



Michael Ryan
President
CostFlex Systems, Inc.

Putting the Pieces Together: Combining Cost Data with Reimbursement for Contract Analysis



Keith Parker
Director of Operations
CostFlex Systems, Inc.

Introduction of Speakers

- Michael Ryan
 - President - CostFlex Systems, Inc. (michael.ryan@costflex.com)
 - 30+ years in healthcare DSS
 - Worked in hospitals in US, UK, Bermuda, Qatar, Bahamas
- Keith Parker
 - Director of Operations - CostFlex Systems, Inc. (keith.parker@costflex.com)
 - 20+ years in healthcare
 - Managed / Installed hundreds of cost accounting & contract applications

Overview of Presentation



Cost Accounting 101



Contract Management 101



Combining Costs with your
Contracts

Overview of Presentation



Cost Accounting 101



Contract Management 101

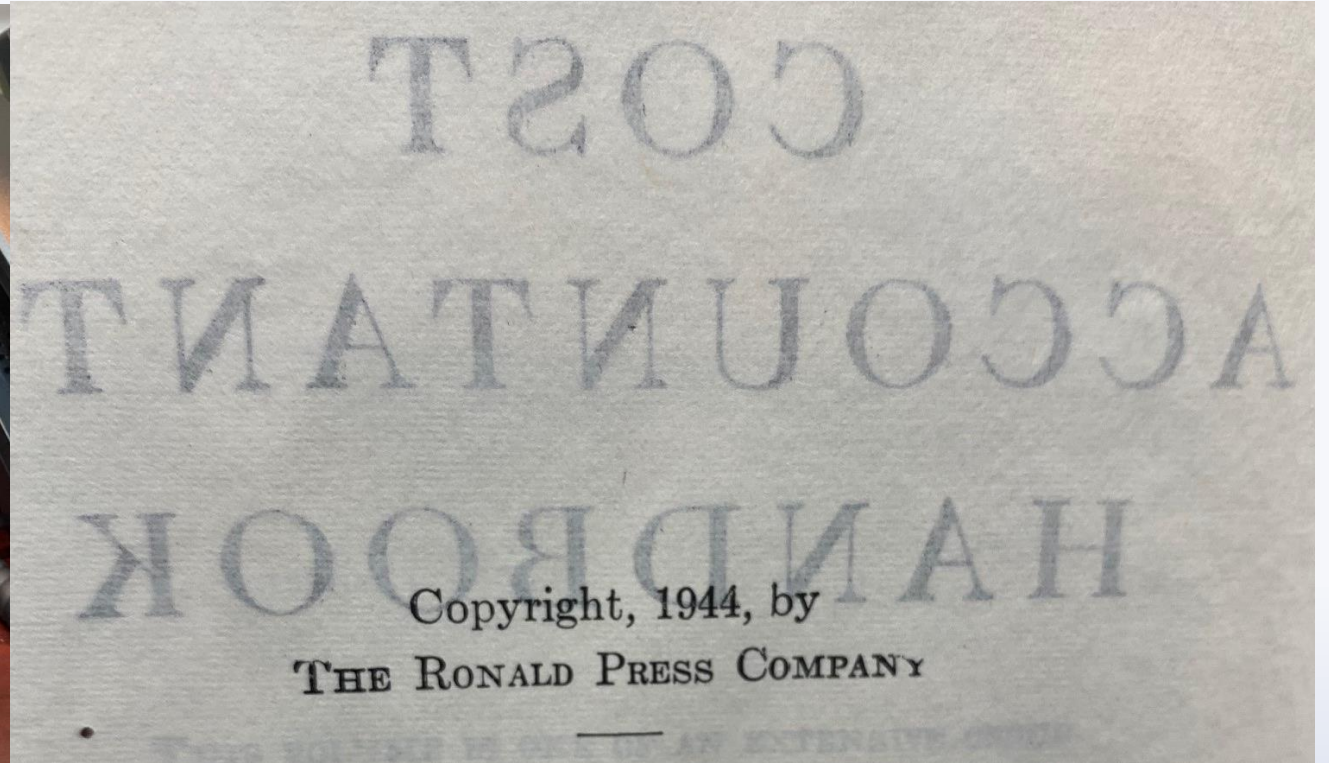
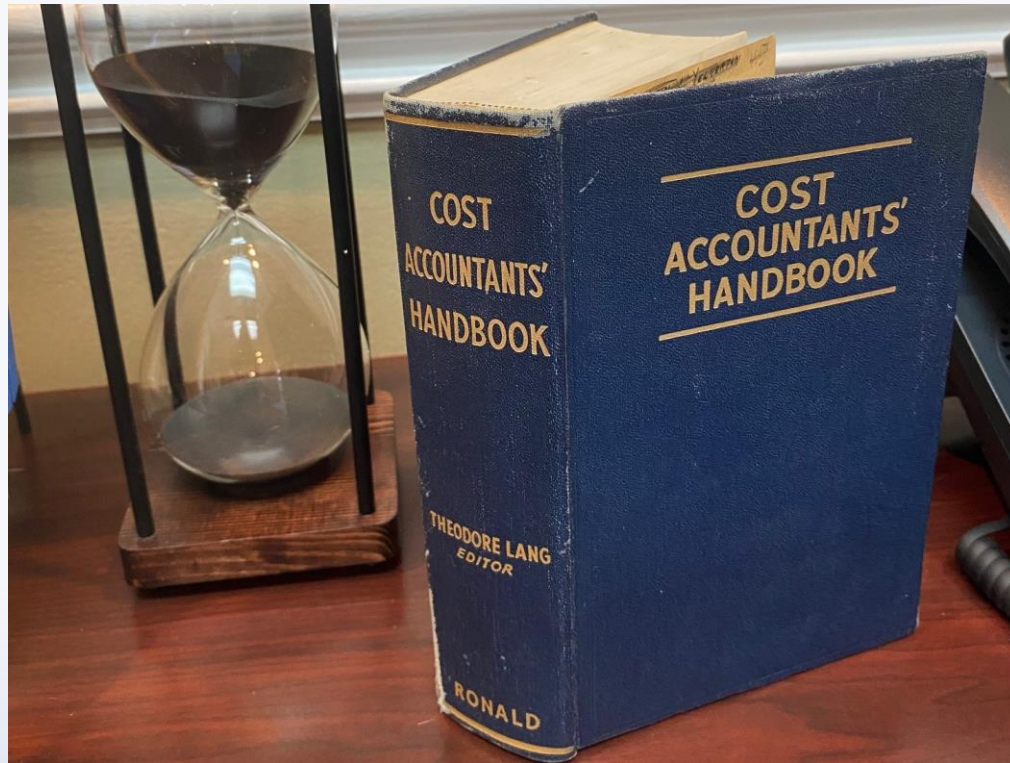


Combining Costs with your
Contracts

What is Cost Accounting?

- It is NOT “smoke and mirrors”.
- It is a scientific approach to restating your financials in terms of the patients you treated.

Cost Accounting is Not Something New



Cost Accounting for Hospitals is International

- Cost Activities not Charge Codes
- Reimbursement is not posted at the patient level
- Continuum of care (multiple accounts for one visit)



	Financials
Revenue	
Charges	100,000,000
Adjustments	70,000,000
Net Revenue	30,000,000
Expenses	
Salary	17,970,000
Supply	8,985,000
Other	2,995,000
Total Expenses	29,950,000
P/L	50,000

Cost Accounting is
taking your Financials . .
. . AND . . .

	Financials		Cost Accounting	
			Inpatient	Outpatient
Revenue:				
Charges	100,000,000		30,000,000	70,000,000
Adjustments	70,000,000		21,000,000	49,000,000
Net Revenue	30,000,000		9,000,000	21,000,000
Expenses:				
Salary	17,970,000		5,391,000	12,579,000
Supply	8,985,000		2,695,500	6,289,500
Other	2,995,000		898,500	2,096,500
Total Expenses	29,950,000		8,985,000	20,965,000
P/L	50,000		15,000	35,000

Restating
them to the
patients you
treated.

The Cost of a Patient = Sum of Activity Cost

PatNo	SpellNo	MRNO	Charges	Charges UB	Full Costs	Actual Reimb	Proj Reimb	Adjustments	AR Balance	MSDRG
CF0000000252417		MR0020072	47,751.87	47,751.87	8,059.84	9,299.25	9,289.26	38,464.15	0.00	247
CF0000000253418		MR0030207	7,325.06	7,325.06	3,061.39	4,566.75	4,555.97	2,769.84	0.00	300

Detailed Patient Charges Double Click the Cost Amount to see the detailed cost audit

Show Accumulator Titles

PatNo	TaskNo	TaskTitle	Posting Date	HCP	TotalQty	TotalChg	TotalCost	Service Date	Day	Rev Code	Dept	DeptTitle
CF0000000253418	9990051	ADMISSIONS	12/30/2009		1.00	0.00	22.11	12/30/2009	1	0	8250	ADMITTING
CF0000000253418	CFS8380	F/ test task	12/30/2009	0	4.00	0.00	4.00	12/30/2009	1		8380	MEDICAL RECORDS
CF0000000253418	41201000	EKG	12/31/2009	93005	1.00	105.00	73.961935	12/30/2009	1	730	7320	CARDIO DIAG
CF0000000253418	43073300	ATORVASTATIN TAB	12/31/2009		-1.00	-16.00	-4.27	12/30/2009	1	250	7700	PHARMACY
CF0000000253418	43073300	ATORVASTATIN TAB	12/31/2009		1.00	16.00	4.27	12/30/2009	1	250	7700	PHARMACY
CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650	1.00	127.50	50.67	12/30/2009	1	636	7700	PHARMACY
CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650	-1.00	-127.50	-50.67	12/30/2009	1	636	7700	PHARMACY
CF0000000253418	43073300	ATORVASTATIN TAB	12/31/2009		1.00	16.00	4.27	12/30/2009	1	250	7700	PHARMACY
CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650	1.00	127.50	50.67	12/30/2009	1	636	7700	PHARMACY
CF0000000253418	40156130	REF RUSSEL VIPER \	12/31/2009	85613	-1.00	-96.86	-6.10	12/30/2009	1	305	7720	LAB
CF0000000253418	40141350	REF PLT NEUTRALIZA	12/31/2009	85597	-1.00	-56.83	-4.22	12/30/2009	1	305	7720	LAB
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896	1.00	86.49	14.90	12/30/2009	1	300	7720	LAB
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896	-1.00	-86.49	-14.90	12/30/2009	1	300	7720	LAB
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896	1.00	86.49	14.90	12/30/2009	1	300	7720	LAB
CF0000000253418	40140650	REF MOLECULAR DIA	12/31/2009	83912	1.00	30.10	23.52	12/30/2009	1	300	7720	LAB
CF0000000253418	40140650	REF MOLECULAR DIA	12/31/2009	83912	1.00	30.10	23.52	12/30/2009	1	300	7720	LAB
CF0000000253418	40141350	REF PLT NEUTRALIZA	12/31/2009	85597	1.00	56.83	4.22	12/30/2009	1	305	7720	LAB
CF0000000253418	40155970	REF PLT NEUTRALIZA	12/31/2009	85597	1.00	56.83	4.22	12/30/2009	1	305	7720	LAB

Cost of an Activity / Charge Code has Detail

Detailed Patient Charges Double Click the Cost Amount to see the detailed cost audit

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CF0000000253418	43073300	ATORVASTATIN TAB	12/31/2009									
CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650								
CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650								
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CF0000000253418	43077510	ENOXAPARIN INJ	12/31/2009	J1650								
CF0000000253418	40156130	REF RUSSEL VIPER V	12/31/2009	85613								
CF0000000253418	40141350	REF PLT NEUTRALIZA	12/31/2009	85597								
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896								
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896								
CF0000000253418	40138960	REF MD NUCLEIC ACI	12/31/2009	83896								
CF0000000253418	40140650	REF MOLECULAR DIA	12/31/2009	83912								
CF0000000253418	40140650	REF MOLECULAR DIA	12/31/2009	83912								
CF0000000253418	40141350	REF PLT NEUTRALIZA	12/31/2009	85597								
CF0000000253418	40155970	REF PLT NEUTRALIZA	12/31/2009	85597								

Worktask Detail Created: 4/15/2008 3:06:04 PM

41201000 : EKG Estimates Modified: N/A

Department: 7320 : CARDIO DIAG NDC: RevCode: 730 HCPCS: 93005

Cost Detail		Cost History		Cost History Chart	
Unit Cost	Accumulator	Charge	Cost	Qty	
		Average:	105.00	64.15	589.00
		Total:	61,845	37,784	589

Unit Cost	Accumulator	Accumulator Title	Code	Title	QTY	YYYYMM	Total Cost	Dept	Dept Title	FBD ID	FBD Title
3.00	1	Supplies	GL: 732063100	MEDICAL SUPPLIES	589	200912	1,767.00	7320	CARDIO DIAG		
3.67	3	Salaries	GL: 732060000	SALARIES	589	200912	2,159.27	7320	CARDIO DIAG		
6.27	7	Salary OH	GL: 732060000	SALARIES	589	200912	3,694.28	7320	CARDIO DIAG		
-3.00	8	Supply OH	GL: 732063100	MEDICAL SUPPLIES	589	200912	-1,767.00	7320	CARDIO DIAG		
0.86	10	Other Dept OH	GL: 7320130	Depreciation	589	200912	506.15	7320	CARDIO DIAG		
0.89	10	Other Dept OH	GL: 7320802	Department of Education	589	200912	524.77	7320	CARDIO DIAG		
4.11	10	Other Dept OH	GL: 7320809	Environmental Services	589	200912	2,421.24	7320	CARDIO DIAG		
10.41	10	Other Dept OH	GL: 7320999	no title	589	200912	6,132.48	7320	CARDIO DIAG		
5.66	10	Other Dept OH	GL: 7320830	Engineering Department	589	200912	3,335.37	7320	CARDIO DIAG		
1.46	10	Other Dept OH	GL: 7320834	PBX Expense	589	200912	858.79	7320	CARDIO DIAG		
-1.19	10	Other Dept OH	GL: 7320986	Interest Expense	589	200912	-701.89	7320	CARDIO DIAG		
0.66	10	Other Dept OH	GL: 7320821	Payroll Department	589	200912	386.64	7320	CARDIO DIAG		
0.80	10	Other Dept OH	GL: 7320837	Personell Department	589	200912	469.42	7320	CARDIO DIAG		
12.50	10	Other Dept OH	GL: 7320835	Information Systems	589	200912	7,361.31	7320	CARDIO DIAG		
0.56	10	Other Dept OH	GL: 7320836	Central Scheduling	589	200912	332.02	7320	CARDIO DIAG		
17.49	15	CostFlex Default Overhead	CostFlex	CostFlex	589	200912	10,303.72	Multiple	Multiple Depts		

Limit Display to this Cost Accumulator Show detail for Accumulator 15 (CostFlex Default Overhead)



Cost Accounting: Classify Costs into 4 major Categories

	Direct	Indirect
Fixed	Radiology lease	Accounting Housekeeping
Variable	Nursing labor Supplies / Drugs	Housekeeping (nursing floors)

Basic Concepts to Cost an Activity

- Only two basic inputs and both are known before you start to cost activities.



- **Expenses**

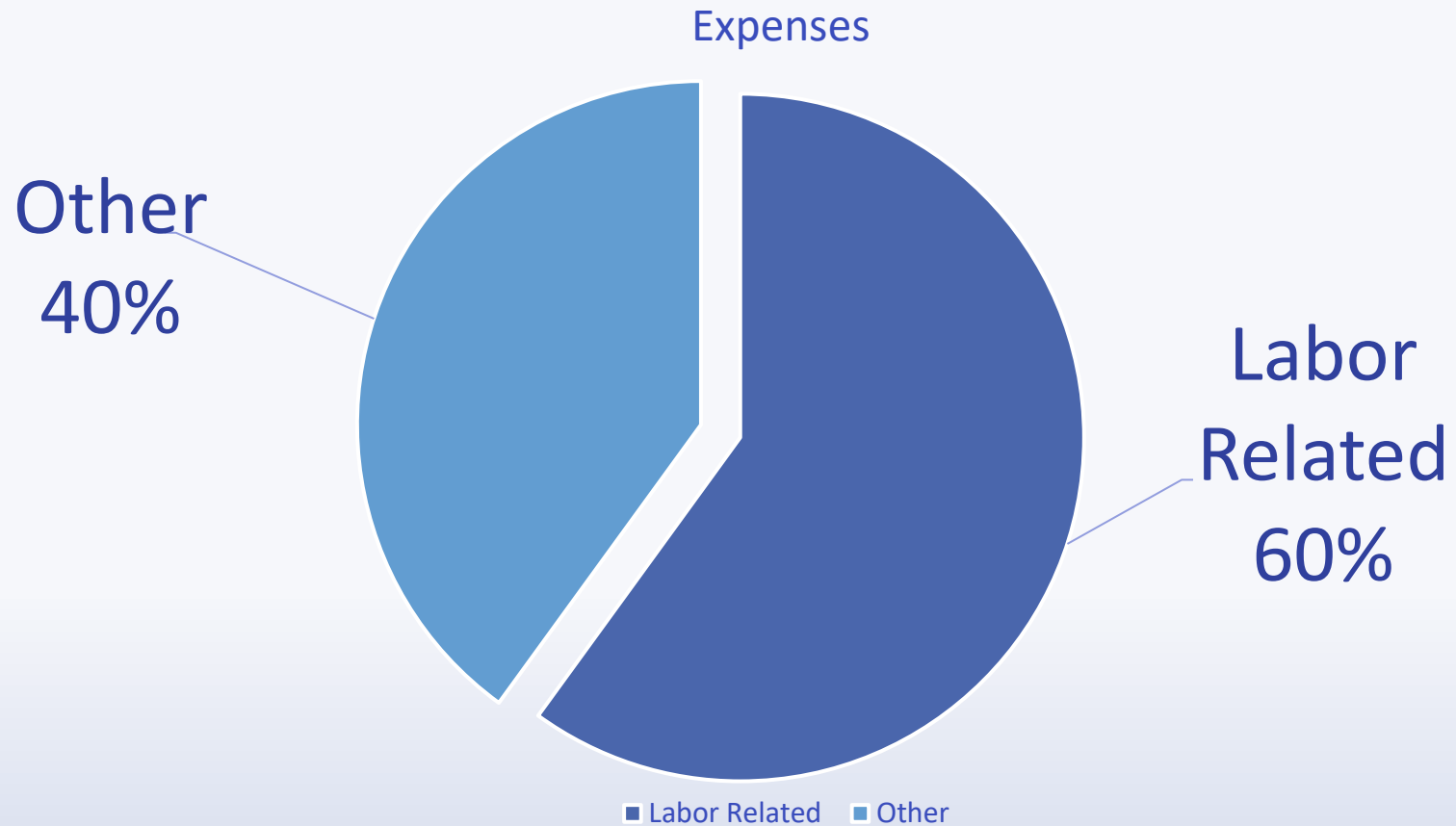
- General Ledger
- Payroll



- **Workload / Activities**

- Charge Codes + Any other activity at the patient level

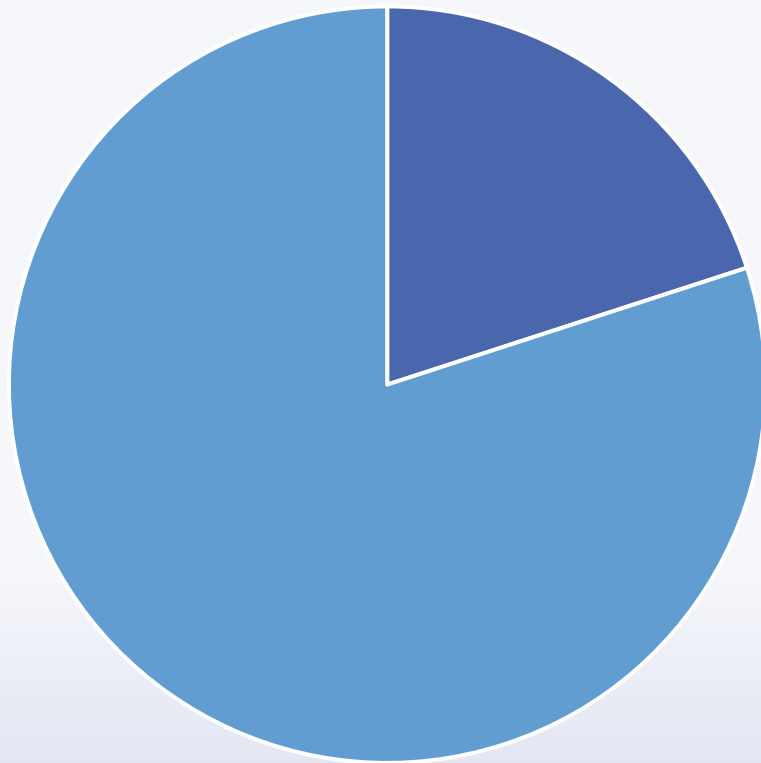
Labor is Your Greatest Expense



Labor Activities / Charges Only 20% of CDM

20% of CDM are Labor Procedures

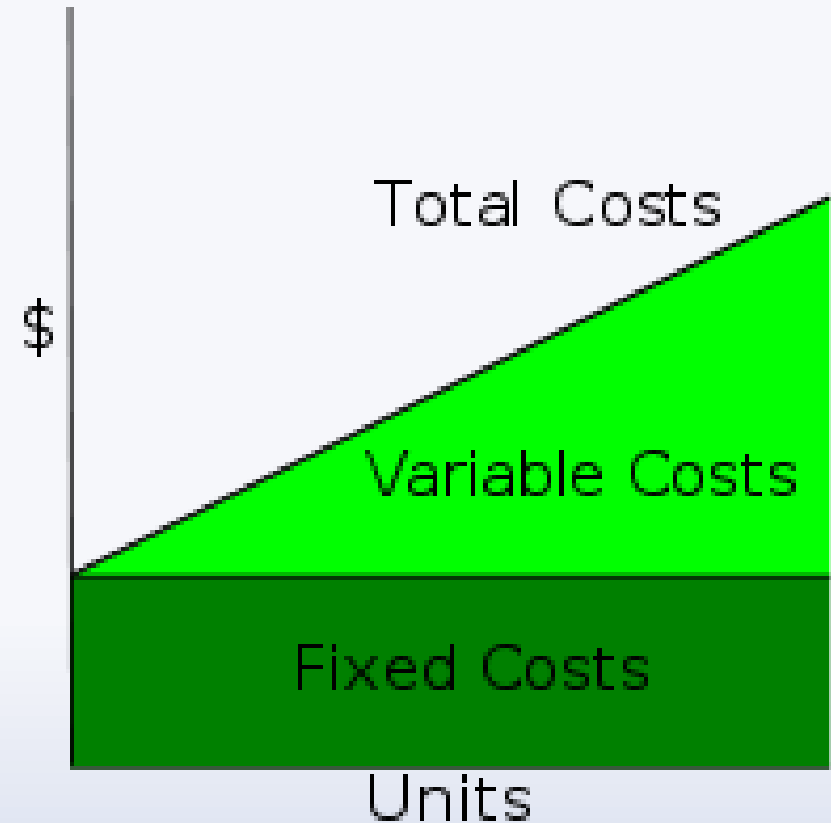
80% of CDM is a Supply / Drug



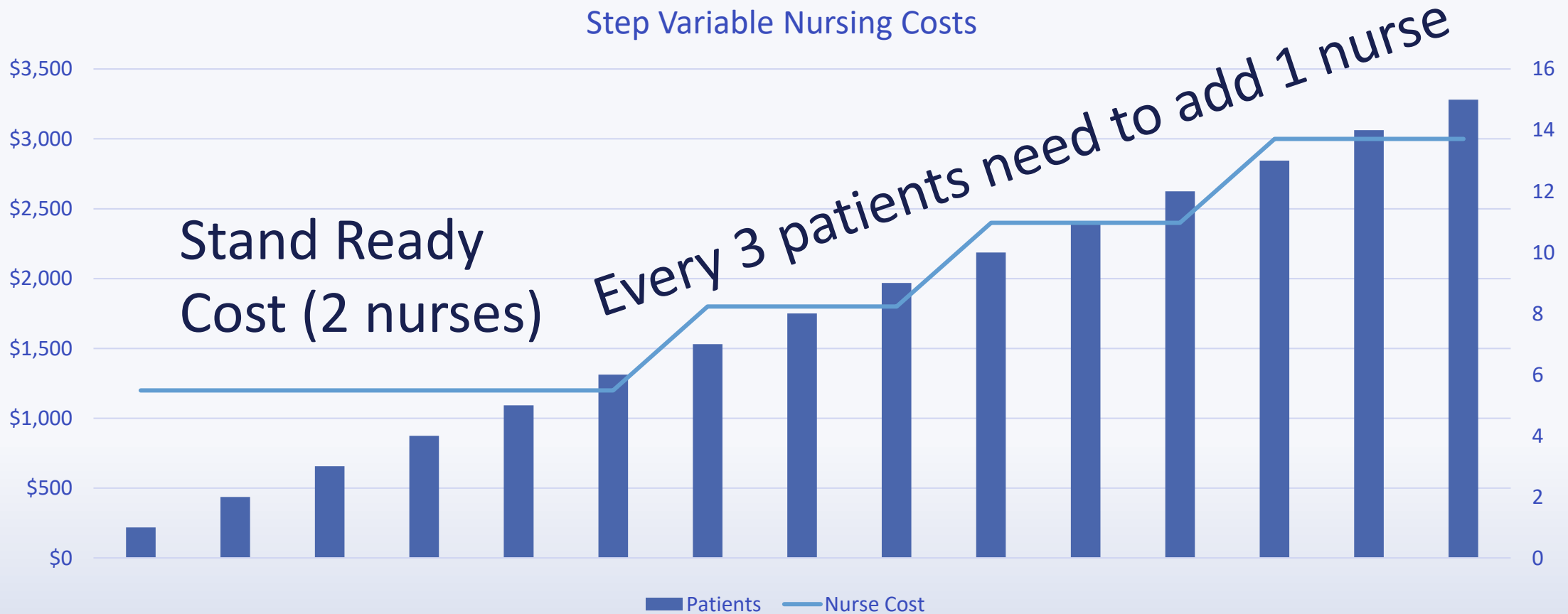
■ Labor ■ Supply

For Contracts: Need to focus on Fixed And Variable Costs.

- Fixed
- Variable
- Step Variable
(very important!)



Example of Step Variable (hypothetical)



Use Contribution Margin for Analysis

Warning!

You can have 100% of contracts covering their contribution margin and still lose money

Some payor must cover the fixed costs!

Overview of Presentation



Cost Accounting 101



Contract Management 101



Combining Costs with your
Contracts

What is a Payer Contract?

A legally binding contract between a payer and provider stating the payment rates for services rendered on a patient/client during their stay at the providing facility.

Prior to the 1980's and the inception of DRG's, HCPCS, and CPT codes a hospital would send a bill to Medicare or your insurance company that included charges for every Band-Aid, X-ray, alcohol swab, bedpan, and aspirin, plus a room charge for each day you were hospitalized.

This encouraged hospitals to keep you for as long as possible and perform as many procedures as possible. That way, they made more money on charges and billed for more Band-Aids, X-rays, and alcohol swabs.

As health care costs went up, the government sought a way to control costs while encouraging hospitals to provide care more efficiently and this was when service level contracts took form with DRG Case Rates, HCPCS Fee Schedules, Daily Per Diems, etc.

Reimbursement for services other than at the DRG base rate:

Inpatient Service Descriptions	Coding	Reimbursement Eff 1/1/2010
Vaginal Delivery (mother only)	MS-DRG: 774, 775, 767, 768	\$5,393 per case
C Section Delivery (mother only)	MS-DRG: 765, 766	\$6,548 per case
Newborn-Level I (Newborn, Boarder)	Revenue Codes: 171, 170	\$676 per diem
Neonatal Care Newborn-Level II (Premature) Newborn-Level III (Sick neonate) Newborn-Level IV NICU	MS-DRGs 789-794	\$1,574 per diem
Acute Rehabilitation	MS-DRG 945, 946	\$1,058 per diem
Bariatric Services	MS-DRG 619-621	\$16,050 per case
Transitional Care Unit (Skilled Level)	Revenue Codes: 190-194	\$644 per diem

Inpatient Exclusions

Inpatient Exclusions: If Hospital's total Billed Charges for a revenue code listed in the chart below for Covered Services rendered with respect to a particular Participant's continuous acute inpatient confinement exceed the threshold referenced in the chart below, Hospital shall be reimbursed separately for such revenue code as specified in the chart below, less applicable Copayments, Coinsurance and Deductibles. Hospital's total Billed Charges for the revenue codes listed in the chart below will be excluded from 1) any and all Hospital stop loss calculations including but not limited to deducting these charges from the overall Billed Charges in determining the stop loss threshold.

Device/Supply	Revenue Code	Threshold/ Reimbursement Eff 1/1/2010
Orthotics and Prosthetics, Pacemaker Supplies, Implants	274, 275, 278	Reimbursement = 45% reduction from Billed Charges

Example of Legal Terms

✓ Reimbursement Groups

- *The service description or group that a patient falls into for payment.*

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- ✓ Reimbursement Groups
- ✓ Patient Selection Criteria
 - The limiting criteria to select a patient into each Reimbursement Group for calculations.



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Example of Legal Terms

- ✓ Reimbursement Groups
- ✓ Patient Selection Criteria
- ✓ Reimbursement Calculation
 - *The calculation applied if patient criteria is met.*



Example of HCPCS Fee Schedule

3/27/2008



HOSPITAL NAME:
DRG BASE EFFECTIVE:
CONTRACT DATE:

January 1, 2008
April 1, 2008

DRG #	PAYMENT AMOUNT	DRG #	PAYMENT AMOUNT	DRG #	PAYMENT AMOUNT	DRG #	PAYMENT AMOUNT		
1	195,865.26	75	10,359.82	155	6,981.42	229	52,410.73	303	5,161.70
2	137,913.40	76	7,711.43	156	5,996.43	230	47,145.83	304	8,354.94
3	178,856.39	77	12,643.96	157	10,605.69	231	73,755.67	305	5,972.15
4	105,688.07	78	9,515.98	158	7,705.36	232	62,592.98	306	11,718.16
5	99,212.05	79	8,514.30	159	6,554.95	233	70,179.97	307	8,025.60
6	67,838.15	80	9,443.13	163	38,552.62	234	53,553.56	308	9,945.49
7	95,854.90	81	7,501.99	164	26,761.60	235	55,036.36	309	7,553.59
8	79,826.47	82	18,907.51	165	22,974.94	236	39,961.04	310	5,906.89
9	98,113.23	83	15,069.24	166	32,070.52	237	43,296.95	311	5,117.68
10	61,524.52	84	12,555.93	167	23,703.44	238	30,715.21	312	7,260.68
11	37,886.35	85	16,388.12	168	17,843.60	239	32,408.97	313	5,685.30
12	29,657.38	86	11,930.64	175	13,554.58	240	24,629.24	314	13,216.13
13	24,441.04	87	8,930.15	176	11,091.35	241	20,297.72	315	9,924.24
20	114,700.18	88	10,466.06	177	18,326.23	242	33,752.13	316	7,685.63
21	99,740.21	89	7,649.21	178	15,536.69	243	26,394.32	326	45,197.11
22	83,465.91	90	5,975.18	179	12,672.80	244	22,131.10	327	28,819.61
23	54,146.98	91	11,725.75	180	17,150.01	245	33,683.83	328	15,762.83
24	44,870.80	92	8,436.89	181	14,477.34	246	37,251.95	329	40,363.23
25	60,006.82	93	6,826.61	182	12,633.33	247	30,788.06	330	25,919.28
26	44,735.73	94	26,002.75	183	12,592.36	248	37,347.56	331	16,495.88
27	32,946.23	95	21,197.72	184	9,556.96	249	26,881.50	332	33,175.40
28	51,143.45	96	19,384.06	185	7,256.12	250	29,830.39	333	23,035.65
29	34,252.97	97	20,227.91	186	12,918.66	251	20,967.03	334	15,951.03
30	21,279.67	98	15,603.47	187	10,613.28	252	28,282.34	335	29,355.35
31	39,235.58	99	13,788.30	188	8,656.96	253	23,123.68	336	20,909.35
32	23,550.15	100	10,538.91	189	12,836.71	254	17,224.38	337	14,333.16
33	17,388.29	101	6,961.69	190	10,250.55	255	20,490.47	338	24,205.80
34	32,956.86	102	7,506.54	191	8,655.44	256	16,066.37	339	17,590.14
35	24,611.02	103	5,755.12	192	7,495.92	257	13,342.10	340	12,300.96

- ✓ Reimbursement Groups
 - The service description or group that a patient falls into for payment.
- ✓ Patient Selection Criteria
 - The limiting criteria to select a patient into each Reimbursement Group for calculations.
- ✓ Reimbursement Macro / Calculation
 - The calculation applied if patient criteria is met.
 - Example of Fee Schedule

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Inpatient Exclusions

Inpatient Exclusions: If Hospital's total Billed Charges for a revenue code listed in the chart below for Covered Services rendered with respect to a particular Participant's continuous acute inpatient confinement exceed the threshold referenced in the chart below, Hospital shall be reimbursed separately for such revenue code as specified in the chart below, less applicable Copayments, Coinsurance and Deductibles. Hospital's total Billed Charges for the revenue codes listed in the chart below will be excluded from 1) any and all Hospital stop loss calculations including but not limited to deducting these charges from the overall Billed Charges in determining the stop loss threshold.

Device/Supply	Revenue Code	Threshold/ Reimbursement Eff 1/1/2010
Orthotics and Prosthetics, Pacemaker Supplies, Implants	274, 275, 278	Reimbursement = 45% reduction from Billed Charges

Example of Legal Terms

- ✓ Reimbursement Groups
- ✓ Patient Selection Criteria
- ✓ Reimbursement Calculation
- ✓ Carve-Out
 - *Typically lists exceptions that can bring additional reimbursement if certain criteria is met or exceed a certain threshold set.*



Example of Legal Terms

II. COMPENSATION PER CLAIM

The compensation per claim payable by Health Plan and/or Affiliate Payor, as appropriate, to PHO, subject to the terms of this Agreement, the applicable Group Membership Agreement and corresponding coordination of benefit terms, shall be equal to:

A. The Reimbursement Rate specified in Section I or one hundred percent (100%) of PHO's billed charges, whichever is less.

B. Minus any applicable Copayments, Coinsurance and/or Deductible amounts

PHO agrees that it will not bill Members for amounts in excess of the Copayments provided for in Member's Group Membership Agreement.

- ✓ Reimbursement Groups
 - *The service description or group that a patient falls into for payment.*
 - ✓ Patient Selection Criteria
 - *The limiting criteria to select a patient into each Reimbursement Group for calculations.*
 - ✓ Reimbursement Macro / Calculation
 - *The calculation applied if patient criteria is met.*
 - ✓ Carve-Out
 - *Typically lists exceptions that can bring additional reimbursement if certain criteria is met or exceed a certain threshold set.*
 - ✓ Stop Loss
 - *Verbiage explaining that there is a maximum reimbursement that can be paid for a patient encounter. The most common as shown is to not exceed Billed Charges for the stay.*
-

Importance of a Contracts Analyzer Tool

Contracts Analyzer tools are designed to give clients the ability to automate said terms, so you have an accurate projection of payments expected from each payer.

Benefits of a Contract Tool:

1. Calculate expected payment / allowed amount.
2. Under/Over payment identification based on terms of contract to actual received.
3. Calculate contractual allowances at time of billing.
4. Ability to model negotiations and compare to current contracts and Medicare.



Overview of Presentation



Cost Accounting 101



Contract Management 101

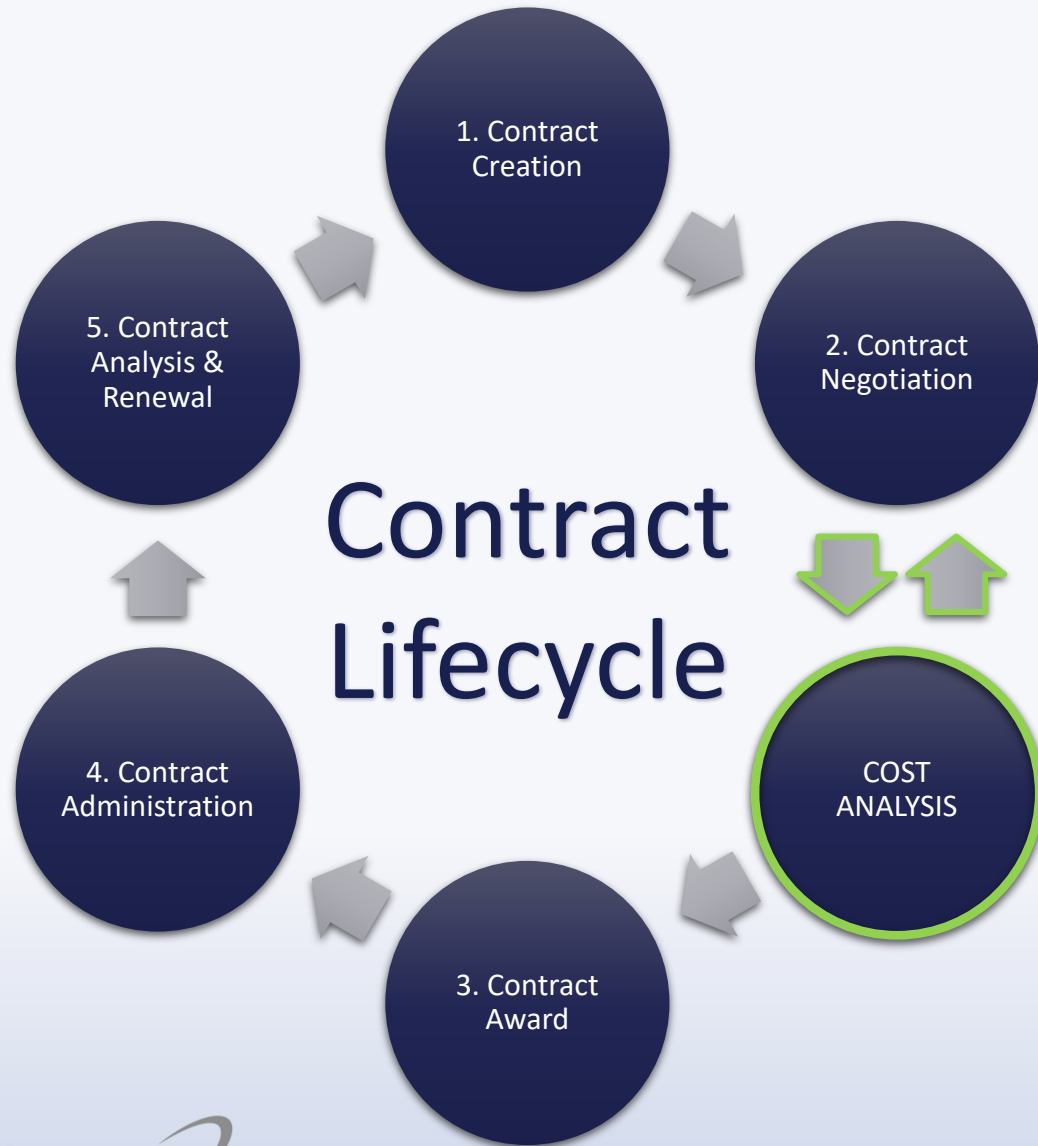


Combining Costs with your
Contracts



Contract Lifecycle

WHERE DOES COST FIT INTO THE LIFECYCLE?



1. Add **COST** to your analysis.
2. Model various negotiations for comparisons.
3. Analyze the suggested rates compared to **VARIABLE** and **DIRECT** costs to determine the profit / loss of agreeing to this new rate.

Expected Profit & Loss for Current vs. Negotiation

Bringing costs into negotiations can add another layer of analysis to determine if the new rates will be profitable if agreed on.

The report below is an example of a proposal analysis compared to current rates and how the new rates trend in comparison.

Category	Cases	Charges	Costs	Current	Proposed	Variances		PCT% of Charges			Profit & Loss		
				Allowed	Allowed	Amt	PCT %	Current	Proposed	% Change	Current	Proposed	Variance
TRAUMA	26	2,247.97	965.85	1,253.23	1,417.51	164.28	12%	56%	63%	7%	287.38	451.66	164.28
NICU	15	1,914.62	2,560.25	1,145.71	1,458.06	312.35	21%	60%	76%	16%	(1,414.54)	(1,102.19)	312.35
SURGICAL	58	2,855.23	1,285.33	1,103.59	1,103.59	0.00	0%	39%	39%	0%	(181.74)	(181.74)	0.00
MEDICAL	82	1,656.55	932.18	1,076.78	718.00	(358.78)	-50%	65%	43%	-22%	144.60	(214.18)	(358.78)
ASC	62	3,240.81	1,965.10	1,725.00	2,154.00	429.00	20%	53%	66%	13%	(240.10)	188.90	429.00
OBS	45	1,221.08	1,002.35	1,221.08	1,221.08	0.00	0%	100%	100%	0%	218.73	218.73	0.00
OUTPATIENT	165	249.86	125.62	94.03	115.97	21.94	19%	38%	46%	9%	(31.59)	(9.65)	21.94
LAB	213	447.87	62.55	125.88	81.55	(44.33)	-54%	28%	18%	-10%	63.33	19.00	(44.33)

Analyze Cost Prior to Renewal



1. Are contracts up for renewal profitable?
2. Depending on cost analysis renegotiations might be triggered.

Cost By Day / Per Diem Analysis

Knowing costs by day can add a layer of analysis to determine if your contract terms for per diems are profitable for each day of stay. The report below shows each nursing category from a contract and the average P&L Per Day based on the cost by revenue code that makes up each category and the projected allowed amount.

Is this the cost of the room & bed or fully burdened cost?

Category	Cases	Days	Average Per Day			
			Charges	Costs	Allowed	Proj P&L
ICU	45	72	2,650	1,685	1,300	(385)
CCU	23	53	2,258	1,250	1,650	400
NICU	15	34	3,685	2,560	965	(1,595)
Acute Rehab	19	26	1,850	965	1,058	93
Medical	82	97	1,656	932	850	(82)
Surgical	58	65	2,855	1,285	1,850	565

Cost Breakdown Explained – Not all “per day” costs are nursing.

Taking the ICU Category as an example. Most would look at ICU and say that the cost of an ICU room is \$1,685.

That is correct if that costs was for the ICU Nursing unit only, but the reality is that during a patients stay other services and areas are involved in the care of the patients.

So, the actual costs of the room & bed was only \$795. The remaining costs were from other service / department charges during the stay.

Category	Cases	Days	Average Per Day			
			Charges	Costs	Allowed	Proj P&L
ICU	45	72	2,650	1,685	1,300	(385)
CCU	23	53	2,258	1,250	1,650	400
NICU	15	34	3,685	2,560	965	(1,595)
Acute Rehab	19	26	1,850	965	1,058	93
Medical	82	97	1,656	932	850	(82)
Surgical	58	65	2,855	1,285	1,850	565

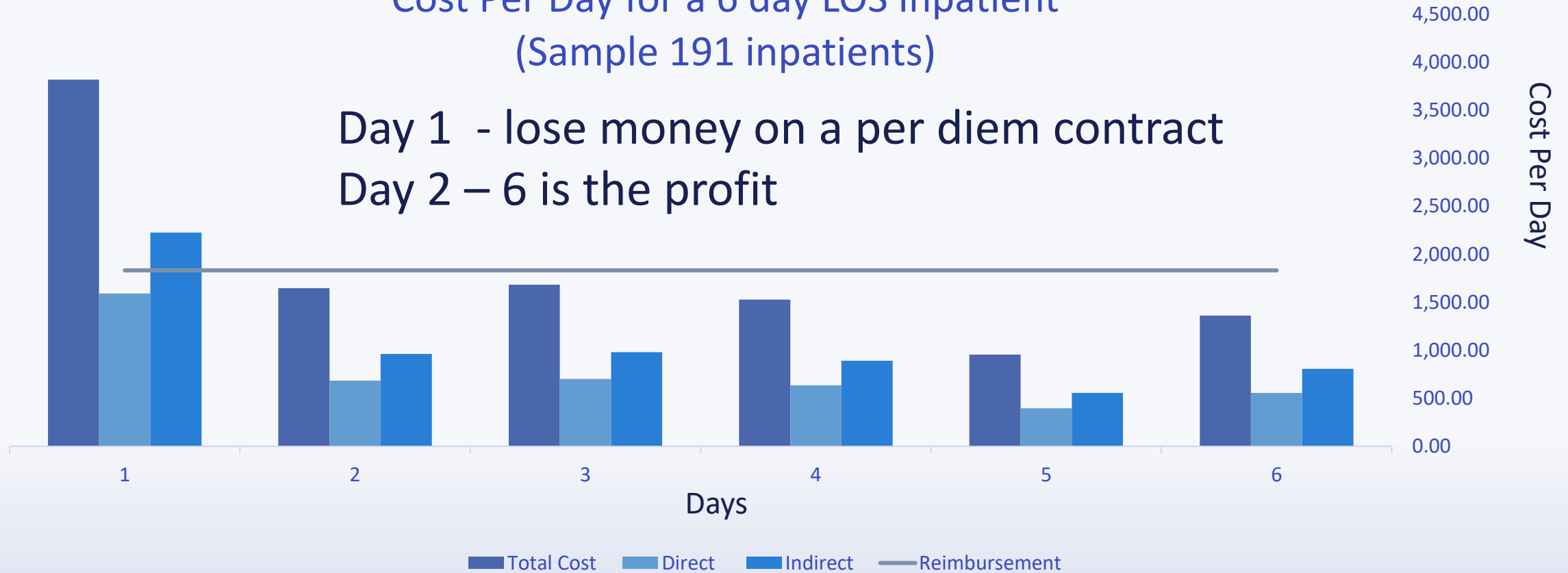
Category	Charges	Costs
ICU	2,650	1,685

Department	Charges	Costs
Room & Bed	1,250	795
Radiology	225	143
Lab	465	296
Pharmacy	335	213
Respiratory	375	238
	2,650	1,685

Cost Per Day Changes as LOS Progresses

Cost Per Day for a 6 day LOS Inpatient
(Sample 191 inpatients)

Day 1 - lose money on a per diem contract
Day 2 – 6 is the profit



Case Studies of Analytics

- Client examples - Comparing one contract vs another
- Apples to Apples: Take population of THAT contract against all others
 - Don't use Medicare's population to compare to Blue Cross.
 - Use Blue Cross and run through the Medicare calculations.
- Internally use cost
- Externally use RCC for presentations as some might not “trust” cost, but can't “explain away” charges.

A Southeast Hospital – creates pivot for CEO

PRODUCT LINE ANALYSIS - INCLUDES PAID AND UNPAID CLAIMS
DISCHARGES 1/1/2018 TO 12/31/2021
with AutoAbsorption in Supplies, Salaries and Implants

DischYear: 2021
InsPaidFlag: Ins Paid
FinClass: Blue Cross
VisitType: INPATIENT
Sub_Service_Line: (All)
AttendingPhys: (All)
AttendingPhysGroup: (All)
SurgicalPhys: (All)
SurgicalPhysGroup: (All)

Compares Cost
↓
To Actual & Projected Reimb

Row Labels	PatCount	Avg Charges	Avg Full Costs	Avg Direct Cost	Avg Actual Reimb	Avg Project Reimb	Avg Supplies	Avg Drugs	Avg Salaries	Avg Implants	Avg Other Focused	Avg LOS
Cardiac Services	182	61,472	17,946	10,736	26,586	27,406	2,902	449	5,465	1,682	374	5
ENT	8	21,383	5,888	3,668	10,292	10,861	660	220	2,584	0	204	4
General Medicine	569	30,112	9,651	6,145	14,184	15,486	694	921	4,171	5	354	6
General Surgery	119	62,112	20,256	12,413	39,196	40,946	2,767	832	7,884	258	672	10
Gynecology	25	25,461	7,127	4,130	13,997	14,379	1,256	236	2,437	8	192	3
Neonatology	1	9,963	7,306	4,352	10,105	10,167	265	599	3,398	0	89	3
Neurology	56	22,078	7,545	4,646	13,916	14,829	364	909	2,997	1	375	5
Obstetrics	995	10,057	7,659	4,464	6,757	8,110	521	215	3,606	0	121	3
Oncology/Hematology (Medical)	23	25,876	8,522	5,374	14,158	14,722	996	407	3,228	22	722	5
Ophthalmology	2	15,744	6,641	3,499	9,452	9,627	277	302	2,682	1	236	4
Orthopedics	205	40,937	16,807	9,808	20,696	22,294	1,196	268	2,893	5,161	328	3
Other Trauma	2	12,929	6,801	4,400	17,411	18,169	282	226	3,384	0	509	6
Spine	77	67,143	22,441	12,732	18,923	19,893	1,896	322	2,981	7,420	154	2
Thoracic Surgery	15	50,588	14,943	8,784	20,957	22,073	2,868	689	4,760	65	403	6
Urology	41	32,031	11,917	7,237	22,051	22,774	2,213	1,219	3,158	115	533	4
Vascular Services	23	65,005	21,234	12,793	47,086	51,254	2,123	1,227	7,097	738	1,608	10
Grand Total	2,343	27,979	11,115	6,667	14,468	15,778	1,035	494	4,021	850	282	4

Western Hospital Example

Commercial Fully Insured								
Contract Modeling Using FI Commercial Utilization		(Excluding Service Line Lab)						
Discharge Date: 1/1/2021 - 12/31/2021								
		Medicare (Current)	National 1 (3/1/22)	National 2 (Current)	National 3 (Current)	National 4 (Current)	Local 1 (Current)	Local 2 (Current)
Pat Type	Product Code	POC	POC	POC	POC	POC	POC	POC
IP	01-TRAUMA:	20.3%	55.0%	80.0%	83.7%	55.0%	56.7%	40.4%
	03-OPEN_HEART:	19.9%	35.0%	35.2%	56.2%	35.0%	26.4%	22.1%
	04-OB_VAG:	21.3%	38.0%	33.4%	23.7%	28.0%	26.3%	23.1%
	05-OB_CSECT:	26.6%	54.0%	59.7%	46.7%	54.0%	46.8%	41.2%
	06-NICU:	15.9%	58.0%	77.1%	66.7%	58.0%	55.1%	49.9%
	07-NEWBORN:	75.7%	28.0%	0.0%	27.8%	28.0%	0.2%	0.1%
	08-SURGICAL:	26.5%	44.0%	40.9%	51.2%	44.0%	33.8%	30.0%
	09-MEDICAL:	28.1%	57.0%	49.1%	56.2%	57.0%	38.6%	33.1%
	IP Total		26.1%	49.5%	49.0%	53.3%	48.8%	37.8%
OP	10-TRAUMA:	6.7%	72.7%	75.3%	75.0%	66.6%	67.7%	66.8%
	11-ER:	12.5%	68.9%	66.5%	53.5%	60.0%	53.2%	50.5%
	12-SDS:	17.4%	34.7%	18.8%	40.4%	40.4%	19.6%	19.1%
	13-OTHER:	17.5%	31.5%	28.7%	48.4%	38.0%	30.4%	28.1%
OP Total		16.2%	41.1%	35.7%	48.2%	43.9%	33.7%	31.7%
Grand Total		20.5%	44.7%	41.4%	50.4%	46.0%	35.4%	32.1%
	IP as % of Medicare		190%	188%	204%	187%	145%	125%
	OP as % of Medicare		254%	220%	297%	271%	208%	196%
	Total as % of Medicare		219%	202%	246%	225%	173%	157%
USING Local 2 AS THE DENOMINATOR								
	Local 1 percentage difference	42%	-26%	-17%	-42%	-30%		9%
	Local 2 percentage difference	36%	-39%	-29%	-57%	-43%	-10%	

- Set all contracts to have the same “Reimbursement Groups” so classifications can be compared across contracts

Commercial Fully Insured								
Contract Modeling Using FI Commercial Utilization						(Excluding Service Line Lab)		
Discharge Date: 1/1/2021 - 12/31/2021								
		Medicare (Current)	National 1 (3/1/22)	National 2 (Current)	National 3 (Current)	National 4 (Current)	Local 1 (Current)	Local 2 (Current)
Pat Type	Product Code	POC	POC	POC	POC	POC	POC	POC
IP	01-TRAUMA:	20.3%	55.0%	80.0%	83.7%	55.0%	56.7%	40.4%
	03-OPEN_HEART:	19.9%	35.0%	35.2%	56.2%	35.0%	26.4%	22.1%
	04-OB_VAG:	21.3%	28.0%	33.4%	23.7%	28.0%	26.3%	23.1%
	05-OB_CSECT:	26.6%	54.0%	59.7%	46.7%	54.0%	46.8%	41.2%
	06-NICU:	15.9%	58.0%	77.1%	66.7%	58.0%	55.1%	49.9%
	07-NEWBORN:	75.7%	28.0%	0.0%	27.8%	28.0%	0.2%	0.1%
	08-SURGICAL:	26.5%	44.0%	40.9%	51.2%	44.0%	33.8%	30.0%
	09-MEDICAL:	28.1%	57.0%	49.1%	56.2%	57.0%	38.6%	33.1%
IP Total		26.1%	49.5%	49.0%	53.3%	48.8%	37.8%	32.6%
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	11-ER:	12.5%	68.9%	66.5%	53.5%	60.0%	53.2%	50.5%
	12-SDS:	17.4%	34.7%	18.8%	40.4%	40.4%	19.6%	19.1%
	13-OTHER:	17.5%	31.5%	28.7%	48.4%	38.0%	30.4%	28.1%
OP Total		16.2%	41.1%	35.7%	48.2%	43.9%	33.7%	31.7%
Grand Total		20.5%	44.7%	41.4%	50.4%	46.0%	35.4%	32.1%
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	Total as % of Medicare		219%	202%	246%	225%	173%	157%
USING Local 2 AS THE DENOMINATOR								
Local 1 percentage difference		42%	-26%	-17%	-42%	-30%		9%
Local 2 percentage difference		36%	-39%	-29%	-57%	-43%	-10%	

- Use population of insurance “Local 1”
- Runs same patients through Medicare & other payors
- Compares baseline calculation against both Cost and RCC
- Presents % of RCC to stakeholders (easier for them to understand)

Commercial Fully Insured								
Contract Modeling Using FI Commercial Utilization						(Excluding Service Line Lab)		
Discharge Date: 1/1/2021 - 12/31/2021								
		Medicare (Current)	National 1 (3/1/22)	National 2 (Current)	National 3 (Current)	National 4(Current)	Local 1(Current)	Local 2 (Current)
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	04-OB_VAG:	21.3%	28.0%	33.4%	23.7%	28.0%	26.3%	23.1%
	05-OB_CSECT:	26.6%	54.0%	59.7%	46.7%	54.0%	46.8%	41.2%
	06-NICU:	15.9%	58.0%	77.1%	66.7%	58.0%	55.1%	49.9%
	07-NEWBORN:	75.7%	28.0%	0.0%	27.8%	28.0%	0.2%	0.1%
	08-SURGICAL:	26.5%	44.0%	40.9%	51.2%	44.0%	33.8%	30.0%
	09-MEDICAL:	28.1%	57.0%	49.1%	56.2%	57.0%	38.6%	33.1%
IP Total		26.1%	49.5%	49.0%	53.3%	48.8%	37.8%	32.6%
OP	10-TRAUMA:	6.7%	72.7%	75.3%	75.0%	66.6%	67.7%	66.8%
	11-ER:	12.5%	68.9%	66.5%	53.5%	60.0%	53.2%	50.5%
	12-SDS:	17.4%	34.7%	18.8%	40.4%	40.4%	19.6%	19.1%
	13-OTHER:	17.5%	31.5%	28.7%	48.4%	38.0%	30.4%	28.1%
OP Total		16.2%	41.1%	35.7%	48.2%	43.9%	33.7%	31.7%
Grand Total		20.5%	44.7%	41.4%	50.4%	46.0%	35.4%	32.1%
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USING Local 2 AS THE DENOMINATOR								
Local 1 percentage difference		42%	-26%	-17%	-42%	-30%		9%
Local 2 percentage difference		36%	-39%	-29%	-57%	-43%	-10%	

- Analyze numbers for “Restraint of Trade” issues for self funded insurance company

Description	Volume	Billed Charges	Payor A Population: Current Payor A Contract Projection	Payor A Population: Proposed Contract Projection	Proposed Increase (Decrease)	% Increase (Decrease) Proposed	Total Cost	Payor A Proposal Less Total Cost
Inpatient	1,000	27,900,000	13,700,000	12,800,000	-900,000	-7%	7,600,000	5,200,000
Newborns	400	6,500,000	2,900,000	2,800,000	-100,000	-3%	1,600,000	1,200,000
Obstetrics	400	4,000,000	2,300,000	2,300,000	0	0%	1,500,000	800,000
Observation	400	8,200,000	1,300,000	1,300,000	0	0%	1,800,000	-500,000
Outpatient Emergency	4,000	11,800,000	5,500,000	5,700,000	200,000	4%	1,700,000	4,000,000
Outpatient Surgery	2,000	17,800,000	4,900,000	4,700,000	-200,000	-4%	4,200,000	500,000
Oncology	1,000	6,500,000	2,400,000	2,300,000	-100,000	-4%	1,500,000	800,000
Other Outpatient	5,000	9,500,000	2,800,000	2,400,000	-400,000	-14%	1,400,000	1,000,000
Grand Total	12,000	92,400,000	35,700,000	34,200,000	-1,500,000	-4%	21,400,000	13,000,000

Description	Volume	Billed Charges	Payor A Population Projected Under Payor B Contract	Yield Differential (Payor A Proposal Less Payor B Contract Projection)	% Differential to Payor B	Payor A Population Projected Under Current Medicare	Payor A Proposal as % of Medicare
Inpatient	1,000	27,900,000	13,300,000	-500,000	-4%	10,300,000	124%
Newborns	400	6,500,000	4,500,000	-1,700,000	-61%	4,800,000	58%
Obstetrics	400	4,000,000	2,600,000	-300,000	-13%	2,700,000	85%
Observation	400	8,200,000	2,800,000	-1,500,000	-115%	1,400,000	93%
Outpatient Emergency	4,000	11,800,000	3,800,000	1,900,000	33%	1,700,000	335%
Outpatient Surgery	2,000	17,800,000	6,300,000	-1,600,000	-34%	4,000,000	118%
Oncology	1,000	6,500,000	2,200,000	100,000	4%	2,100,000	110%
Other Outpatient	5,000	9,500,000	1,700,000	700,000	29%	1,100,000	218%
Grand Total	12,000	92,400,000	37,200,000	-2,900,000	-8%	28,100,000	122%



Same concept is used for Price Transparency

Kuakini Health System Price Transparency and Estimation Tool Information Powered By: **CostFlex**

Clear Options **Choose Patient Type**
 OUTPATIENT

CT: ABDOMEN WITH CONTRAST
 209 Cases 1 ALOS 4,742 Max Chgs 2,201 Avg Chgs

Negotiated Payer Rates

Contract	Max	Average
COMM-HMA	775	413
COMM-HMA,PSWA	1,220	571
COMM-HMAA	912	77
COMM-HMSA	2,568	809
COMM-PACIFIC ADMIN INC	1,055	471
COMM-UHA	1,127	441
COMM-UHC AETNA CIGNA	3,339	1,577
DESERET		
MEDICARE	1,600	439
MEDICARE-ALOHACARE	835	229
MEDICARE-WELLCARE OHANA	835	229
QI-ALOHACARE	687	188
QI-HMSA	592	251
QI-UHC	635	290
QI-WELLCARE OHANA	791	189
VA-TRICARE	768	210

Primary Code Data

Field	Code	Description
HCPCS	74160	CT ABDOMEN W/DYE

Diagnostic (ICD)

ICD10D	ICD10E	Description
K76.0	Fatty (c)	
K76.89	Other s	
N28.1	Cyst of	

Ancillary Gross

RevCode	Desc	Max	Average
250	Pharm		
255	Pharm		
270	Medic		
278	Medic		
300	Labor		
320	Radi		
321	Radi		
352	CT Scan: Body	\$2,177	\$2,074
360	Operating Room Services	\$151	\$151
402	Other Imaging Services: Ultr...	\$701	\$639
403	Other Imaging Services: Scr...	\$473	\$473
636	Drugs Require Specific ID: D...	\$335	\$99
710	Recovery Room	\$143	\$143

Shoppable Service

- CC: CARDIOVERSION ELECTIVE
- CC: RT/LT HEART CATH
- CT: ABD/PBLVIS PRE/POST CNTRST
- CT: ABD/PLVC BLD VLSL W/CNTRST
- CT: ABDOMEN BLD VLSL W/CNTRST
- CT: ABDOMEN NO CONTRAST
- CT: ABDOMEN PRE/POST CONTRAST
- CT: ABDOMEN WITH CONTRAST
- CT: ABDOMEN/PELVIS
- CT: ABDOMEN/PELVIS W/CONTRAST
- CT: ANGIO CHEST
- CT: ARM NO CONTRAST
- CT: ARM WITH CONTRAST
- CT: BLOOD VESSELS OF HEAD
- CT: BLOOD VESSELS OF NECK

Max Rate 3,339 **Average Rate** 426

View Shoppable Service Details View Machine-Readable File GFE

• Patients Classified as a product i.e. “Shoppable Service”

• Each patient is run against 100% of all contracts to get the allowed amount per contract.



Western Hospital: Used Costs for Negotiations

- Negotiations were stuck with a payor.
- CFO brought the cost data to the negotiating table.
- Explained the process of cost accounting to payor.
- Showed costs of 100% of all patients being contracted.
- Signed a contract in good faith that made a profit for the hospital.

Questions

