

Orlando Health builds defensible service line pricing strategy

Like other health systems, Orlando Health identified early the need to build a systemic and integrated solution for charge compliance, accuracy and accountability that was based on defensible pricing.

Challenge

Located in Central Florida, Orlando Health (Orlando) comprises five leading community hospitals, three nationally-recognized specialty hospitals and a world-class cancer center. With 1,780 beds across eight facilities, it is one of Florida's most comprehensive private, not-for-profit health care networks.

Orlando knew it had cash leakage along its revenue cycle. Given the health system's size and scale the lost revenue implications were significant. The organization also recognized the need to improve its pricing accuracy and transparency. Orlando's cost-to-charge had not been monitored; instead, cost increases were applied across the board to the 100,000 items listed on its Charge Description Master (CDM). With thousands of medical charts per month, manual review was time consuming and led to oversights in billing. In addition, without a mechanism in place to match costs in the system's CDM there was insufficient data to form a solid basis for line-item level pricing.

A five-year plan was launched to improve revenue integrity and to create a defensible pricing structure that would validate charges for services and supplies, and hold up to consumer scrutiny. At the conclusion of the plan, Teresa Loomis, corporate director, Revenue Integrity for Orlando, recognized that the process of increasing revenues and strengthening operational efficiency has no expiration date. According to Loomis, Orlando's original five-year plan for financial improvement has transitioned into a "forever plan."

Solution

Orlando's revenue integrity initiative was structured to rely upon both human expertise and technology. In one major step, Clinical Liaisons were added to the Revenue Integrity department for each service line to uncover lost charges and correct CDM line items to meet regulatory requirements. Next, a combination of nThrive's technology and services were selected to support the Revenue Integrity team to identify charge issues before claims submission and achieve net revenue improvement.



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**TERESA LOOMIS, CORPORATE
DIRECTOR, REVENUE INTEGRITY,
ORLANDO HEALTH**

Orlando implemented CDM Master® to support its objective to build an accurate and compliant chargemaster. The solution is designed to scrub the chargemaster and report inefficiencies or discrepancies. It flags incorrect procedure and device codes, and helps to maintain Medicare regulatory standards by reconciling and validating those regulations at the end of every month.

Orlando spent one year in cleaning up its chargemaster and building institutional knowledge on the relationship of the items in the file. The following year, the Revenue team tackled those service areas across its eight hospitals presenting greater regulatory compliance opportunities and the most challenging in CDM builds and pricing strategies—cardiac rehabilitation, pulmonary wellness, reference laboratories and orthopedics hip packages.

A Web-based coding and compliance reference tool, KnowledgeSource®, also came into the mix to provide a single source for regulatory and coding compliance information related to pricing and reimbursements.

“We now have one charge master maintaining the same price for all campuses in one file,” says Loomis. “It really helps keep us straight. CDM Master gave us the binoculars to see descriptions and CPT codes that didn’t match and find pricing discrepancies.”

A clearer, cleaner CDM set the stage for Orlando to develop pricing for the most price-sensitive and greatest revenue and compliance opportunities. The holistic charge file enabled the revenue team to see where pricing didn’t make sense or where items bore no relationship. “A CT scan costs more than an X-ray, but we needed to understand the cost relationship,” notes Loomis. “We knew if we could understand our costs, we could create our own pricing methodology, apply it and then assess financial improvement.”

An initial step was to identify the cost of supplies. Orlando turned to the nThrive solution, Cost-to-Charge Analytics, to build out a pricing relationship to its supply costs as one basis to form its pricing methodology. The analytics tool is designed to help health care organizations link supply chain and revenue cycle

information. It provides complete, side-by-side visibility into supply charges and cost data, and offers the industry’s most complete and accurate master item file and chargemaster. Orlando was able to utilize multiple data sources to link current supply cost to the CDM price for validation.

nThrive’s Defensible Price Modeling Services used both internal and external data comparisons to improve pricing consistency and validate defensibility. The services include applying internal pricing methodology to the CDM and then analyzing pricing sensitivities with payer mix.

Orlando created a multi-tier strategy for cost mark-ups on imaging services. Cost mark-up tiers for supplies were fine tuned. Other cost areas either fit into cost-based constraint groups defined by Orlando, or into a “catch-all” group receiving an across-the-board increase to achieve the gross target. Achieving the target was done consistently across all service lines keeping within regulatory standards and being mindful of defensibility and community responsibility.

Results

Orlando’s work to strengthen the revenue cycle continues to accrue benefits. Each year, the health system reviews its net growth and looks at its service line pricing strategy. The “forever plan” described by Teresa Loomis is ongoing, and what once seemed daunting now inspires confidence for the future.

Features

- CDM Master for optimal revenue integrity through an accurate and compliant chargemaster
- Cost-to-Charge Analytics to gain side-by-side visibility into supply charges and cost data for revenue integrity, highlight compliance issues and revenue opportunities and reduce off-contract items
- Defensible Price Modeling Services to improve pricing consistency and establish defensible pricing
- KnowledgeSource to perform coding updates—regulatory resource



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