Connecting what you charge to what you purchase – and why that's important

In an era of tighter regulations and increased public scrutiny of health care costs, your health system must have a defensible pricing strategy. This requires linking what your organization pays for supplies and pharmacy items and other purchases with what patients are charged for services – a process that's easier said than done in many settings. While challenging, integrating these two vital components of the revenue cycle is essential to your healthy financial performance.

by Kelly Barnes
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Your health system cannot function efficiently without a charge description master (CDM) showing the prices of medical supplies, devices, medications, services, procedures and other items for which patients are charged, an item master (IM) describing supply chain products and prices and a formulary for pharmacy data. While most health systems have all three, few are fully integrated, even though doing so can help capture more revenue and increase reimbursements.

It's estimated that about 5 percent of acute care hospitals have no links between their CDMs and IMs. These are mostly small entities that lack the ability or systems to initiate integration. About 85 percent of health systems link the two, but maintain them in separate databases. These organizations typically use multiple software systems from various vendors that don't "talk" to each other to automate supply charge capture. The supply to charge code link is also often maintained differently within each software system based on available resources. Only about 10 percent of health systems link the CDM and IM with a common or shared database. The majority try to establish a standardized process for supply to charge code linkage; however, a lack of tools and technology lessens the ability to maintain and coordinate supply automation activities.

CDM, ITEM MASTER AND FORMULARY INTEGRATION CHALLENGES

The first concern of most health systems is determining departmental coverage for chargemaster updates given limited resources. This effort can become a full-time job for those involved, so determining how to link revenue cycle with pharmacy and materials management departments without disruption is critical. Another concern is the poor cross-functional relationship often found between these areas. These departments typically don't work together, so an overarching body may be needed to steer all sides toward successful implementation. The last concern relates to data analytics. Without a working relationship, there may be little understanding that this new data linkage directly impacts global organization analytics. In other words, if the data isn't clean, the output will be inaccurate.

INTEGRATION WATCH OUTS

Once your health system decides to integrate its CDM, IM or formulary a few common pitfalls can occur. One is failing to account for the different clinical information systems and separate databases that house your CDM as well as the pharmacy and supply items. If your CDM is decentralized, the same item can be used and charged for differently in various departments. Another pitfall can be the absence of internal controls to monitor and track the established

integration between the CDM, IM and formulary. A third pitfall can be not knowing which charge codes should be identified with a particular pharmacy item, supply or implant. This knowledge gap can lead to inaccurate revenue codes and Healthcare Common Procedure Coding System (HCPCS) assignment, resulting in lost revenue. It's crucial that every chargeable item have a corresponding charge code to ensure accurate charging and reimbursement.

TIPS FOR INTEGRATION SUCCESS

Linking the CDM, IM or formulary is increasingly important to your health system. It's a complicated process, but adhering to a few basic tenets can make your process much easier.

Tip #1: Establish executive sponsors in key areas including revenue cycle, materials management and pharmacy departments.

Tip #2: Use technology solutions and knowledgeable experts to interpret and synthesize data and processes for the overall project.

Tip #3: Use the item master and the formulary as the sources of truth for establishing the charge code linkage.

Tip #4: Create best practice workflows and policies to maintain CDM to the formulary as well as the item master linkages. The revenue cycle department should take ownership of establishing the charge code link.

Tip #5: Establish key performance indicators and metrics to track financial opportunities throughout the process.

Tip #6: Establish meetings to review progress and provide monthly feedback to departments on any identified linkage issues.

Implementing these six tips will improve your chargemaster accuracy to drive improved revenue performance and support for your defensible pricing strategy.

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Kelly has more than 25 years of health care experience and has managed all aspects of various specialty, single and multi-provider office, and clinics. This coupled with extensive experience in multi hospital revenue cycle management, reimbursement, supply chain and charge master management creates a unique skill set for her clients. As Director of Advisory Solutions for nThrive she has lead detailed engagements of revenue cycle practices, developed detailed project management plans, worked with clients conducting onsite revenue cycle assessments and provided recommendations to increase revenue and decrease inefficiencies within work streams. Prior to joining MedAssets, Kelly and her team at Houston Methodist, developed a charge capture and charge reconciliation process, along with a daily departmental dashboard which was implemented in all the departments and seven hospitals.

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