



# CHARGE MASTER BASICS

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MIKE KOVAR

PRINCIPAL

WEISERMAZARS LLP

# What we will cover:

- Definitions and uses of the charge master
- Charge master concepts including important data elements such as CPT, HCPCS and Revenue Codes
- Charge master impacts on payments
- Charge master development and maintenance processes
- Opportunities to improve revenues through charge master

# What is the Charge Master?

- The charge master is the “list” price book for the acute care hospital of all services, supplies, and drugs provided to patients in a hospital
  - Also frequently called “CDM” or “Charge Description Master”
  - Number of items listed in the charge master can vary from 5,000 to over 60,000
- It provides hospitals with a mechanism to charge patients for the services, supplies, and drugs provided
- It used to receive payment from third parties as well as patients for services provided
- It is also used for statistical reporting, productivity monitoring and decision support functions at many hospitals

# What is the Charge Master?

- Linked to clinical systems and test ordering functions
- Medicare and Medicaid cost reports are prepared from information in the charge master
- Charge master billing information reported to different insurance companies can vary
- Generally no regulations in most states requiring full disclosure of the charge master to the general public

# What is the Charge Master?

Department Number	Description	CDM Item Number	CDM Description	Default UB-04 Revenue Code	CPT4 Code	Medicare Code	Medicaid Code	Price
Magnetic Resonance Imaging		2000001	MRI BREAST W&W/O CON, LT	614	77058	C8905	77058TC	4,200.00
Magnetic Resonance Imaging		2000002	MR ANGIOGRAPHY-SPINE	612	72159	C8932	72159TC	4,800.00
Magnetic Resonance Imaging		2000003	MRI BREAST W/O CON, LEFT	614	77058	C8904	77058TC	3,100.00
Magnetic Resonance Imaging		2000004	MRI BREAST W/CONT, LEFT	614	77058	C8903	77058TC	3,300.00
Magnetic Resonance Imaging		2000005	MRI BREAST W&W/O CON, RT	614	77058	C8905	77058TC	4,200.00
Magnetic Resonance Imaging		2000006	MRI BREAST W/O CON, RT	614	77058	C8904	77058TC	4,200.00
Magnetic Resonance Imaging		2000007	MRI BREAST W/CONT, RT	614	77058	C8903	77058TC	4,200.00
Magnetic Resonance Imaging		2000008	MRA SPINE W&W/O CONT	612	72159	C8933	72159TC	4,900.00

# Key Elements in the Charge Master

- **CDM Item Number**
  - It usually includes department number or a link to the department number.
- **Description**
  - No standard nomenclature required
    - “aspirin” versus “acetylsalicylic acid”
  - Description should be user friendly for patient accounting staff as well as patients.
- **CPT Code (5-digit numeric code) or HCPCS Code (Alpha-digit plus 4 numeric digit code)**
  - Provides the basis for outpatient payment for Medicare and many other insurance companies
  - Not all services have CPT or HCPCS Codes (supplies and drugs)
  - There are over 10,000 available codes

# Key Elements in the Charge Master

- **UB-04 Revenue Code (4 digit code)**
  - National Uniform Billing Committee maintains the list of codes
  - Links typically to CPT code and is pointer to clinical department where the service is provided.
  - Different insurers can require different Revenue Codes for the same service
- **Price**
  - It is the dollar amount billed to the patient/payor
  - It is not the amount reimbursed by the insurers or Medicare/Medicaid
  - Prices have been determined a variety of ways:
    - Medicare Fee Schedule amount times a markup factor
    - Cost of procedure/supply/drug times a markup factor
    - Across the board % increase
    - Strategic pricing initiatives

# Charge Master Payment Impact

- No insurance company pays 100% of the charge amount
- Payment methodology can vary based on patient status as an inpatient versus outpatient as well as by insurance company
- Medicare pays for inpatient acute care hospital stays using Diagnosis Related Groups (DRGs)
  - Prospective payment system that pays based on a "bundled payment" for the hospital services only
  - Charges only matter as they relate to high cost patients in a particular DRG



# Charge Master Payment Impact

- Medicare pays for outpatient acute care hospital stays using Ambulatory Payment Classifications (APCs)
  - Prospective payment system that pays based on a “bundled payment” for the hospital services only
  - CPT and HCPCS Codes used to determine payment
    - Status indicators are assigned to each charge item
    - CMS continues to bundle services into larger and larger bundles for payment
  - Charges only matter as they relate to high cost patients in a particular APC

# Charge Master Payment Impact

- Medicaid across the country pays for inpatient acute care hospital stays using a variety of methods
  - DRGs
  - Case Rates
- Medicaid across the country pays for outpatient acute care hospital stays using a variety of methods
  - APCs
  - APGs
  - Fee Schedules
  - Flat rate by type of service

# Charge Master Payment Impact

- Other insurance companies across the country pays for inpatient acute care hospital stays using a variety of methods
  - DRGs
  - Case Rates
  - % of charge
- Other insurance companies across the country pays for outpatient acute care hospital stays using a variety of methods
  - APCs
  - APGs
  - Fee Schedules
  - Flat rate by type of service
  - % of charge

# Charge Master Development and Maintenance

- Charge master is constantly changing and requires daily attention
  - New procedures, supplies and drugs
  - CMS makes quarterly changes to the payment systems
  - Other insurers can change their payment system daily, weekly, monthly
  - Most hospitals have a “Charge Master Manager”
- There is no consistency across insurers including Medicare and Medicaid regarding charge master structure
  - Different CPT, HCPCS, and Revenue Codes for the same services
  - Supplies and drugs billable or not?
  - What is paid and what is not paid!
  - No industry-wide pricing methodology
  - % of charge

# Charge Master Revenue Improvement Opportunities

- Improve capture of charges for the services provided
  - Lost charges are a significant problem for most hospitals
    - 10 to 25% of charges can be lost
- More accurate assignment of CPT and Revenue Codes on the charge master
  - Payor overpayments and underpayments
    - Regulatory compliance risk
    - Revenue leakage
- Better payor contract development
  - Simplify billing process
  - Create consistent payment modeling
    - Regulatory compliance risk
    - Revenue leakage



# Charge Master Revenue Improvement Opportunities

- Optimize payment resulting from inconsistencies between different payor contract terms
  - Implant carve-outs
  - High cost drugs
  - Emergency room visit levels
  - Payable procedures by insurer

# QUESTIONS?



# Thank You





# Presenter Information

Mike Kovar

410-916-0824

Mike.Kovar@WeiserMazars.com