

# ParaRev Supply Pricing Process

## BACKGROUND:

Departments such as materials management traditionally develop separate pricing policies when compared to the rest of the organization.

These pricing policies involve the development of distinct formulas. Generally, facilities assign higher level markup formulas to items with lower cost and assign lower markup formulas for higher priced items. Health care organizations create markups based on various factors including:

- **Payer mix**
- **Utilization**
- **Market Rates**
- **Service Offerings**

Hospitals are moving towards standardizing supply pricing across all departments and services, thus improving compliance issues associated with inconsistent charging practices. Although no standard methodology exists, it is ParaRev's opinion that when creating supply pricing methodologies, the following must be considered:

- **Pricing should be developed using the actual cost basis to create a rational markup schedule**
- **Implants should have a separate markup to provide sensitivity to any contract terms that may have carve-outs**
- **Fixed Add-On and Minimum Charges should be utilized to compensate for any additional use of departmental resources for handling the supply**

The screenshot displays the 'Supplies' section of the ParaRev software. It features a navigation menu at the top with options like 'Select', 'Charge Quote', 'Charge Process', 'Claim/RA', 'Contracts', 'Pricing Data', 'Pricing', 'Rx / Supplies', 'Filters', 'CDM', 'Calculator', 'Advisor', 'Admin', 'RAC', 'CAT', and 'PARA'. The main interface is divided into several panels:

- Base Schedule:** Set to 'Current MU - May 2013'. Includes fields for Acquisition Cost, Revenue Code, and Patient Charge, with a 'Go' button.
- Comparison Schedule:** Set to 'Proposed MU - May 2013' with a 'Go' button.
- Schedule Revenue:**
  - Base: \$1,429,276.61
  - Comparison: \$2,406,366.87
- Average Charge Revenue:**
  - Total: \$1,982,548.53
  - Items With Cost: \$1,982,548.53
- View Excel Comparison Report** and **View All Schedules** links.
- Current MU - May 2013 Table:**

Level	Low	High	Minimum	Multiplier	Fixed Add On
1	0.01	0.25	1.00	6.50	0.00
2	0.26	0.50	0.00	6.50	0.00
3	0.51	1.00	0.00	6.00	0.00
4	1.01	2.00	0.00	5.50	0.00
5	2.01	5.00	0.00	5.00	0.00
6	5.01	10.00	0.00	4.75	0.00
7	10.01	20.00	0.00	4.50	0.00
8	20.01	40.00	0.00	4.25	0.00
- Proposed MU - May 2013 Table:**

Level	Low	High	Minimum	Multiplier	Fixed Add On
1	0.01	15.00	1.00	7.50	0.00
2	15.01	50.00	112.50	6.50	0.00
3	50.01	250.00	325.00	5.75	0.00
4	250.01	500.00	1,437.50	5.25	0.00
5	500.01	1,000.00	2,625.00	4.25	0.00
6	1,000.01	5,000.00	4,250.00	3.25	0.00
7	5,000.01	10,000.00	17,500.00	3.25	0.00
8	10,000.01	999,999.99	32,500.00	3.00	0.00

# ParaRev Supply Pricing Process

## REVIEW OF NON-BILLABLE ITEMS:

The majority of Providers bill for items which are not appropriate under CMS, Medicaid, or managed care charge policies. The **ParaRev Data Editor (PDE)** contains a filter to assist Providers in identifying charge items which may not be allowable charges.

The User can create a list of charges which when reviewed and marked will allow the User to calculate the gross revenue impact of removing the items. The **ParaRev Supply Pricing Process** will not assign a price or revenue assignment to any item market as compliance.

<span>Select</span> <span>Charge Quote</span> <span>Charge Process</span> <span>Claim/RA</span> <span>Contracts</span> <span>Pricing Data</span> <span>Pricing</span> <span>Rx / Supplies</span> <span>Filters</span> <span>CDM</span> <span>Calculator</span> <span>Advisor</span> <span>Admin</span> <span>RAC</span> <span>CAT</span> <span>PARA</span>														
CDM Summary											CDM Detail		Replacement / Explode Codes	
CDM: 4/30/2013			Department: All - Items: 135 (135 loaded)				<span style="color: blue;">Compliance - Identified for Review</span> <span style="font-size: small;">Filters</span>							
Quantity Date Range: 5/1/2012 to 4/30/2013											<span style="font-size: x-small;">Left mouse click on code to add to additional search</span>			
Procedure Code	Procedure Description	ExC	Qty	Price	CPT®	CPT® / HCPCS			Revenue Code					
						Medicare	Medicaid	Other	Dflt	OPPS	Part B Other Only			
01 - <a href="#">7400 - 0000114</a>	DRESSING 4X4 GAUZE SPONGE TRAY	-	75	4.36	-	-	-	-	0272	-	-	-		
02 - <a href="#">7400 - 0001064</a>	BLANKET MAXI-THERM 876 ADULT	-	4	85.80	-	-	-	-	0270	-	-	-		
03 - <a href="#">7400 - 0002447</a>	NUTRAMIGEN POWDER	-	-	26.59	-	-	-	-	0271	-	-	-		
04 - <a href="#">7400 - 0002477</a>	BRUSH CYTOLOGY GI 3mm	-	-	62.46	-	-	-	-	0272	-	-	-		
05 - <a href="#">7400 - 0006313</a>	SPECIAL BED RENTAL_PER DAY	-	-	300.00	-	-	-	-	0270	-	-	-		
06 - <a href="#">7400 - 0006408</a>	STRAP URO CATH 20IN LEGBAND	-	23	19.64	-	-	-	-	0272	-	-	-		
07 - <a href="#">7400 - 0009197</a>	BLOOD/FLUID WARMING SET	-	7	95.95	-	-	-	-	0272	-	-	-		
08 - <a href="#">7400 - 0009306</a>	SET PUMP PROVIDER 80" 11689-01	-	-	77.20	-	-	-	-	0272	-	-	-		
09 - <a href="#">7400 - 0009308</a>	ELECTRODES BALL B0512ZQ	-	10	163.10	-	-	-	-	0272	-	-	-		
10 - <a href="#">7400 - 0009341</a>	TUBE TRACH PED 5.0 CUFFED	-	2	267.03	-	-	-	-	0272	-	-	-		
11 - <a href="#">7400 - 0009635</a>	BREAST PUMP SYSTEM	-	56	136.29	-	-	-	-	0272	-	-	-		
12 - <a href="#">7400 - 0009636</a>	BREAST PUMP STARTER 8 OML BTLS	-	2	47.87	-	-	-	-	0271	-	-	-		
13 - <a href="#">7400 - 0009711</a>	ELECTRODE LOOP BALL END 27054N	-	-	498.67	-	-	-	-	0272	-	-	-		
14 - <a href="#">7400 - 0010376</a>	ELECTRODE CUTTING 27050 G STER	-	10	381.56	-	-	-	-	0272	-	-	-		
15 - <a href="#">7400 - 0010378</a>	ELECTRODE COAGULATING 27050NK	-	3	483.22	-	-	-	-	0272	-	-	-		
16 - <a href="#">7400 - 0010463</a>	KT VACUUM DEL KWI HAND PUMP	-	10	265.57	-	-	-	-	0272	-	-	-		
17 - <a href="#">7400 - 0010577</a>	ELECTRODE LETZ 10 MM STERILE L	-	-	57.55	-	-	-	-	0272	-	-	-		
18 - <a href="#">7400 - 0010583</a>	ELECTRODE NEEDLE 6" EXTENDED	-	-	15.35	-	-	-	-	0272	-	-	-		
19 - <a href="#">7400 - 0010611</a>	MATTRESS WAFFLE W/ PUMP NS	-	145	231.50	-	-	-	-	0271	-	-	-		
20 - <a href="#">7400 - 0010732</a>	SYRINGE 10CC W/ LOCKING DEVICE	-	50	12.10	-	-	-	-	0272	-	-	-		
21 - <a href="#">7400 - 0011235</a>	STAT II PUMPETTE SET W/TUBING	-	-	22.75	-	-	-	-	0272	-	-	-		

## REVENUE CODE AND COST BASIS OPTIONS:

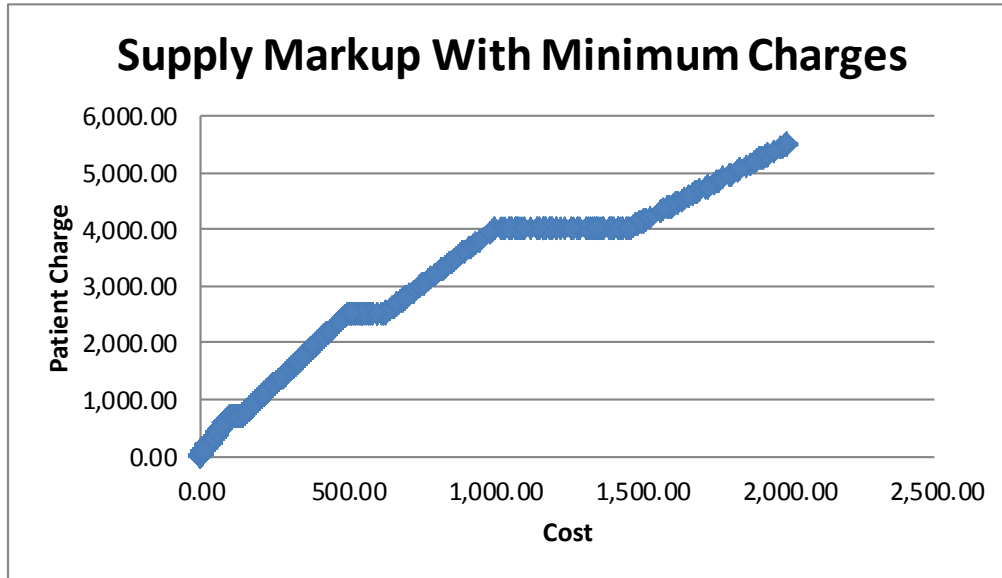
The **ParaRev Supply Pricing Process** is customized to meet the needs of the facility by allowing separate markups for implants versus other supply categories. The project also uses the facility's most recent cost extract to determine the most rational cost-based markup.

A typical supply markup will assign higher multipliers to lower cost items and lower multipliers to higher cost items. In order to ensure the patient price accurately reflects the cost of the item, fixed add-on and minimum charges are used to keep items standardized across the markup.

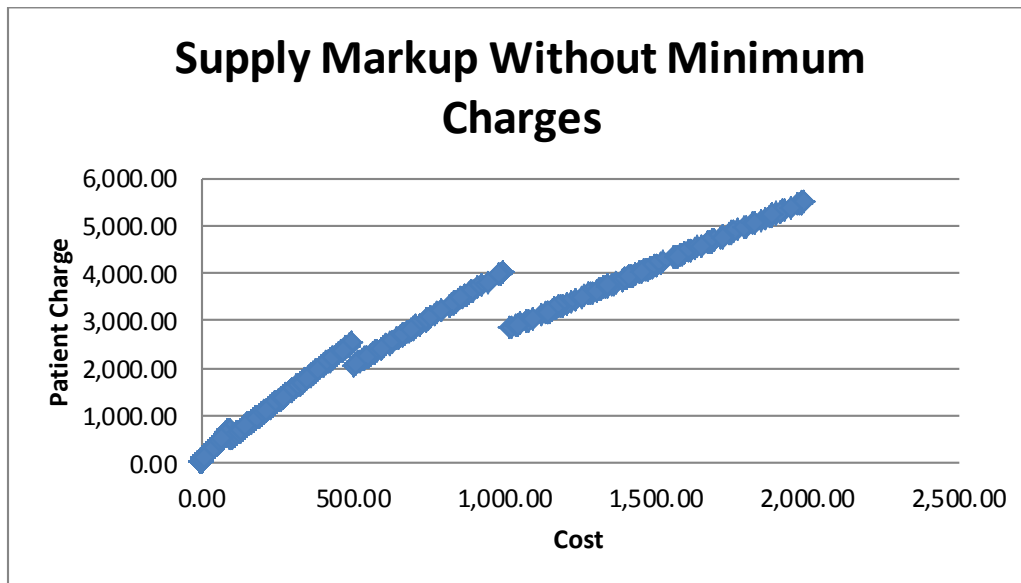
# ParaRev Supply Pricing Process

## MINIMUM CHARGES:

Let's consider the following supply markup comparisons with and without minimum charges. The markup with minimum charges shows a consistent increase in the patient prices as the cost of the item increases.



However, without the minimum charges, there are areas in the markup where a more expensive item will have a lower patient prices than a lesser expensive item. The proper use of minimum charges helps to create a rational markup formula.



# ParaRev Supply Pricing Process

## GROSS AND NET REVENUE PROJECTIONS:

ParaRev's Supply Pricing Process uses historical transaction data and the top ten payer contract terms to project the gross and net revenue realized by changes to the materials management markup. The ParaRev Data Editor has the ability to copy and compare different markup schedules to “test” various scenarios using different cost-basis and charge category options.

Select Charge Quote Charge Process Claim/RA **Contracts** Pricing Data Pricing Rx / Supplies Filters CDM Calculator Advisor Admin RAC CAT PARA

Summary Inpatient Outpatient Ambulatory Surgical Emergency Urgent Care Non Patient Stop Loss Blended Rate Comments/Notes Contacts ADDB

Select Parent Contract to Filter By... BLUEPPO - BLUE CROSS-PPO Sort By... Sort Copy Contracts/Create Pro Forma

Contract Management and Analysis Process Show Pro Forma Contracts Copy Terms Reports

\*Contract Mnemonic: BLUEPPO \*Insurance Company Name: BLUE CROSS-PPO Bind to this Parent contract: BLUE CROSS-PPO - Parent Save Contract

Parent contract

Insurance Contract Type: [Dropdown] Contract Term: [From: [Dropdown] To: [Dropdown]] Co-Pay - Annual: [Text]

Contract Term Effective Basis: [Dropdown] Required Notice Period: [Text] Days Co-Pay - Outpatient: [Text]

Renewal Status: [Dropdown] Renewal Status Warning: [Text] Days Co-Pay - Inpatient per Admit: [Text]

Billing Time Limit: [Text] Days Rebillable: Yes [Dropdown] Co-Pay - Emergency: [Text]

Payment Late Penalty: [Text] Days Interest Rate of Late Payment: [Text] % Co-Pay - Office: [Text]

Pre-Authorization: No [Dropdown] Pro Fees Billable: No [Dropdown] Annual Revenue Inflation Cap: 6 %

% of Medicare: [Text] %

Total Charges: \$83,870,351.73 : Date Range: 11/01/2011 - 10/31/2012

Hospital Patient Type	PARA Patient Type Map	Total Charge(s) Per Hospital Patient Type	Total Terms Per PARA Patient Type
I -		\$0.00	
O -		\$0.00	
SDC - SURGICAL DAY CARE	Ambulatory Surgical	\$17,559,953.90	2
ER - EMERGENCY ROOM	Emergency	\$16,189,430.98	1
PRE - PRE-ADMIT	Inpatient	\$0.00	3
IN-OTHER - INPATIENT OTHER	Inpatient	\$0.00	3
INP - INPATIENT	Inpatient	\$22,681,980.00	3
NPA - NON PATIENT ACCOUNT	Non-Patient	\$0.00	0
POV - PHYSICIAN OFFICE VISIT	Non-Patient	\$0.00	0

# ParaRev Supply Pricing Process

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## IMPLEMENTATION OPTIONS:

ParaRev has the capability to assist with full implementation of proposed supply markups. The **ParaRev Data Maintenance Services** establish a secure connection to the hospital system to update markups, costs, and other information. Please see the link below regarding details of **ParaRev's Data Maintenance Services**.

[ParaRev Data Maintenance Service](#)

## Facility Data Maintenance

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### Goal of the Process:

Establish a secure connection to the hospital system to facilitate the following:

- Create data downloads for the **ParaRev Data Editor (PDE)**
- Process updates to the Hospital charge master for pricing revisions
- Process updates to the Hospital charge master for coding revisions
- Access pharmacy clinical system for NDC, markup, and cost updates
- Access purchase item master for cost, markup, and charge number updates

**ParaRev** will have the option of installing a batch update service, usually, incorporating a scripting solution if the manual update process is determined by **ParaRev** to be too time-consuming (in excess of 5 hours per month on average).

### ParaRev Deliverables:

This engagement allows ParaRev to access necessary tables and reporting tools to process the following within the hospital systems:

- Update recommendations from charge master reviews and CMS quarterly update
- Update pricing Recommendations from Market Based Pricing and other pricing reviews
- Monthly coding updates from Medicare, Medicaid, and Worker's Compensation
- Process new charge items and changes to existing charge items
- Access to Medical Records for coding/claim audits
- Follow up for Accounts Receivable
- Process physician billing activities

# ParaRev Supply Pricing Process

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## THE PARAREV SOLUTION:

Although there is no right or wrong way to structure a markup formula for supplies, these concepts help to see the various factors and how they affect the overall result. The **ParaRev Supply Pricing Process** assists facilities in creating a rational, cost-based supply markup that remains sensitive to implants and compensates for additional use of resources.

Details of this project including purpose, data requirements, method, timeline, and deliverables are as follows. If you would like more information, please contact your Account Executive.

## PURPOSE:

The purpose of the **ParaRev Supply Pricing Process** is to create a rational, cost-based materials management markup using the concepts according to the information presented above.

The project focuses on creating a cost-based supply markup that remains sensitive to implants and compensates for additional use of resources to meet the revenue goals of the organization.

## DATA REQUIREMENTS:

The required data tables and fields for the **ParaRev Supply Pricing Process** are as follows:

- **Materials Markup- Charge category, multipliers, minimums, and additional fees**
- **Charge Master- Charge code, current charge/price, HCPCS Code**
- **Detailed Materials Cost Data- Cost data as found in the materials management system**
- **Transaction Data- Detailed patient level claims data**
- **Payer Contract Matrix- Managed care contract settlement terms**

## METHOD:

**ParaRev** Data Staff will tie these tables together and load into the **ParaRev Data Editor**. The client will complete a Supply Markup/Pricing Goals questionnaire to outline preferences in cost basis, revenue goals, and other important aspects of the analysis.

The **ParaRev** Coding staff will review the current CDM for non-billable supplies. The new markup schedule will not assign a price to any item identified as non-billable during this review.

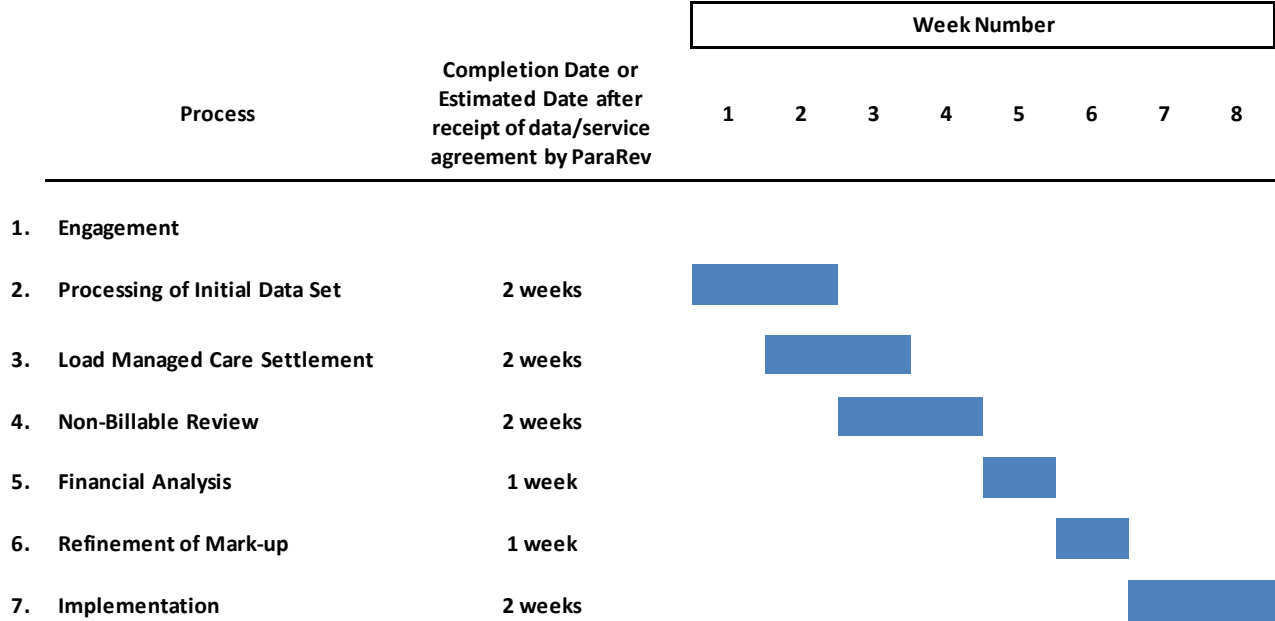
The **ParaRev** analytic staff will create a markup to meet the goals of the project and calculate the gross and net revenue opportunity of the proposed markup. The client will review the proposed markup and identify any areas where changes would like to be made.

After the final markup has been approved, the client will either implement or engage **ParaRev** to implement the markup as outlined above.

# ParaRev Supply Pricing Process

**TIMELINE:**

**Supply Pricing Process**



**DELIVERABLES:**

The **ParaRev Supply Pricing Process** deliverables to the client include identification of non-billable supply items and gross revenue impact, proposed markup, gross and net revenue projections, item-specific detailed spreadsheet of proposed changes, and a full write-up of techniques and findings.

Dept Code	Procedure Code	Procedure Description	UB Code	Qty	Cost	Current Charge	Proposed Charge	Current Revenue	Proposed Revenue
<b>Supply Schedule Analysis Report – Prepared for: Demo Hospital</b>					<b>Base CDM Date: 4/30/2013</b>			<b>Average Charge Source: Pricing Iteration 5650</b>	
<b>Schedule 1: Current Markup- Jan 2013</b>									
<b>Schedule 2: Semi Final Proposed MU v2 - Mar 2013</b>									
7400	0003166	BLADEARTH INCISOR 4.5MM	0278		59.48	151.67	163.57	0.00	0.00
7400	0003250	BLADE SAW SAGITTAL 2296-3-111	0272	1	38.21	315.23	315.23	315.23	315.23
7400	0003974	FORCEP BIOPSY	0272	900	7.62	62.87	62.87	56,578.50	56,578.50
7400	0004004	COMP PLUS CLEAR 4X4	0272	14	1.91	0.00	0.00	0.00	0.00
7400	0004535	PLATE5 HOLE 2460-41-05 IMPLNT	0278		35.10	89.51	96.53	0.00	0.00
7400	0004536	PLATE6 HOLE 2460-49-06 IMPLNT	0278		50.87	129.72	139.89	0.00	0.00
7400	0004564	PLATE226.08	0278		274.00	698.70	753.50	0.00	0.00
7400	0004590	PLATECONDYLAR	0278		398.00	1,014.90	1,094.50	0.00	0.00
7400	0004817	CAPSCREW 5.0 394.993	0272		4.28	0.00	0.00	0.00	0.00
7400	0004820	SCREWSCHANZ 5.0 BLUNTED TROCA	0278		113.00	288.15	310.75	0.00	0.00
7400	0005090	BLADESAW SAGITTAL 5052-179	0272	40	40.32	332.64	332.64	13,305.60	13,305.60