CDM PRICE TRANSPARENCY

Make the Most of Price Transparency Data:

Charge and Reimbursement Benchmarking

With the introduction of Hospital and Health Plan Price Transparency regulations and increasing prevalence of high deductible health plans, hospital chargemasters have become price comparison tools. In some instances, access to this new information has created confusion, affected patient visits, and put volume-sensitive services at risk.

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.

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?

1 Charge Benchmarking Protects Market Share and Patient Loyalty

Historically, 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 Instead, they've focused on increasing charges to assist with payer negotiations and optimizing now-outdated payment structures, such as percent-of-charge contracts.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.

While legislation requiring hospitals to publish the list price of charges was designed to provide price transparency, this requirement has caused confusion. Most insured patients are unaware that the gross charges posted on a hospital's website are meaningless for determining their out-of-pocket costs. 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.

80% of patients research healthcare costs.[1]

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

1. TransUnion Healthcare 2020 Patient Financial Experience Survey

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.

2 Reimbursement Benchmarking Drives Revenue

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.

As of July 2022, payers are also mandated to release their own reimbursement information, which is expected to be more accurate and robust than the hospital data. 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. Conversely, 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 to drive volume. Likewise, they can increase reimbursement in other, less cost-sensitive areas to remain net revenue neutral or positive.

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.

3 Benchmarking: Why, When and How

A combination of charge and reimbursement benchmarking annually is critical to ensure a provider's financial health and maintain patient loyalty. 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. You will be able to uncover charge gaps and inaccuracies, bring your fees into alignment with competitors and protect your revenue.

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 reimbursment 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.**

For more in-depth information about CDM Services and all our Revenue Cycle Management solutions, please visit SavistaRCM.com