

How to Do Your Own Revenue and Pricing Analysis

2013 Users Conference
7/19/13
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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



How Should You Set Your Prices?

- Using standard system called RBRVS
 - Resource Based Relative Value Scale
 - Ugly math
- PCC's "Pricing Analysis" **srs** report will do the ugly math for you



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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 payors use components of Medicare RBRVS to reimburse physicians.



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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.



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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.**



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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)



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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:

Medicare Locality Name	Work	Practice Expense	Malpractice
Suburban Chicago, IL	1.017	1.068	1.629
Chicago, IL	1.025	1.080	1.940
Rest of Illinois	1.000	0.880	1.219
Metropolitan Boston	1.029	1.291	0.764
Rest of Mass.	1.007	1.106	0.764
Fort Lauderdale, FL	1.000	1.018	2.250
Miami, FL	1.000	1.069	3.167
Rest of Florida	1.000	0.939	1.724



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Calculating an RVU

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

$$\begin{aligned} & (\text{Work RVU} * \text{Work GPCI}) + \\ & (\text{Practice Expense RVU} * \text{PE GPCI}) + \\ & (\text{Malpractice Expense RVU} * \text{ME GPCI}) = \\ & (0.97 * 0.968) + (0.80 * 0.983) + (0.05 * 0.489) = \underline{1.75} \end{aligned}$$



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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



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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:

2013 RVU Value	2013 Medicare Conversion Factor	2013 Medicare Value
2.12	\$34.02	\$72.04



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Pediatric Pricing Benchmark

Pick the pricing level appropriate for your practice ...

PCC Pediatric Benchmark, 2013:

156% of Medicare



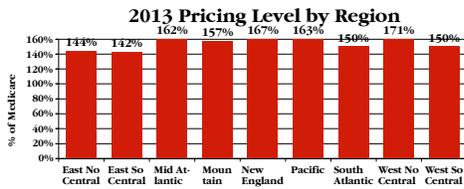
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Pediatric Pricing Benchmarks

Average Pricing, 2013: 156%

90th Percentile: 194%

10th Percentile: 131%



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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



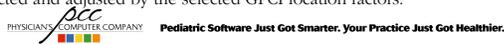
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Pricing Analysis Report

Pricing Analysis (RVU Report per Procedure)															
Procedure Code Set A Status Code	RVU Units	Number of Valid RVU Units	Charge Amount	Total Number of RVUs	Avg RVU Per Unit	Avg Charge Amount	Avg Deposited	Avg Practice FACP \$28.64	RVU Practice FACP	RVU Medicare FACP	Avg Deposited as Percent of Medicare FACP	RVU Medicare FACP at 140%	RVU 140% Charge Difference	Underbilled Amount	Amount Deposited (all pmts)
99213	A	3	\$144.00	6.351	2.12	\$48.00	\$48.00	\$60.64	\$72.04	\$66.63	\$100.86	\$158.58	\$158.58	\$144.00	\$144.00
99213	A	3	\$144.00	6.351	2.12	\$48.00	\$28.67	\$60.64	\$72.04	39.79%	\$100.86	\$158.58	\$158.58	\$86.00	\$86.00
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99213	A	9	\$432.00	19.053	2.12	\$48.00	\$39.00	\$60.64	\$72.04	54.14%	\$100.86	\$475.74	\$475.74	\$351.00	\$351.00
99213	A	4	\$192.00	8.468	2.12	\$48.00	\$27.75	\$60.64	\$72.04	38.52%	\$100.86	\$211.44	\$211.44	\$111.00	\$111.00
99212-25	A	14	\$564.00	17.892	1.28	\$40.30	\$17.07	\$36.61	\$43.49	39.25%	\$60.88	\$288.12	\$288.12	\$238.97	\$238.97
99212	A	71	\$2,840.00	90.738	1.28	\$40.00	\$29.84	\$36.61	\$43.49	68.62%	\$60.88	\$1,482.48	\$1,482.48	\$2,118.93	\$2,118.93
99211	A	517	\$10,320.00	309.166	0.60	\$19.96	\$3.66	\$17.15	\$20.37	17.99%	\$28.52	\$4,424.84	\$4,424.84	\$1,894.60	\$1,894.60
99205	A	2	\$290.00	11.778	5.89	\$145.00	\$145.00	\$168.68	\$200.39	72.36%	\$280.55	\$271.10	\$271.10	\$290.00	\$290.00
99204	A	10	\$950.00	47.54	4.75	\$95.00	\$68.50	\$136.17	\$161.77	42.34%	\$226.48	\$1,314.80	\$1,314.80	\$685.00	\$685.00
99203	A	39	\$3,274.00	122.07	3.13	\$84.00	\$38.03	\$89.65	\$106.50	35.71%	\$149.11	\$3,241.29	\$3,241.29	\$1,483.20	\$1,483.20
99173	H	3	\$30.00	0.258	0.09	\$10.00	\$0.00	\$2.46	\$2.93	0.00%	\$4.10	\$17.70	\$0.00	\$0.00	\$0.00
99076	H	4	\$300.00	0.112	0.00	\$300.00	\$300.00	\$300.00	\$300.00	0.00%	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00

Total Number of RVUs = "AVG RVU per Unit" * "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.



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Avg Charge Amount = "Charge Amount" / "Units". This represents your current price for the procedure

Avg Deposited Amount = "Amount Deposited" / "Units". This represents how much you collect for the procedure on average.



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RVU Practice FACP – This column represents what your price would be if you charged at the average pricing level you use for all other procedures.



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88076	H	4	4	\$300.00	0.112	0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$300.00

RVU Medicare FACP – 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"



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



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99204	A	10	10	\$950.00	47.54	4.75	\$95.00	\$68.50	\$136.17	\$161.77	42.34%	\$226.48	\$-1,314.80	\$-1,314.80	\$685.00
99203	A	39	39	\$3,274.00	122.07	3.13	\$66.00	\$38.03	\$89.65	\$106.50	35.71%	\$149.11	\$-3,241.29	\$-3,241.29	\$1,483.20
99173	H	3	3	\$30.00	0.258	0.09	\$10.00	\$0.00	\$2.46	\$2.93	0.00%	\$4.10	\$17.70	\$0.00	\$0.00
88076	H	4	4	\$300.00	0.112	0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$300.00

RVU Medicare FACP 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 FACP" * "RVU Multiplier"



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Pricing Analysis Report

Pricing Analysis (RVU Report per Procedure)															
Procedure Set A Status Code	RVU Code	Units	Number of Valid RVU Units	Charge Amount	Total Number of RVUs	Avg RVU Per Unit	Avg Charge Amount	Avg Deposited	RVU Practice F28.64	RVU Medicare F28.64	Avg Deposited Medicare F28.64	RVU Medicare F28.64 at 142%	RVU 142% Charge Difference	Underbilled Amount	Amount Deposited (all prints)
99213	A	3	3	\$144.00	6.351	2.12	\$48.00	\$48.00	\$60.64	\$72.04	66.43%	\$100.86	\$-158.58	\$-158.58	\$144.00
99213	A	3	3	\$144.00	6.351	2.12	\$48.00	\$28.67	\$60.64	\$72.04	39.79%	\$100.86	\$-158.58	\$-158.58	\$86.00
99213	A	3	3	\$144.00	6.351	2.12	\$48.00	\$35.33	\$60.64	\$72.04	49.05%	\$100.86	\$-158.58	\$-158.58	\$106.00
99213	A	9	9	\$432.00	19.053	2.12	\$48.00	\$39.00	\$60.64	\$72.04	54.14%	\$100.86	\$-475.74	\$-475.74	\$393.00
99213	A	4	4	\$192.00	8.448	2.12	\$48.00	\$27.75	\$60.64	\$72.04	38.52%	\$100.86	\$-311.64	\$-311.64	\$115.00
99212-25	A	14	14	\$564.20	17.892	1.28	\$40.30	\$17.07	\$36.61	\$43.49	39.25%	\$60.88	\$-288.12	\$-288.12	\$238.97
99212	A	71	71	\$2,840.00	90.738	1.28	\$40.00	\$29.84	\$36.61	\$43.49	68.62%	\$60.88	\$-1,482.48	\$-1,482.48	\$2,118.93
99211	A	517	517	\$10,320.00	309.166	0.60	\$19.96	\$3.66	\$17.15	\$20.37	17.99%	\$28.52	\$-4,024.84	\$-4,024.84	\$1,894.60
99205	A	2	2	\$290.00	11.778	5.89	\$145.00	\$145.00	\$168.68	\$200.39	72.36%	\$280.55	\$-271.10	\$-271.10	\$290.00
99204	A	10	10	\$500.00	47.54	4.75	\$50.00	\$68.50	\$136.17	\$181.77	42.34%	\$226.48	\$-1,214.80	\$-1,214.80	\$485.00
99203	A	39	39	\$2,574.00	122.07	3.13	\$66.00	\$38.03	\$89.65	\$106.50	35.71%	\$149.11	\$-3,241.29	\$-3,241.29	\$1,483.20
99173	H	3	3	\$30.00	0.258	0.09	\$10.00	\$0.00	\$2.46	\$2.93	0.00%	\$4.10	\$17.70	\$0.00	\$0.00
99076	H	1	1	\$300.00	1.172	1.172	\$300.00	\$300.00	\$300.00	\$300.00	0.00%	\$300.00	\$0.00	\$0.00	\$300.00

Underbilled Amount = This represents how much you have **undercharged** for the procedure.

Calculation = ("AVG Charge Amount" - "RVU Medicare F28.64 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)

<http://www.cdc.gov/vaccines/programs/vfc/awardees/vaccine-management/price-list/index.html>

- 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



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