How to Do Your Own Revenue and Pricing Analysis

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Goals and Takeaways

● My overall goals for today's session:
  – Help you understand why you'd want to review charges and revenue
  – Help you get familiar with PCC's tools for analyzing revenue and pricing
  – Do your own revenue and pricing analysis!
    • Are your prices adequate?
● Your goals?

Revenue Analysis

● Why do it?
  – Find out if you could be doing better
  – Recognize trends in practice revenue
  – “Am I suddenly getting paid more or less than I used to?”
  – Homework for insurance negotiations
### Per-Visit Analysis

**Per-Visit Analysis**  
**srs** → Visit Reports → Per-Visit Analysis (activity style)

Press <F8> to add restriction criteria of **“VISIT Amount Due for Visit”** and specify $0 to $0. This ensures you are only looking at paid visits.

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### Per-Visit Analysis

**Per-Visit Analysis**  
**Compare “AVG Deposited Per Visit” among payors. Which are your best and worst payors?**

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### Special Circumstances

**Special Circumstances**

- **Capitated plans** – be sure to add up capitation payments and fee-for-service revenue to get true, total capitated plan revenue.

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Special Circumstances

- **Non-Revenue Services** such as no-show or form fees can inflate total visits. If you have a lot of these, restrict the report to include only revenue services or else your revenue-per-visit totals will be deflated.

Add restriction criteria of “VISIT Include Only Revenue Charges.” This will report accurate visit totals but note that this non-service revenue won’t be included on the report.

Reimbursement Analysis by CPT Code

- When prompted, select your most common procedure groups
- Press <F8> to add restriction criteria of “CHARGE Amount Due for Visit.” This ensures you are only looking at paid visits.

Are any insurance companies paying you at or near your charge amount? Time to raise prices!
Allowable Underpayments Report

srs → Payment and Proving Out Reports →
Allowable Underpayments Report (Subtotal by Schedule)

- Identifies payments that were made below the configured allowed amount

Miscellaneous Revenue

- Be sure to post all revenue (ARRA incentives, P4P bonuses, etc)

- Use “Office” provider unless the bonus is for a specific provider
**Miscellaneous Revenue**

- Offset the payment appropriately to avoid credit on the holding account
- “Bonus Payment Offset” should be “Revenue-Non Service” accounting type

**Procedure Accounting Types**

Available accounting types:
- Receipt
- Receipt-NSF
- Receipt-Refund
- Revenue
- Revenue-CPT II
- Revenue-Credit W/O
- Revenue-Non Service
- Revenue-Svc Chg

**Procedure Accounting Types**

<table>
<thead>
<tr>
<th>Accounting Type</th>
<th>Brief Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Work performed by providers. Anything with a valid billable CPT code should most likely be assigned Revenue.</td>
<td>Anything with a valid, billable CPT code.</td>
</tr>
<tr>
<td>Revenue - Credit W/O</td>
<td>When you've had a credit on an account for a while, and you know you are not going to reverse the money, you need to book it as real and not just an adjustment, as the reverse of one.</td>
<td>Second transfer fees, missed appointment fees, form fees, etc.</td>
</tr>
<tr>
<td>Revenue - Svc Chg</td>
<td>Service charges or billing fees</td>
<td>Consulting fees, insurance takebacks, etc.</td>
</tr>
<tr>
<td>Revenue - Non-service</td>
<td>Non-service procedures or offsets</td>
<td>Consultation fees, insurance takebacks, etc.</td>
</tr>
<tr>
<td>Receipt</td>
<td>Other adjustments decreasing revenue</td>
<td>Original checks, NSF checks, etc.</td>
</tr>
<tr>
<td>Receipt - NSF</td>
<td>Reissued checks</td>
<td>NSF Check</td>
</tr>
<tr>
<td>Receipt - Refund</td>
<td>Insurance or patient refunds</td>
<td>Reissue refund, insurance takebacks, etc.</td>
</tr>
</tbody>
</table>
How Should You Set Your Prices?

- Using standard system called RBRVS
  - Resource Based Relative Value Scale
  - Ugly math

- PCC’s “Pricing Analysis” report will do the ugly math for you

RBRVS-Resource Based Relative Value Scale

- Method to quantify the value and price of every procedure while adjusting for geographic location
- Government implemented system on Jan 1, 1992
- Relative Value Unit is assigned to every CPT code
- New RVU values are released every year
- Almost all public and private payers use components of Medicare RBRVS to reimburse physicians.

Why RBRVS?

- All of the insurance companies utilize the RBRVS system in one way or another. It's the standard.

- With the arrival of HSAs and HDHPs, practices need a pricing system that substantiates their worth.

- With PCC's RVU calculators, it's fast and easy.
Why RBRVS?

- It allows you to compare your practice to others.
- It is potentially an effective provider productivity measurement.
- Most of all: it’s guaranteed to increase your income, if only a little.

Components of an RVU

Value for each procedure is based on three components:
- Physician work that goes into service (~52% of total RVU value)
- Practice expense for the service (~44% of Total RVU)
- Professional liability expense for the service (~4% of Total RVU)

Geographic Practice Cost Index (GPCI)

Costs associated with practicing in Manhattan are much different than costs for practicing in, say, Mobile, AL. Geographic adjustment is made to each component of an RVU.

Sample 2009 GPCI:

<table>
<thead>
<tr>
<th>Medicare Locality Name</th>
<th>Work</th>
<th>Practice Expense</th>
<th>Malpractice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suburban, Chicago, Il.</td>
<td>1.017</td>
<td>1.006</td>
<td>1.029</td>
</tr>
<tr>
<td>Chicago, Il.</td>
<td>1.025</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Best of Illinois</td>
<td>1.000</td>
<td>0.880</td>
<td>1.219</td>
</tr>
<tr>
<td>Metropolitan Boston</td>
<td>1.029</td>
<td>1.291</td>
<td>0.764</td>
</tr>
<tr>
<td>Best of States</td>
<td>1.007</td>
<td>1.036</td>
<td>0.764</td>
</tr>
<tr>
<td>Fort Lauderdale, Fl.</td>
<td>1.000</td>
<td>1.000</td>
<td>2.250</td>
</tr>
<tr>
<td>Miami, Fl.</td>
<td>1.000</td>
<td>1.000</td>
<td>3.167</td>
</tr>
<tr>
<td>Best of Florida</td>
<td>1.000</td>
<td>0.959</td>
<td>1.724</td>
</tr>
</tbody>
</table>
Calculating an RVU

2010 RVU Value of 99213 (Office Visit Level 3) for a practice in Burlington, VT:

\[
\text{Work RVU} \times \text{Work GPCI} + \\
\text{Practice Expense RVU} \times \text{PE GPCI} + \\
\text{Malpractice Expense RVU} \times \text{ME GPCI} = \\
(0.97 \times 0.968) + (0.80 \times 0.983) + (0.05 \times 0.489) = 1.75
\]

How Does an RVU Value Translate Into a Price?

- **Medicare Conversion Factor**
  - National value used to convert procedure RVU values into reimbursement amounts
  - Medicare reimbursement amount for 1 (one) RVU.
  - Updated annually

How Does an RVU Value Translate Into a Price?

Multiply RVU value by Medicare conversion factor to calculate Medicare $ value

For a practice in Burlington, VT here is the annual value for 99213:

<table>
<thead>
<tr>
<th>2013 RVU Value</th>
<th>2013 Medicare Conversion Factor</th>
<th>2013 Medicare Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.12</td>
<td>$34.02</td>
<td>$72.04</td>
</tr>
</tbody>
</table>
**Appropriate RBRVS Multiplier**

OK, that's the system ... but how much more should I charge above the Medicare value?

Typical Pediatric Pricing

<table>
<thead>
<tr>
<th>Year</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
<th>120%</th>
<th>140%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>100%</td>
<td>110%</td>
<td>120%</td>
<td>130%</td>
<td>140%</td>
<td>150%</td>
<td>160%</td>
<td>170%</td>
</tr>
</tbody>
</table>

**Appropriate RBRVS Multiplier**

Pick the pricing level that's right for your practice ... and don't go under it!

Appropriate Pediatric Pricing

<table>
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<tr>
<th>Year</th>
<th>0%</th>
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<td>140%</td>
<td>150%</td>
<td>160%</td>
<td>170%</td>
</tr>
</tbody>
</table>

**Setting Your Price**

Pick a year and an appropriate multiplier, then set your price based on the Medicare value for that year.

Example: Based on 2013 RVU values for Burlington, VT location:

<table>
<thead>
<tr>
<th>CPT Code</th>
<th>Medicare Value</th>
<th>Your Multiplier</th>
<th>Your Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>99213</td>
<td>$12.01</td>
<td>160%</td>
<td>($12.01 * 1.60) = $19.22</td>
</tr>
</tbody>
</table>
Pediatric Pricing Benchmark

Pick the pricing level appropriate for your practice ...

PCC Pediatric Benchmark, 2013:

156% of Medicare

Pediatric Pricing Benchmarks

Average Pricing, 2013: 156%
90th Percentile: 194%
10th Percentile: 131%

2013 Pricing Level by Region

Setting Your Pricing Level

- Know your insurance contracts
- Rule of thumb: Charge at least 20% higher than the rates that your best payor would pay you
Define Report Criteria

Pricing Analysis Report

RVU Status Code – Every procedure is assigned a status code by Medicare

Units – Actual number of units performed for the procedure in the date range selected.

Number of Valid RVU Units – This is "0" for procedures that have an RVU value of 0. This includes imm, injections, and some lab procedures.
**Total Number of RVUs** = \( \text{AVG RVU per Unit} \times \text{Number of Valid RVU Units} \)

**AVG RVU Per Unit** – The RVU value for the procedure for the database year selected and adjusted by the selected GPCI location factors.

**AVG Charge Amount** = \( \frac{\text{Charge Amount}}{\text{Units}} \). This represents your current price for the procedure.

**AVG Deposited Amount** = \( \frac{\text{Amount Deposited}}{\text{Units}} \). This represents how much you collect for the procedure on average.

**RVU Practice FACF** – This column represents what your price would be if you charged at the average pricing level you use for all other procedures.
### Pricing Analysis Report

**RVU Medicare FACF** – This is the Medicare-assigned dollar value of the procedure for the database year selected.

Calculation: Medicare Conversion Factor for database year * "AVG RVU Per Unit"

**AVG Deposited as Percent of Medicare FACF** = "Avg Deposited" / "RVU Medicare FACF". This represents how much you are getting paid for the procedure "as a percent of Medicare" for the database year selected.

**RVU Medicare FACF at X%** – This column represents the price of the procedure code at X% of Medicare. X% is whatever you used as the "RVU Multiplier" on the criteria page.

Calculation = "RVU Medicare FACF" * "RVU Multiplier"
Pricing Analysis Report

Underbilled Amount = This represents how much you have undercharged for the procedure.
Calculation = (“AVG Charge Amount” - “RVU Medicare FACF at X%”) * “Units”

Suggestion

• Quickly “eyeball” the “Underbilled Amount” column to identify which procedures you may be undercharging for.

• High negative numbers in this column indicate more drastic undercharging. Positive numbers or $0 indicate a sufficient price based on the level you chose.

Setting Prices For Immunizations

• Use RBRVS method for pricing immunization administration

• Immunizations have RVU value of 0, so $0 price will show in RVU report

• CDC guide showing AWP (Average Wholesale Price)

• AAP resources for vaccine financing
  http://www2.aap.org/immunization/pediatricians/financing.html

• Recommendation: Seek vaccine reimbursement rate of 17-28% above your direct purchase price.
Setting Prices For Clinical Lab Procedures

- Refer to CMS “Clinical Laboratory Fee Schedule”
  http://www.cms.hhs.gov/ClinicalLabFeeSched/01_overview.asp