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# Unlock the Power of Pricing Transparency

April 7, 2023



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Our value cycle insights deliver revenue integrity and 340B compliance, as well as margin and operational intelligence – something no other single partner can provide.



# Agenda and Learning Objectives

Agenda Item	
01	<i>Price Transparency cost and impact</i>
Agenda Item	
02	<i>Navigating Transparency</i>
Agenda Item	
03	<i>Shoppable Services Analysis; Hawaii compared to National</i>
Agenda Item	
04	<i>Establishing Prices Today</i>

**Learners will be able to:**

1. Identify the impact of regulation regarding pricing transparency
2. Summarize best practices for pricing transparency and analytics initiatives
3. Evaluate opportunities for healthcare organizations in this era of transparency



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## Price Transparency Regulatory Update



### January 2023 will be the 3<sup>rd</sup> Year

- **CMS Estimated Costs/Burden for 6,002 Hospitals**
  - **Year 1** - 150 hours per hospital at \$11,898.60 (\$11,898.60
    - 150 hours × 6,002 hospitals = total initial cost of \$71,415,397
  - **Year 2** - 46 hours per hospital at \$3,610.88 per hospital
    - 46 hours × 6,002 hospitals = total annual cost of \$21,672,502
  - **Year 3** - 46 hours per hospital at \$3,610.88 per hospital
    - 46 hours × 6,002 hospitals = total annual cost of \$21,672,502

### Totals for 3 Years

- Administrative Hours = **1,176,760 Hours of Work Added**
- Total Cost = **\$114,760,401**



# CMS Pricing Transparency - Overview

## Jan 1, 2021: Price Transparency Year 1

### Hospital Price Transparency rule went into effect on January 1, 2021.:

Each hospital operating in the United States is required to provide clear, accessible pricing information online about the items and services they provide in two ways:

- As a comprehensive machine-readable file with all items and services.
- In a display of shoppable services in a consumer-friendly format.

This information will make it easier for consumers to shop and compare prices across hospitals and estimate the cost of care before going to the hospital.

## Jan 1, 2022: Price Transparency Year 2

### Additional Rules/Clarification Added:

- Beginning January 1, 2022, CMS increased the penalty for some hospitals that do not comply with the Hospital Price Transparency final rule.
  - Minimum civil monetary penalty of \$300 per day for smaller hospitals with a bed count of 30 or less, and a penalty of \$10 per bed per day for hospitals with a bed count greater than 30, not to exceed a maximum daily dollar amount of \$5,500. Min total penalty amount would be \$109,500 per hospital, and the Max total penalty amount would be \$2,007,500 per hospital.
- CMS clarified that the machine-readable file must be accessible to automated searches and direct downloads.

### Auditing continues by CMS

- 1st hospitals fined

### Sept 2022 Office of Inspector General (OIG)

- Announced audit "To evaluate CMS's monitoring and enforcement of the hospital price transparency rule, we will review the controls in place at CMS and statistically sample hospitals to determine whether CMS's controls are sufficient to ensure that hospital pricing information is readily available to patients as required by Federal law." **Report due in 2023**
- <https://oig.hhs.gov/reports-and-publications/workplan/summary/wp-summary-0000728.asp>

## Additional Changes & TIC

### Price Transparency Year 3

- No Additional rules went into effect
- Auditing continues by CMS

### Transparency in Coverage (TiC) Rule

#### Phase 1 - July 1, 2022

- Transparency In Coverage files are available from various payers
- Pharmacy Data added in by Jan 1, 2023
- <https://transparency-in-coverage.uhc.com/>

#### Phase 2 - January 1, 2023

- Initial list of 500 shoppable services as determined by the Departments will be required to be available via the internet based self-service tool for plan years.
- <https://www.cms.gov/healthplan-price-transparency/resources/500-items-services>

#### Phase 3 - January 1, 2024

- The remainder of all items and services will be required for these self-service tools for plan years added

## **Audit Objective and Methodology**

- Our objective is to determine whether the Centers for Medicare and Medicaid Services (CMS's) controls are adequate to ensure that hospital standard charges are available to the public as required by Federal law.
- Our methodology involves sampling 100 hospital and reviewing their compliance with the HPT rule. Your hospital was selected for review, and a summary of our finding and follow-up questions are listed below.

## **Summary of potentially issues**

- Brief summary of any findings

## **Questions:**

1. Does the hospital have any comments regarding potential issues listed above?
2. What challenges are preventing the hospital from complying with the HPT rule?
3. Are the requirement of the HPT rule clear and easy to understand?
4. Do you have any recommendation for improving the HPT rule?
5. What can CMS do to help improve compliance with the HPT Rule?





- CMS Example Voluntary Formats - Posted

## Resources



### [Hospital Price Transparency Sample Format \(Wide\) \(CSV\)](#)

Machine readable file voluntary sample CSV format with variable payer and plan name data elements. This is considered the "wide" format.



### [Hospital Price Transparency Sample Format \(Tall\) \(CSV\)](#)

Machine readable file voluntary sample CSV format with static payer and plan name data elements. This is considered the "tall" format.



### [Hospital Price Transparency Sample Machine Readable JSON Schema \(PLAIN\)](#)

This schema can be used to build a machine readable file in a JSON format.



### [Voluntary Hospital Price Transparency Machine-Readable File Sample Format Data Dictionary \(Tall Format, Version 1.0\) \(PDF\)](#)

Data dictionary defining and explaining data attributes found in the tall CSV sample format.



### [Voluntary Hospital Price Transparency Machine-Readable File Sample Format Data Dictionary \(Wide Format, Version 1.0\) \(PDF\)](#)

Data dictionary defining and explaining data attributes found in the wide CSV sample format.

- **[Frequently Asked Questions \(PDF\)](#)** - Current as of November 29, 2022.  
<https://www.cms.gov/hospital-price-transparency/resources>





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## Shoppable Services Analysis of Hawaii State Average Charge Vs. National Average Charge

# Analysis of 68 CMS Shoppable Services



Range of Change from 2020-2022	<u>Hawaii</u>	<u>National</u>
	-63% to 148%	-1 to 31%
<b># of Services that Increased from 2020 -2022</b>	39	48
<b># of Services that Decreased or No Change 2020 -2022</b>	11	2
<b>Number of Items More Expensive in 2022</b>	Only <b>5</b> of the <b>50</b> Procedures Average Charge was higher in Hawaii Vs National Average Charge	



## Top 5 - Increase/ Decrease by % of Change 2020 to 2022 of 68 CMS Shoppable Services

	CPT/HCPCS	Description	Hawaii- 2020	Hawaii- 2021	Hawaii- 2022	% Change 2020-2022	National-2022
Increase	81000	Manual urinalysis test with examination using microscope	\$ 13.12	\$ 29.83	\$ 32.52	148%	\$ 59.64
Increase	90837	Psychotherapy, 60 minutes	\$ 57.42	\$ 57.75	\$ 138.76	142%	\$ 347.16
Increase	29826	Shaving of shoulder bone using an endoscope	\$ 901.42	\$ 1,039.15	\$ 1,537.37	71%	\$ 5,538.72
Increase	29881	Removal of one knee cartilage using an endoscope	\$ 4,740.09	\$ 4,924.33	\$ 6,970.49	47%	\$ 9,420.64
Increase	64483	Injections of anesthetic and/or steroid drug into lower or sacral spine nerve root using imaging guidance	\$ 1,030.97	\$ 1,652.24	\$ 1,482.95	44%	\$ 3,138.35
Decrease	55866	Surgical removal of prostate and surrounding lymph nodes using an endoscope	\$ 21,252.62	\$ 24,125.04	\$ 16,330.13	-23%	\$ 27,821.28
Decrease	84154	Prostate specific antigen	\$ 198.53	\$ 159.77	\$ 151.54	-24%	\$ 142.75
Decrease	45391	Ultrasound examination of lower large bowel using an endoscope	\$ 2,883.56	\$ 1,095.87	\$ 1,980.50	-31%	\$ 3,984.94
Decrease	81003	Automated urinalysis test	\$ 35.31	\$ 23.96	\$ 21.73	-38%	\$ 63.30
Decrease	90834	Psychotherapy, 45 minutes	\$ 312.04	\$ 276.02	\$ 115.75	-63%	\$ 313.04



# Top 5 - Increase/ Decrease by Dollar Amount 2020 to 2022 of 68 CMS Shoppable Services

	CPT/HCPCS	Description	Hawaii- 2020	Hawaii- 2021	Hawaii- 2022	% Change 2020-2022	Change by Dollar 2020-2022
Increase	29881	Removal of one knee cartilage using an endoscope	\$ 4,740.09	\$ 4,924.33	\$ 6,970.49	47%	\$ 2,230.40
Increase	49505	Repair of groin hernia patient age 5 or older	\$ 6,873.01	\$ 7,820.68	\$ 8,664.92	26%	\$ 1,791.90
Increase	19120	Removal of 1 or more breast growth, open procedure	\$ 4,595.48	\$ 5,646.92	\$ 6,104.69	33%	\$ 1,509.20
Increase	47562	Removal of gallbladder using an endoscope	\$ 8,323.46	\$ 9,216.50	\$ 9,244.53	11%	\$ 921.08
Increase	55700	Biopsy of prostate gland	\$ 2,890.09	\$ 2,803.37	\$ 3,609.87	25%	\$ 719.78
Decrease	76830	Ultrasound pelvis through vagina	\$ 634.39	\$ 610.56	\$ 576.12	-9%	\$ (58.26)
Decrease	72148	MRI scan of lower spinal canal	\$ 2,040.90	\$ 2,023.56	\$ 1,922.36	-6%	\$ (118.54)
Decrease	90834	Psychotherapy, 45 minutes	\$ 312.04	\$ 276.02	\$ 115.75	-63%	\$ (196.29)
Decrease	45391	Ultrasound examination of lower large bowel using an endoscope	\$ 2,883.56	\$ 1,095.87	\$ 1,980.50	-31%	\$ (903.06)
Decrease	55866	Surgical removal of prostate and surrounding lymph nodes using an endoscope	\$ 21,252.62	\$ 24,125.04	\$ 16,330.13	-23%	\$ (4,922.49)



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**Establishing Prices Today**

## Strategic Pricing Considerations



- Achieving Revenue Targets
- Defensibility & Standardization
- Accessible Audit Trail
- Market Position Intelligence
- Impact of Managed Care Rates
- Strategic Alignment With Organizational Goals
- Cost Considerations



## 5 large health systems that showed operating losses in 2022

Health system	Operating loss (\$ millions)	Operating margin
Ascension (FY 2022)	\$879	-3.1%
Cleveland Clinic (9 months ending with 3Q 2022)	\$316	-3.3%
CommonSpirit Health (FY 2022)	\$1,296	-3.8%
Providence (9 months ending with 3Q 2022)	\$1,100	-5.6%
Mass General Brigham (FY 2022)	\$432	-2.6%

Source: Numbers are drawn from each health system's publicly released financial statements for the periods shown.

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## Report: Hospitals could face new normal as financial challenges linger

Feb 28, 2023 - 02:27 PM

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## Hospitals Look to Raise Treatment Costs as Nurses' Salaries Increase

Health insurers and employers are pushing back against requests to increase hospital prices by as much as 15%

## U.S. Not-For-Profit Hospitals and Health Systems Outlook 2023

Thu 01 Dec, 2022 - 10:55 AM ET

Fitch's Sector Outlook: Deteriorating Fitch expects that core credit drivers for the sector will remain challenged for 2023 as highlighted by our mid-year sector outlook revision to Deteriorating in August 2022. The sector is seeing labor pressures and generationally elevated inflation, compressing margins for virtually all providers. These macro headwinds, specifically the labor supply, became highly pronounced in a very short period of time, with sector pressure further compounded by investment losses in 2022. The largest single expense for healthcare providers is labor (salary, wages and benefits) typically at 50% or higher, followed by supplies, which, when including pharmaceuticals, is typically at 25% or higher. Consequently, 75% or more of a providers' expenses are currently



# Insurance Companies (Payor) vs. Health Systems/ Hospitals

UnitedHealth Group reports strong 2Q revenue growth, profits: In its earnings call Friday, the company reported...

- \$5.1 billion profit in the second quarter, up 19% over the same quarter last year
- Revenues of \$80.3 billion--up 13% Year-Over-Year.
- Earnings from Operations were \$7.1 billion--up 19% Year-Over-Year
- Cash Flows from Operations were \$6.9 billion--1.3x Net Income
- Earnings of \$5.34 Per Share

## CVS Profits Eclipse \$2 Billion As Health Plan Enrollment Grows

**Anthem raises outlook after posting \$1.5B in Q3 profit thanks to strong membership boost**

## AHA 2022 Conference Summary:

- Health insurers and drug companies are gaming the system: hospitals are at a disadvantage.

S&P: not for profit hospitals have rough first half 2022: "Midway through 2022, not-for-profit hospitals and health systems face a difficult operating environment that, while easing from the extreme pressures of late December 2021 and early January and February related to the omicron surge, is still causing operating cash flow compression for many of them across the U.S."

S&P Global Ratings [www.spglobal.com/marketintelligence](http://www.spglobal.com/marketintelligence)

## Current Customer – Information posted on public website

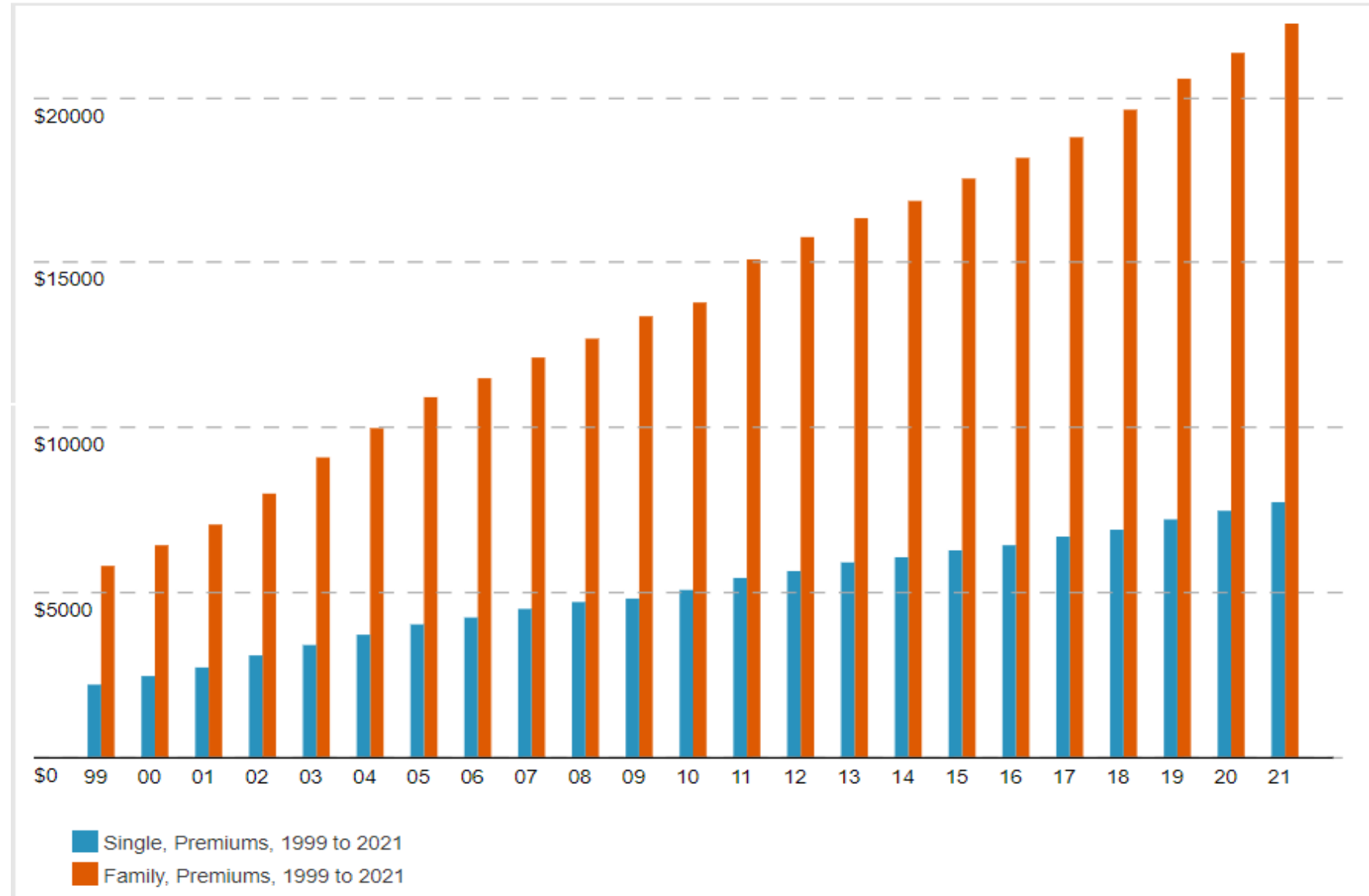
# UnitedHealthcare & OU Health

OU Health is working to negotiate a new contract with UnitedHealthcare (UHC). We began our negotiations in November of 2021, and continue to remain far apart on the issues, which caused OU Health to go out of network with UHC on May 1, 2022.

UHC has refused to reimburse Oklahoma's flagship academic health system and only multi-specialty, research-driven physician group, at a rate that keeps up with inflation as well as the increasing needs of our patients and our ability to deliver unique and life-saving therapies to the state and region. **In fact, UHC is asking OU Health to take a 39 percent rate cut for our physicians and 20 percent cut for our facilities at a time when their profits have hit record highs, growing by \$10 billion last year.**

# Defensibility

## Consumer Reality – Insurance Premium Trends



Source: Kaiser Family Foundation, Published: Nov 10, 2021

## Alignment and Grouping Policies are best practices for all organization

### Grouping Policy Considerations:

- Anatomical
  - Bilateral, Left, Right, Unilateral
- Contrast
  - without contrast, with contrast, and with & without contrast
- Levels of Service
  - ED Visits, New Patient Visits, OB Triage, etc.
- Time Based
  - OR Room, Recovery Room, Observation, etc.

# Standardization & Audit Trail – Alignment Policies

## Alignment policy details

Policy Name

Alignment without Molecular Genetic CPTs

Columns

CPT



Criteria

Highest Sensitivity



Facility:

ZZ Test Hospital 6



Exclude items

CPT	Required	Range	Required	81100	Required	81364	Required	
Or								
CPT	Required	Range	Required	81400	Required	81471	Required	

^ X-ray of hip bilateral



### Primary driver

Include conditions	Exclude conditions
<div style="border: 1px solid gray; border-radius: 15px; padding: 5px; display: inline-block;">CPT Equals 73521</div>	

### Grouping policy items

Grouping policy item IDs	Include conditions	Conversion	Exclude conditions
1A	<div style="border: 1px solid gray; border-radius: 15px; padding: 5px; display: inline-block;">CPT Equals 73522</div>	* 1.5	
1B	<div style="border: 1px solid gray; border-radius: 15px; padding: 5px; display: inline-block;">CPT Equals 71523</div>	* 2.5	



## Market Position Intelligence

- National peer data updated on a quarterly basis
- Ability to compare different groups of services to different peer groups
- Ability to add inflationary factors to peer data



CPM Group	Show
I FY23	<input type="checkbox"/>
FY23 Shoppable Services Peers	<input type="checkbox"/>
FY23 Invasive and EP Cardiology Peers	<input type="checkbox"/>
FY23 Critical Access Hospital Peers	<input type="checkbox"/>
FY23 Regional AMC Peers	<input type="checkbox"/>



# Impact of Managed Care Rates

KNEE ARTHROSCOPY/SURGERY						
CPT 29850						
Health System A						
	Aetna	Blue Cross	Cigna	UHC	Medicare	Medicaid
Total of Itemized Charges	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
Reimbursement	\$ 4,249.95	\$ 3,399.96	\$ 5,100.00	\$ 4,578.63	\$ 1,422.51	\$ 522.50
<b>Variance</b>	<b>\$ 4,250.05</b>	<b>\$ 5,100.04</b>	<b>\$ 3,400.00</b>	<b>\$ 3,921.37</b>	<b>\$ 7,077.49</b>	<b>\$ 7,977.50</b>
Health System B						
	Aetna	Blue Cross	Cigna	UHC	Medicare	Medicaid
Total of Itemized Charges	\$ 15,500.00	\$ 15,500.00	\$ 15,500.00	\$ 15,500.00	\$ 15,500.00	\$ 15,500.00
Reimbursement	\$ 9,250.00	\$ 7,268.00	\$ 11,000.00	\$ 7,800.00	\$ 1,422.51	\$ 522.50
<b>Variance</b>	<b>\$ 6,250.00</b>	<b>\$ 8,232.00</b>	<b>\$ 4,500.00</b>	<b>\$ 7,700.00</b>	<b>\$ 14,077.49</b>	<b>\$ 14,977.50</b>

# Impact of Managed Care Rates

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Inpatient    Outpatient

[View DRG Schedule](#)    [DRG Schedule Manager](#)

1

MS-DRG

DRG

Basic

2

Stop Loss

Stoploss Second Dollar

Stoploss Percentage:

%

Payment type

Percent Of Charge

Percentage:

%

Threshold type

Basic Drg

Base Rate

\$

Exceeds

Conditions: Add Group +

3

Exclusions from Terms

Percent Of Charge

4

MS-DRG Carve Out

Fixed Amount



## Strategic Alignment with Organizational Goals

- Which service lines generate the most incremental net revenue?
- How do we want to be priced in the community?
- How will this impact my shoppable service prices?
- Should prices be aligned between community hospitals and flagship hospitals?
- Do we have services that we offer as part of direct to employer contracts that need to be priced differently?
- Do we have value-based contracts that we need to take into consideration for pricing purposes?
- Is our managed care team renegotiating contracts that may warrant reviewing prices?
- Are we offering new services or discontinuing services?

Are we able to incorporate costs into our pricing models for specific services?

- Ratio of Cost to Charges (RCC)
- Relative Value Units (RVUs)
- Activity Based Costing (ABC)

Do our current prices cover our direct and/or indirect costs associated services?

**Skyrocketing cost increases for labor, supplies and drugs.** This is the macro force receiving the most attention. Payers aren't coming to hospitals' rescue. The American Hospital Association's "[Costs of Caring](#)" initiative to raise more emergency funding for hospitals has hit a brick wall. In response, the AHA has shifted its advocacy to securing more funding for [metropolitan anchor hospitals](#).

*Source: HFMA Article, December 2022*



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## Shoppable Services Pricing Trend Report



# Report and Content

Category	CPT Code	Service Description	Your Hospital 2019	Your Hospital 2020	Your Hospital 2021	Your Hospital % Change 2019-2020	Your Hospital % Change 2020-2021	Hospital A 2019	Hospital A 2020	Hospital A 2021
<b>SAMPLE Data</b>										
Radiology Services	70450	NA - CT scan, head or brain, without contrast	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	70553	NA - MRI scan of brain before and after contrast	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	72110	NA - X-Ray, lower back, minimum four views	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	72148	NA - MRI scan of lower spinal canal	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	72193	NA - CT scan, pelvis, with contrast	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	73721	NA - MRI scan of leg joint	\$150.50	\$159.33	\$169.59	5.9%	6.4%	\$168.73	\$177.91	\$183.01
Radiology Services	74177	NA - CT scan of abdomen and pelvis with contrast	\$157.00	\$159.50	\$162.00	1.6%	1.6%	\$141.40	\$146.33	\$153.00
Radiology Services	76700	NA - Ultrasound of abdomen	\$157.00	\$159.50	\$162.00	1.6%	1.6%	\$141.40	\$146.33	\$153.00
Radiology Services	76805	NA - Abdominal ultrasound of pregnant uterus, great	\$52.59	\$55.00	\$55.00	4.6%	0.0%	\$41.76	\$43.84	\$44.43

- Represents CMS 70 mandated shoppable services
- Trends over 3 years to show how competitors have adjusted prices in this area
- Identifies items where the primary facility is higher or lower than most current market data

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**QUESTIONS**

