into a competitor's fees and supports needed adjustments to a business model that maintains gross charges and net revenue while ensuring defensibility of those charges.

- ① How does a provider obtain **trustworthy competitive intelligence?**
- ② How do these providers **benchmark and compare their charges and reimbursement** with their market?

Charge benchmarking—price transparency data yields market comparison opportunities.

Hospitals are acutely aware that charges are not indicative of reimbursement nor do they correspond with the cost of providing the service. A focused study of specific charge usage versus market pricing can offer insight on strategic price reductions for high volume services and driving patient visits, without a negative impact on net revenue. While legislation requiring hospitals to publish the list price of charges was designed to provide price transparency, this requirement in the larger scope of price transparency regulations has compounded the confusion.

Insured patients are often unaware that the gross charges posted on a hospital's website are meaningless for determining their out-of-pocket costs. When determining the amount due for a service, the standard price is reduced to the specific carrier's contracted rate. The deductible and coinsurance amounts owed are based on that unique insurer's contracted rate and not the published fee.



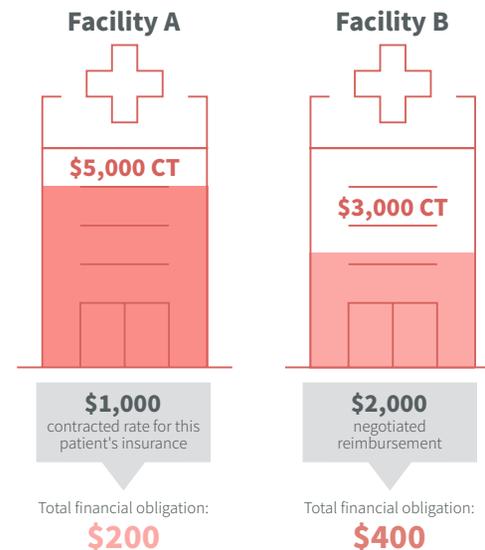
This reimbursement methodology **creates an erroneous optic that one provider's price is more financially attractive** than another when the opposite may be the reality.

EXAMPLE:

Facility A lists a CT for \$5,000 as opposed to **Facility B's** \$3,000 fee. Patients with a 20% coinsurance would logically assume **Facility B** was the more prudent choice for reigning in medical expenses.

Unknown to the patient, **Facility A's** contracted rate for his insurance carrier is \$1,000 while **Facility B** has negotiated a \$2,000 reimbursement.

Despite price transparency, services rendered at the patient's facility of choice results in a financial obligation that is double (\$400 versus \$200).



While this example is focused on insured patients, even uninsured patients are rarely expected to pay the full list price out of pocket. Most providers offer an uninsured discount as a percentage of the total billed charges or a set rate based on Medicare or a commercial contract.

Right or wrong, list charges prompt decisions regarding preferred providers. To preserve market share and patient loyalty, a hospital's CDM pricing strategy should mitigate the historic inflation of prices that are rendered mostly meaningless in the prevalent reimbursement practice and bring charges closer to expected revenue.

A comprehensive CDM charge benchmarking and strategic pricing review **can meet an organization's revenue goals and align list fees within the regional marketplace.**

By utilizing public price transparency list price data and strategically modeling charges, a provider can uncover the impact on net revenue by **modifying specific charges, determine how these adjustments compare to market pricing, and evaluate the effect on patient's perception of value and price parity.**

Reimbursement benchmarking—price transparency data yields new revenue opportunities.

Historically, insight into payer reimbursement differentials between hospitals was unavailable, and any discussion regarding rates between providers was prohibited as illegal. Now, aggregated data from actual reimbursement, posted by hospitals as part of the price transparency regulation, provides information to evaluate market reimbursement.

Access to payer reimbursement data radically alters the relationship between payers and providers. This new level of transparency transforms contract negotiations from a cloaked exercise where the two parties parley payment amount against access needs into an open discussion about relative leverage among competitors, cost efficiencies and quality metrics.

Payers are now subject to payment scrutiny and are forced to justify significant rate differences for the same service to providers in the same geographic area. Providers are tasked with defending their costs and appeals for increased reimbursement.



Access to payer reimbursement data **radically alters the relationship between payers and providers.**

Insurance reimbursement often drives patient out-of-pocket cost.

Insight into competitors' reimbursement rates provides hospitals a tool to negotiate lower rates for certain services in order to drive volume.

Likewise, they can increase reimbursement in other, less cost-sensitive areas to remain net revenue neutral or positive. Prior to the price transparency regulations, this strategic approach would have been imprudent, given the lack of insight into competitor reimbursement. That has changed now that the data is widely available.

Furthermore, as of July 2022 payers will be mandated to release their own reimbursement information, which is expected to be more accurate and robust than the data currently posted by hospitals.

When this data is properly analyzed, providers will have access to significant data that shifts the dynamic of the negotiation process to a two-sided dialogue, where both sides are equipped with information that drives conversation and creates more equitable payment models.



Armed with defensible intelligence, providers can confidently demand rates that are reflected in the market, prevent revenue leakage and could promote revenue growth.

Benchmarking: why and when.

A combination of charge and reimbursement benchmarking is critical to ensure a provider's financial health and maintain patient loyalty.



Value of CDM comprehensive assessments:

- ✓ Uncovers charge gaps and inaccuracies
- ✓ Brings fees into alignment with competitors
- ✓ Protects revenue

The assessment, in conjunction with price transparency data, provides actionable insights that, when strategically applied, **equip the provider to reduce list fees and secure market share while remaining revenue neutral.**

4 steps toward market competitiveness.

1

Review CDM effectiveness.

- When was it last updated?
- Have denials increased?
- Receiving patient complaints regarding high charges?
- What services are experiencing reduced usage?

2

Understand how charges and reimbursement compare to other providers.

3

Evaluate pricing strategy and what impact payer reimbursement data will have for future planning.

4

Design a business model based on costs, compliance, and revenue to set charge structure goals.

Unsure how to begin? Don't have the resources to dedicate to in-depth analysis?

Engage with an experienced vendor seasoned in CDM based charge and reimbursement benchmarking to support your goals and drive revenue.

→ To learn more, visit SavistaRCM.com or contact us with any questions.