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# Mastering Your Hospital Chargemaster



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# With You Today

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Tim offers over 30 years of healthcare finance experience, including playing key roles in the optimization and implementation of contract negotiations, admission and budget processes, clinical documentation, and more. His first-hand experience within and around hospitals has provided him a wealth of information and firsthand experience.



# Today's Talking Points



- What is the Chargemaster?
- Why is it important?
- Types of charges and key issues of each
- Tips for reviewing your Chargemaster

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# What is the Chargemaster?



# Polling Question #1

The best description of what a chargemaster is would be:

- a. A coding list
- b. A superbill
- c. A price list
- d. A supply menu

# Chargemaster Definition

- Referred to as Chargemaster, Charge Description Master, or CDM (I'll use "CDM" for today)
- Price list for every item that a hospital could charge for care
- 5K to 25K line items for small to medium-sized hospitals



# Key Components of CDM

- Internal identifying code, usually numeric
- Text description that will show on detail bills and other reports
- Department owner
- Price
- HCPCS/CPT® Code and modifiers (including alternates)
- UB-04 Revenue Code

ITEM NUMBER	DEPT		DESCRIPTION	PRICE	HCPCS CODE	REVENUE		GL NUMBER
	NUMBER	NUMBER				CODE	MEDICAID CODE	
791002	761		CORONARY ARTERY DILATION	\$ 1,550.00	92982	481	92982TC	0800.4601
791000	761		INJECTION, CARDIAC CATH	\$ 220.00	93540	481	93540TC	0800.4601
761001	761		NURSING FAC CARE, SUBSEQ	\$ 75.00	99307	636	7610	0800.4601
761002	761		HOME VISIT, NEW PATIENT	\$ 80.00	99341	636	7610	0800.4601
761003	761		REPAIR EYELID DEFECT	\$ 110.00	67915	636	7610	0800.4601
810003	761		REPAIR EYELID DEFECT	\$ 550.00	67916	272	7610	0800.4601
810004	761		REMOVAL OF KIDNEY STONE	\$ 390.00	50080	272	7610	0800.4601
810050	761		DECALCIFY TISSUE	\$ 2,065.00	88311	272	7610	0800.4601
810061	761		CHROMOSOME COUNT, ADDITIONAL	\$ 275.00	88285	272	7610	0800.4601
810072	761		ASSAY OF FREE THYROXINE	\$ 159.00	84439	622	7610	0800.4601
810080	761		ASSAY OF THYROID ACTIVITY	\$ 7,064.00	84442	272	7610	0800.4601
791004	761		ASSAY THYROID STIM HORMONE	\$ 650.00	84443	272	7610	0800.4601

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# With DRG's and Insurance Fee Schedules, Why Does the CDM Matter?





# Importance of the CDM

- For some services, the CDM contains all procedure coding
- Some payers will pay a percentage of charges for certain services
- Many payers limit their fee payment to the lower of their fee schedule or a hospital's charge
- Price Transparency
- Impacts cost report CCR's
- May impact costing calculations

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# Types of Charge Items in the CDM



# Hard-Coded Charges

“Hard-Coded” = CDM contains the codes that will end up on the bill

- Largest ones are imaging, lab
- Key issues in maintenance:
  - Up to date HCPCS/CPT® and modifiers by payer
  - “Exploding” charges
  - Lab panels
  - Reference Lab markup



# Michigan Anti-Markup Law

## BILLING FOR CLINICAL LABORATORY SERVICES Act 358 of 1972

AN ACT to regulate the billing or payment of a purveyor of clinical laboratory services; and to prescribe penalties.

**History:** 1972, Act 358, Imd. Eff. Jan. 9, 1973.

*The People of the State of Michigan enact:*

### **445.161 Clinical laboratory work; billing patient or third party in excess of amount billed licensed person.**

Sec. 1. A person licensed to practice medicine by an agency of the department of licensing and regulation, a hospital, agency or any other entity billing patients or third parties for laboratory work, shall not bill a patient for laboratory work performed by a clinical laboratory for any amount in excess of the amount billed by the clinical laboratory to the licensed person for such services.

**History:** 1972, Act 358, Imd. Eff. Jan. 9, 1973.

### **445.162 Physicians not to receive fee from laboratory.**

Sec. 2. A person licensed to practice medicine by an agency of the department of licensing and regulation shall not receive a fee or other remuneration from a clinical laboratory or an intermediary for a clinical laboratory for submitting specimens from patients to a clinical laboratory.

**History:** 1972, Act 358, Imd. Eff. Jan. 9, 1973.

### **445.163 Violation; penalty.**

Sec. 3. A person who is in violation of section 1 shall be guilty of a misdemeanor punishable by imprisonment for not more than 1 year or a fine of not more than \$500.00 or both.

**History:** 1972, Act 358, Imd. Eff. Jan. 9, 1973.

# Soft-Coded Charges

“Soft-Coded” = CDM contains prices and description, but coders assign the codes that will end up on the bill

- Largest ones are surgery and other procedures
- Key issues in maintenance:
  - Services that have both hard and soft components (e.g., image guidance during surgery)
  - Relationship between charges and fee schedule
  - Relationship between charges and cost

## Polling Question #2

When the surgery department charges for time for a procedure rather than specific CPT-4<sup>®</sup> codes, this would likely be an example of:

- a. A hard-coded charge
- b. A soft-coded charge
- c. An “exploding” charge
- d. A billable supply charge

# Supplies

- Key issues in maintenance:
  - Equipment
  - Routine Supplies



# Supplies

## **Routine (Non-Billable)**

- Purchased and used for most patients in a setting
- Purchased in bulk
- Considered to be included in general cost of room/procedure
- Examples: Gloves, Specimen containers, Bandages
- Just because it may have a HCPCS code does not make it billable

## **Billable Supplies**

- Furnished at the direction of a physician because of medical needs
- Directly identifiable to a patient
- Not ordinarily furnished during the course a procedure
- Examples: Implants



## Polling Question #3

Standard blood draw vials would very likely be considered:

- a. Chargeable supplies if a HCPCS code exists for it
- b. Chargeable if they are used for the majority of blood draws
- c. Nonchargeable because they are usually low cost
- d. Nonchargeable because they are a routine supply

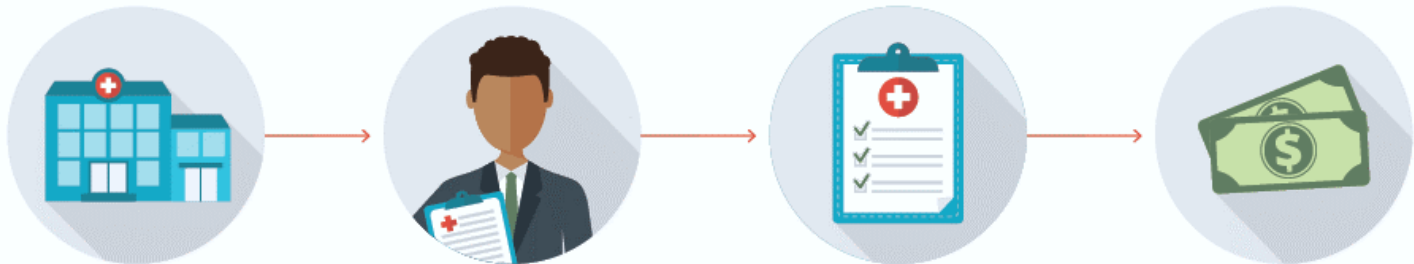
## Polling Question #4

Which of the following supplies is most likely separately billable:

- a. Use of a high-tech piece of equipment
- b. An implant ordered by a physician for a specific patient
- c. Items purchased in bulk and used on a wide range of patients
- d. More than one of the above

# Interfaced

- Largest one usually pharmacy
- CDM may not contain pricing, possibly other fields
- Quantities and pricing come from departmental system
- Key issues in maintenance:
  - NDC codes need to align with HCPCS
  - Unit conversions from dispensing vs. billing
  - Modifiers for wasted product



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# Tips for CDM Review



# Tips for CDM Review

- 1 Perform annually after CPT<sup>®</sup> updates (late fall)
- 2 Team should include:
  - CDM Coordinator
  - Department Leader
  - Coding Staff
  - Billing Staff
- 3 Pull usage data (by payer if possible)
- 4 Consider inactivating unused items
- 5 Compare major payer fee schedules
- 6 Review exploding charge mapping
- 7 Review reference lab pricing

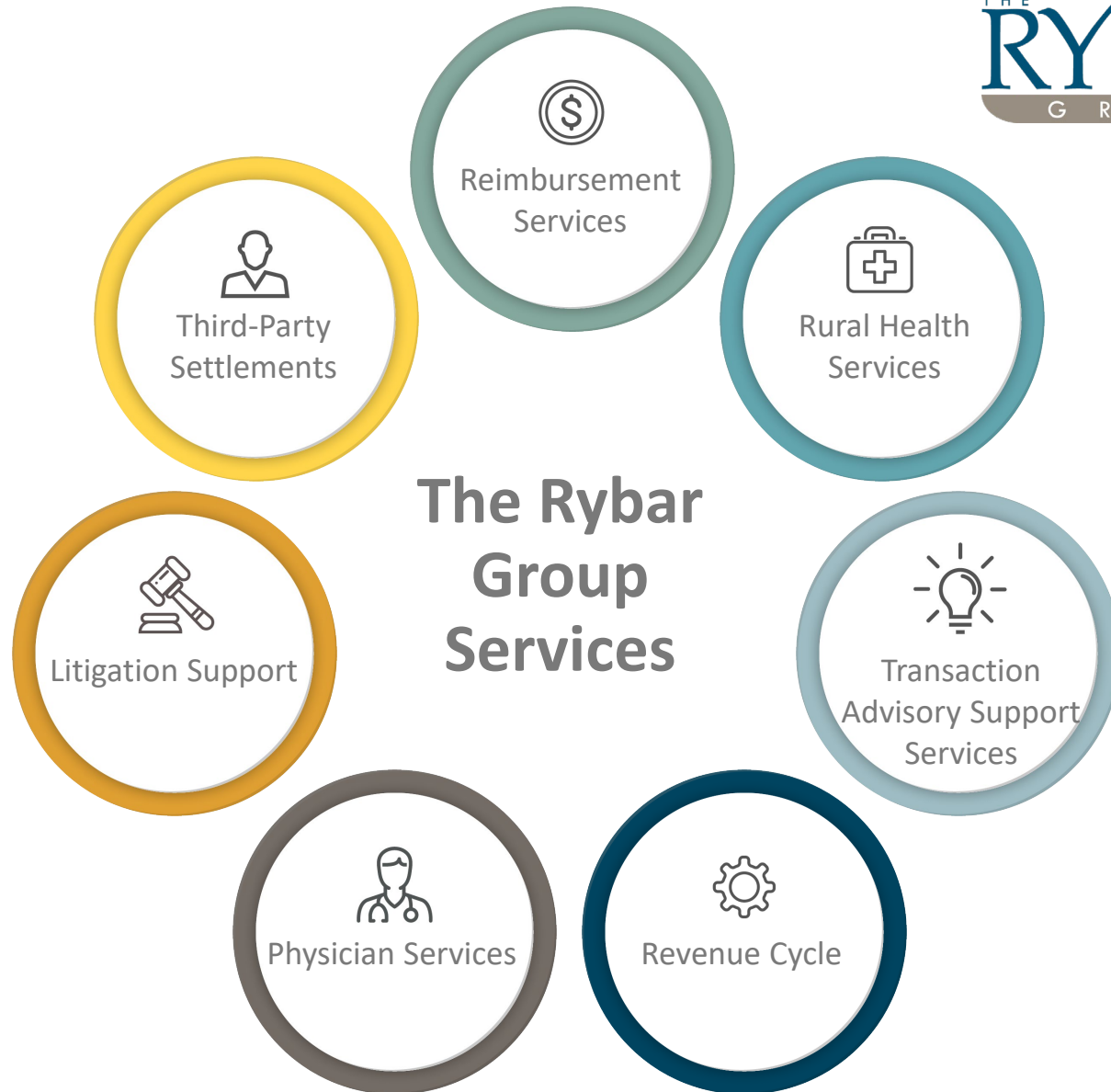
## Tips for CDM Review, cont.

- 8 Review how charges are rolling up in cost report vs. cost vs. rev code
- 9 Consider naming conventions from general to specific to allow for sorting
  - Procedures, verb first
    - CT, Arm, w/Contrast, Right
    - Visit, ER, Level 3
  - Supplies, noun first
    - Screw, Cannulated, 7mm
    - Pacemaker, dual chamber, nonrate-responsive
- 10 Review NDC to CDM mapping

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# Questions?





# Revenue Cycle



The Rybar Group offers Chargemaster Assessment, Maintenance & Education services to ensure optimal financial performance for your organization

# Contact Us

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