

PARA – Market Based Pricing Process

The **PARA Market Based Pricing Program (MBPP)** is designed to improve profitability by enhancing the Hospital's ability to stay price competitive.

The goal of the **MBPP** is to identify line items in the charge master which have negative patient satisfaction due to high prices, identify gross margin improvement opportunities due to low prices and to establish a rational pricing methodology by setting prices based on fee schedule, APC, cost or competitive market pricing data.

There are seven steps in the **PARA** pricing process:

1. Interview with hospital finance administration to determine goals of the process
2. Assessment of competitive market pricing data, creation of "max" iteration
3. Loading of the managed care contract matrix into the PDE Contracts tab
4. Refinement of iteration parameters, processing of multiple iterations
5. Quality review, rounding and smoothing
6. Implementation
7. Follow-up

Each of the steps in the process can be accessed using the **PARA Data Editor**.

The screenshot displays the PARA Data Editor interface. At the top, there is a navigation bar with tabs: Select, Quote A Price, Charge Maintenance, Contracts, Pricing Data, Pricing, Rx / Supplies, Filters, CDM, Calculator, Advisor, Administration, and PARA. Below the navigation bar, the interface is divided into several sections:

- Hospital Selection:** Hospital: Demonstration Hospital [Sales], CDM Date: 01/31/2008 (Standard) - 11544 Chgs Online, Department: 0000 - Total Items: 00001.
- Account Information:** Billing Indicators: Map, State: CA, Provider ID: 990001, Area Wage Index: www.administar.com, Physicians Fee Schedule: 11/1/2007 to 10/31/2008, Fiscal Intermediary / MAC: December, Quantity Date Range: December, FY End Date: December.
- Account Exec:** Violet Archuleta-Chiu, 800-999-3332 x219, varchuleta@para-hcfs.com.
- Tech Support:** Richard Dirkes-Jacks, 800-999-3332 x224, rdirkes-jacks@para-hcfs.com.
- Market Hospitals:** A list of hospitals with their City, State, and Provider ID. The list includes: Regional Hospital (HOSP01), Community Hospital (HOSP02), Memorial Health System (HOSP03), Northwest Regional Hospital (HOSP04), General Hospital (HOSP05), Southwest Healthcare (HOSP06), Standard Hospital (HOSP07), Sample Healthcare System (HOSP08), Main Street Clinic (HOSP09), and Generic Northeast Healthcare (HOSP10).
- Bulletin Board:** A section titled "Bulletin Board" with a date filter set to "October 15, 2010". It contains a "What's New at OIG" section with a link to a USDOJ News Release about health care fraud, and a "2010 Physician Quality Reporting Initiative (PQRI) Program Reminder" section with detailed information about the reporting process and options.

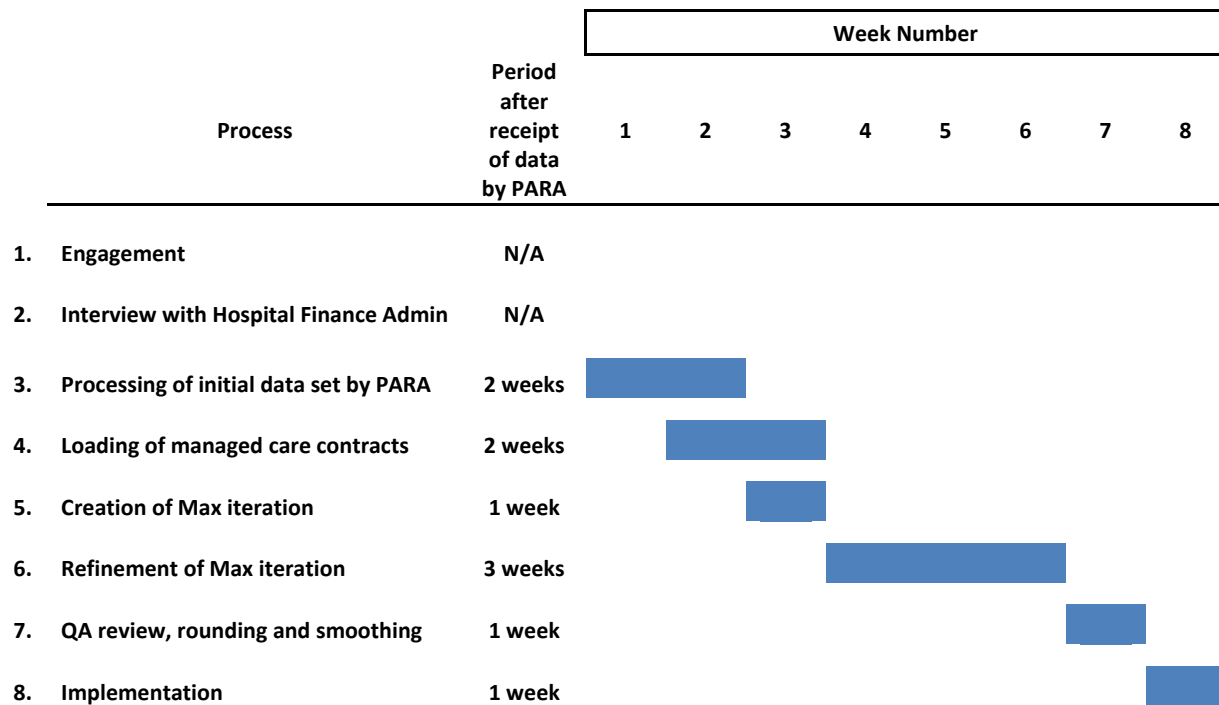
At the bottom of the interface, there is a warning message: "We have detected that you are using Internet Explorer 8. This application is best viewed with Internet Explorer 8, a screen resolution of at least 1024 x 768, and using the F11 key to toggle your browser into full screen mode. All reports are in PDF format." Below this message are logos for EDI INGENIX, ASCX12, and availability, and a logo for myMedicalCosts.com.

PARA – Market Based Pricing Process

Project Deliverables

1. **Pricing Analysis** - **PARA** shall provide detailed pricing iterations based on provider specific market and cost data for the hospital to make the best possible pricing decisions
2. **Net Revenue Calculation** - **PARA** shall model all managed care contracts to determine the impact of price changes, claim caps, annual inflation caps, stop loss, and net revenue impact.
3. **Fee Schedule Analysis** - **PARA** shall report charges below Medicare clinical lab, rehab, DME, APC, Medicaid fee schedules and managed care lower of charge DRG and fee schedule impact
4. **Implementation** – **PARA** shall assist in the implementation of the prices, using Boston Works and a VPN connection
5. **Impact Analysis:** **PARA** shall provide quarterly impact analyses to measure the actual impact of the pricing study

Timeline - The timeline displays the beginning and period of the critical processes.



PARA – Market Based Pricing Process

Interview with hospital finance administration to determine the goals of the process

There are several factors which determine the goals of the annual price increase:

- Hospital financial requirements
- Board Governance
- Public and physician comment on prices
- Competition by independent labs, imaging centers and ambulatory surgical centers
- Annual price inflation limits within managed care contracts

Assessment of competitive market pricing data, creation of “max” iteration

There are 5 basic service types reviewed to determine the opportunity within each of the three different market groups, each of the service types are available within the Pricing Data tab.

1. **Daily hospital services** – Hospital Room Rates – Average Charge / Day
2. **Surgical services** – DRG Service Line Summary, APC Status T rank
3. **Drugs sold to patients** – DRG Service Line Summary
4. **Medical supplies** – DRG Service Line Summary
5. **Diagnostic and therapeutic services** – APC Status X, S, Y and Q Rank

PARA Data Editor - Demonstration - SMS [Sales]

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Select	Quote A Price	Charge Maintenance	Contracts	Pricing Data	Pricing	Rx / Supplies	Filters	CDM	Calculator	Advisor	Administration	PARA
Hospital Summary			Inpatient				Outpatient					
Hospital Summary 2009 Q4 High level charge analysis, compare your Hospital to the market average of your peers. The analysis includes: Inpatient cases and days, emergency room visits, outpatient surgery and diagnostic procedures. Multiple pages include both summary and detail charge and stat data.			DRG Summary FFY 2009 Q4 Average charge per case for each DRG is listed in this report. Review a head to head analysis of DRG charges versus your selected peers. The analysis is divided in four major service groups: Medical, Surgical, Obstetric, and Psychiatric.				Hospital Outpatient Summary 2009 The report includes a comprehensive analysis of over 70 key service lines... more					
Hospital 3 Year Trend This Excel workbook is a combination of the hospital and outpatient summaries. It includes three years of data with variance and percent change statistics.			DRG Service Line Summary FFY 2009 Q4 Detail analysis as to what revenue centers and charges comprise an Inpatient case. Identify service lines that are not in line with your peers by service group (Medical, Surgical, OB and Psych). The analysis includes Pharmacy, Materials/Central Supply, Operating Room and 19 other service lines.				Outpatient HCPCS 2009 Q4 This ad hoc report, allows the User to enter codes to retrieve HCPCS charge detail... more					
State Specific			DRG Service Line Detail FFY 2009 Q4 Key a DRG to retrieve detail by case for all lines grouped on the Cost Report, as many as 22 service lines. The analysis includes the specific Provider detail plus peer group by hospital to enable a detail product line analysis.				APC - Claim Analysis 2009 Enter surgical or significant diagnostic procedures to create a one page analysis... more					
Florida AHCA Inpatient 2008			Hospital Room Rates FFY 2009 Q4 Inpatient room rate charges detailed by Medical, Surgical, Obstetric, and Psychiatric claims.				APC Status T Rank 2009 PDF Analyze your top 100 APC status T charges.					
Florida AHCA Outpatient 2008			Hospital Room Rates - Average Charge / Day FFY 2009 Q4 Inpatient average room rate charge per day detailed by Medical, Surgical, Obstetric, Psychiatric and Rehabilitation claims.				APC Status X, S, V and Q Rank 2009 PDF Analyze your top 100 APC status X, S, V & Q charges.					
Pricing Group: Geographic			DRG By MDC FFY 2009 Q4 Detail analysis as to what revenue centers and charges comprise an Inpatient case. Identify service lines that are not in line with your peers by MDC. The analysis includes Pharmacy, Materials/Central Supply, Operating Room and 19 other service lines.				APC Status T Surgical Rank 2009 Analyze your top 50 APC status T surgical charges.					
Data Source Timing							APC Status T Detail 2009 Review detail line item charges at the claim level for any APC Status T procedure... more					
							Service Line Detail Inflation: 12% This worksheet combines your charge master into the PARA service lines... more					
							Svc: Allergy					
							Dept: 11542					

PARA – Market Based Pricing Process

Assessment of competitive market pricing data, creation of “max” iteration (continued)

Based on the review of the market pricing data a “max” iteration is created within the Pricing tab in the PDE, the goal of the “max” iteration is to quantify the total opportunity within the market prior to the application of outside constraints.

A typical max iteration may have the following parameters:

1. Increasing ICU room rates by 20%
2. Increasing semi-private rates by 15%
3. Increasing I/P surgical service by 15%, O/P rates to be held
4. Setting O/P Lab to 2x independent lab prices, I/P to the 85th percentile
5. Setting O/P imaging to 2x independent testing facility, I/P to the 85th percentile
6. Increasing drugs sold to patients by 10%
7. Increasing medical supplies by 10%

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Select
Quote A Price
Charge Maintenance
Contracts
Pricing Data
Pricing
Rx / Supplies
Filters
CDM
Calculator
Advisor
Administration
PARA

Pricing Iteration Name	Creator	Last Executed	Market Target	Raise Non Market	Upper Limit
<small>Standard: Force compliance items to 1¢, hold all others</small>					
Standard: Move to market average with max 50% increase, 10% increase for non-market items			Average	10	50
Standard: Move to market average with max 50% increase, hold non-market items			Average		50
Standard: Move to market midpoint with max 25% increase, 10% increase for non-market items			Midpoint	10	25
Standard: Move to market midpoint with max 25% increase, hold non-market items			Midpoint		25

Remove
Import Pricing Iteration

Pricing Iteration Name

Base Charge Master Date

12/12/2008 (Standard) - 1001 Chgs Online

Iteration Date Range

Setup Pending - Please Contact PARA

GoTo Charge Master Date

Select GoTo Charge Master Date

Market Target

Midpoint

Average

Market Inflator

12.00% >

Raise Non Market Items

10.00% >

Upper Limit

50.00% >

Do Not Lower Limit

.00 % >

Modifier

or

Hold Mkt Flat Rate Use Go To

Price Categories

Default

Revenue Stream

Blood - Hold for hospital review

Hold Mkt Flat Rate HCPCS UB Code

%

Department

11542

Hold Mkt Flat Rate HCPCS UB Code

%

Pricing Iteration Parameters				
Type	Value	Code	Rate	Price Category
Market Target	Average			
Raise Non-Market Items			10.00	
Market Inflator			12.00	
Lower Limit			.00	
Upper Limit			50.00	
Modifier	90			Hold
Revenue Stream	DHS and Observ			Hold
Revenue Stream	Items which are zero priced			Hold

Remove

Clear
Save
Execute...
View Report(s)...

PARA – Market Based Pricing Process

Loading of managed care contract matrix into the PDE Contracts tab

Each managed care plan contract term which impacts net revenue is keyed into the **Contracts** tab to be used in the net revenue settlement, the terms which are loaded are as follows:

1. Percent of revenue
2. Annual inflation caps
3. Outpatient claim caps
4. Stop loss terms

PARA Data Editor - Demonstration Hospital [Sales]

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Select Quote A Price Charge Maintenance **Contracts** Pricing Data Pricing Rx / Supplies Filters CDM Calculator Advisor Administration PARA

Summary Inpatient Outpatient Ambulatory Surgical Emergency Urgent Care Non Patient Stop Loss Blended Rate Comments/Notes **Contracts** AADB

Select Parent Contract to Filter By... 32163 - BC OUTPPO Sort Standard Contracts Pro Forma Contracts
32163 - BC OUTPPO - v.1.2 Copy Contracts/Create Pro Forma Copy Terms Reports

*Contract Mnemonic: 32163

*Insurance Company Name: BC OUTPPO

Parent contract

Insurance Contract Type:

Contract Term Effective Basis:

Renewal Status:

Billing Time Limit: Days

Payment Late Penalty: Days

Pre-Authorization: No

Bind to this Parent contract: Select Parent contract to bind this to...

Contract Term: From: To:

Required Notice Period: Days

Renewal Status Warning: Days

Rebillable: Yes

Interest Rate of Late Payment: %

Pro Fees Billable: No

Bind to this Pro Forma model: Select Pro Forma Model to bind this to...

Save Contract

Deductible - Annual:

Deductible - Outpatient:

Deductible - Inpatient per Admit:

Annual Revenue Inflation Cap: 7 %

% of Medicare: 110 %

Total Charges: \$20,716,836.00

Reimbursement Data - Excel Export (This) | Excel Export (All)
Reimbursement Table Transaction Date Range: From: 01/01/2009 To: 12/31/2009
Reimbursement Table Creation Date: 02/09/2010

Hospital Patient Type	Contract	Reimb Table	Contract		Reimb Table	
	Default Reimbursement Method	Total Charge	Charge Percentage Discount	Claim Cap	Cash Contributi... Margin	Fixed/Variable/Cost Settlement Method
E : Emergency	Percentage of Charges	\$2,557,721.00			77.39%	Variable
EV : Emergency Observation	Percentage of Charges	\$1,865,508.00			77.39%	Variable
I : Inpatient	Fixed	\$9,299,886.00				Fixed
IB : Inpatient Newborn	Fixed	\$231,868.00				Fixed
O : Outpatient	Percentage of Charges	\$3,144,228.00			77.70%	Variable
OR : Outpatient Recurring	Percentage of Charges	\$261,907.00			77.70%	Variable
OV : Outpatient Observation	Percentage of Charges	\$184,042.00			77.70%	Variable
S : Surgical	Fixed	\$2,816,242.00				Fixed

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Within each of the **PARA** standard patient types the contract terms are defined, if the service is reimbursed on the basis of a DRG, APC, fee schedule, ASC level or per diem, there is no relationship between pricing and reimbursement.

The **Pricing** tab will only attribute additional net variable revenue to those contracts which have been specifically loaded into the Contracts tab and the reimbursement is based on a percentage of charges; the “default” reimbursement is fixed, there is no relationship between prices and reimbursement.

PARA – Market Based Pricing Process

Refinement of iteration parameters, processing of multiple iterations

Based on the results of the max iteration and with consideration of the outside constraints, **PARA** will then process multiple iterations to calculate the settlement values.

Each of the iterations is “saved” so that the User can always refine and reprocess, without requiring the re-establishing the iteration.

PARA Data Editor - Demonstration Hospital [Sales] [log out](#)

Select Quote A Price Charge Maintenance Contracts Pricing Data **Pricing** Rx / Supplies Filters CDM Calculator Advisor Administration PARA

Pricing Iteration Name	Creator	Last Executed	Market Target	Raise Non Market	Upper Limit
New Process Test 1	travis	07/21/2010			
Standard: Force compliance items to 1¢, hold all others					
Standard: Move to market average with max 50% increase, 10% increase for non-market items			Average	10	50
Standard: Move to market average with max 50% increase, hold non-market items			Average		50
Standard: Move to market midpoint with max 25% increase, 10% increase for non-market items			Midpoint	10	25
Standard: Move to market midpoint with max 25% increase, hold non-market items			Midpoint		25

Pricing Iteration Name:

Iteration Date Range: **Setup Pending – Please Contact PARA**

Market Target: Midpoint Average
Market Inflater: 12.00%
Raise Non-Market: 10.00%

Revenue Stream: Blood - Hold for hospital review

Type	Value
Market Target	Average
Raise Non-Market Items	
Market Inflater	
Lower Limit	
Upper Limit	
Modifier	90
Revenue Stream	DHS and Obs
Revenue Stream	Items which ar

Annualized

All Items Changes Only

Inp Out Emrg Amb Surg

Insurance Mnemonic/Plan:

Modifier: or Hold Mkt Flat Rate Use Go To

Price Categories: Default

Department: 0000 Hold Mkt Flat Rate % HCPCS UB Code

Code	Rate	Price Category
	10.00	Default
	12.00	Default
	.00	Default
	50.00	Default
	Hold	Default
	Hold	Default
	Hold	Default

The report pop-up window allows detail analysis of the iteration with a number of worksheet schedules.

PARA tracks your revenue and sets prices using “revenue streams”; each of the revenue streams is established to allow the User complete control over the pricing.

PARA – Market Based Pricing Process

Refinement of iteration parameters, processing of multiple iterations (continued)

The revenue stream definitions are as follows:

- | | |
|--|---------------------------------------|
| 1. Items which are zero priced | 12. Drugs sold to patients |
| 2. Non prescription drugs | 13. Med Supplies sold to patients |
| 3. DHS and Observation | 14. Implants |
| 4. Blood | 15. ED/Clinic/Treatment Room |
| 5. Trauma | 16. Rehab |
| 6. Professional fees | 17. Diagnostic & Therapeutic |
| 7. Personal Patient Items | 18. Clinical Lab |
| 8. OR, Anesthesia, Recovery | 19. Diagnostic Radiology, US, CT, MRI |
| 9. GI Lab | 20. Pathology |
| 10. Lithotripsy | 21. Diagnostic & Therapeutic |
| 11. Items which have a average price to CDM price variance > 10% | |

PARA Data Editor - Demonstration Hospital [Sales]

dbDemo

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Select Quote A Price Charge Maintenance Contracts Pricing Data Pricing Rx / Supplies Filters CDM Calculator Advisor Administration PARA

Pricing Iteration Name	Creator	Last Executed	Market Target	Raise Non Market	Upper Limit
New Process Test 1	travis	07/21/2010			
Standard: Force compliance items to 1¢, hold all others					
Standard: Move to market average with max 50% increase, 10% increase for non-market items			Average	10	50
Standard: Move to market average with max 50% increase, hold non-market items			Average		50
Standard: Move to market midpoint with max 25% increase, 10% increase for non-market items			Midpoint	10	25
Standard: Move to market midpoint with max 25% increase, hold non-market items			Midpoint		25

Remove Setup Pricing Import Pricing Iteration

Pricing Iteration Name: Base Charge Master Date: 01/31/2008 (Standard) - 11544 Chgs Online

Iteration Date Range: GoTo Charge Master Date:

Setup Pending - Please Contact PARA

Market Target: Midpoint Average

Market Inflator: % Raise Non Market Items: % Upper Limit: % Do Not Lower Lower Limit: 0 %

Modifier: or Hold Mkt: Flat Rate: % Use Go To: Price Categories:

Revenue Stream: Hold: Mkt: Flat Rate: % HCPCS: UB Code:

Department: Hold: Mkt: Flat Rate: % HCPCS: UB Code:

Revenue Stream List:

- Blood - Hold for hospital review
- Compliance
- DHS and Observ
- Diagnostic & Therapeutic
- Drugs sold to patients
- ED/Clinic/Treatment Room
- Items which are zero priced
- Med Supplies sold to patients
- Non prescription drugs
- OR, Anesthesia, Recovery
- Personal Patient Items
- Professional fees
- Rehab
- Trauma - Hold for Hospital review
- Undefined - Hold for hospital

Pricing Iteration Parameters			
Code	Rate	Price Category	
		Default	
	Hold	Default	
		Default	
	1¢	Default	

Clear Save Execute View Report(s)

PARA – Market Based Pricing Process

Quality review

To ensure that the **PARA** model is calculating the correct reimbursement on the final iteration and that the prices are consistent within the services and correctly rounded, PARA will process a series of audit reports.

Procedure Detail – This report allows the User to view each line item in the charge master along with market pricing data and the GoTo price from the iteration. The report is used to check consistency between prices, round, and verify the application of the iteration parameters.

Payer Summary – The worksheet summarizes the financial impact to payers by patient type, and includes the payer factors which determine reimbursement.

Insurance Proof Settlement – The worksheet contains a sample of 200 accounts which can be “audited” to be sure the contracts are loaded correctly into the contract tab for settlement.

Fee Schedule Audit - This worksheet will list any GoTo price which is lower than a Medicaid fee schedule, or a Medicare APC status A, X, S, Q, or T reimbursement.

PARA Data Editor - Demonstration - SMS [Sales]

[log out](#)

The screenshot displays the PARA Data Editor interface with the following components:

- Navigation Bar:** Select, Quote A Price, Charge Maintenance, Contracts, Pricing Data, Pricing (highlighted), Rx / Supplies, Filters, CDM, Calculator, Advisor, Administration, PARA.
- Pricing Iteration Name Table:**

Standard	Creator	Last Executed	Market Target	Raise Non Market	Upper Limit
Standard: Force compliance items to 1¢, hold all others					
Standard: Move to market average with max 50% increase, 10% increase for non-market items			Average	10	50
Standard: Move to market average with max 50% increase, hold non-market items			Average		50
Standard: Move to market midpoint with max 25% increase, 10% increase for non-market items			Midpoint	10	25
Standard: Move to market midpoint with max 25% increase, hold non-market items			Midpoint		25
- Form Fields:** Pricing Iteration Name, Iteration Date Range (Setup Pending - Please Contact PARA), Market Target (Midpoint/Average), Market Inflation, Raise Non Market, Revenue Stream (Blood - Hold for hospital review), Type (Market Target, Lower Limit, Base CDM Date, Date Range, Compliance).
- Reporting Menu:** Pricing Summary (Click here for Guide), Annualized, Annual Inflation Cap Account Audit, Department Summary, Payer Summary, Procedure Detail (All Items/Changes Only), Stop Loss Payer Summary, Stop Loss Account Detail, Claim Cap Payer Summary, Claim Cap Account Detail, Patient Type Map, Reimbursement Table, Insurance Proof Settlement (Inp/Out/Emrg/Amb Surg), Insurance Plan Settlement Report.
- Parameters Table:**

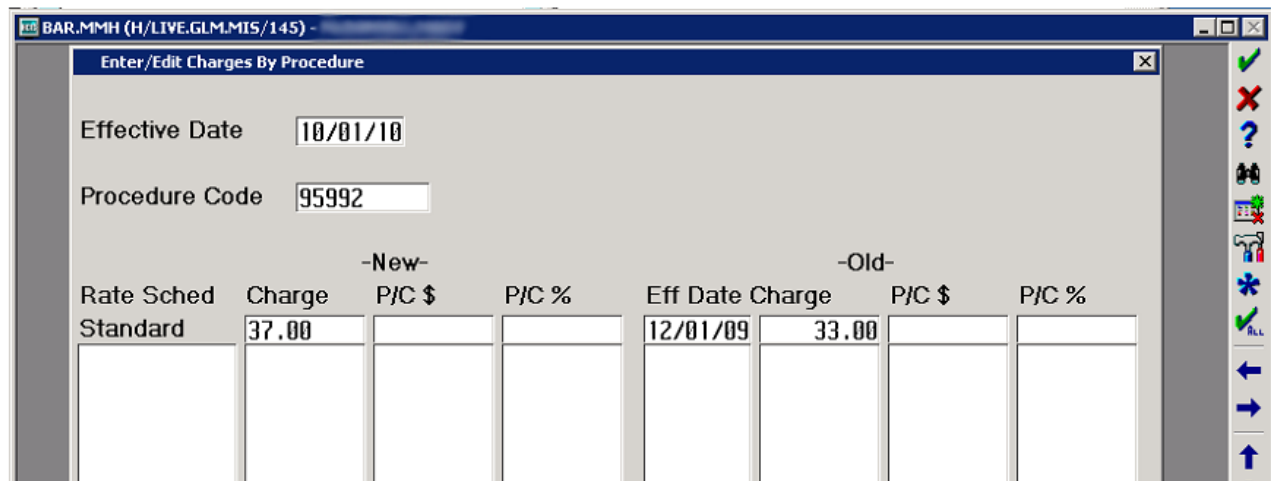
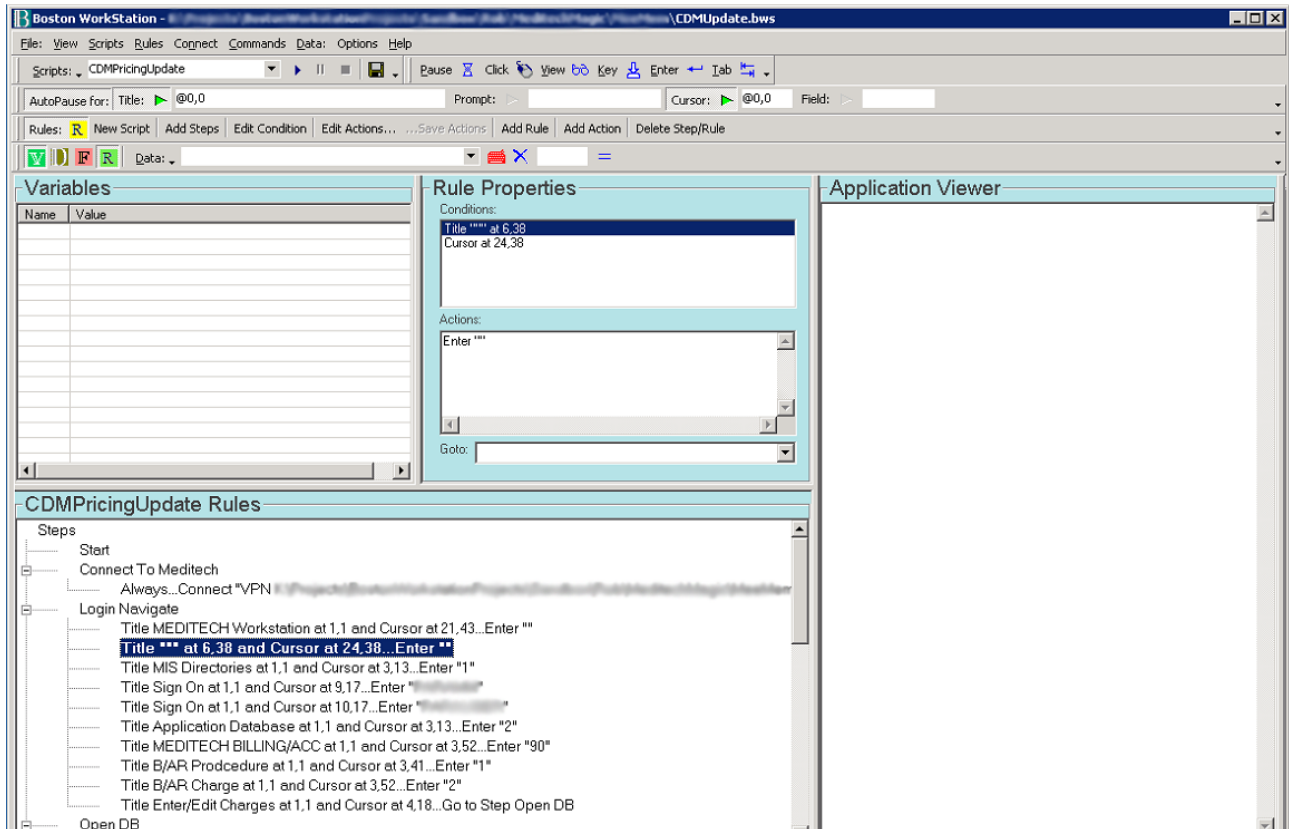
Code	Rate	Price Category
		Default
	Hold	Default
		Default
		Default
	1¢	Default

PARA – Market Based Pricing Process

Implementation

PARA has the ability to assist the hospital in the implementation of the prices.

PARA can produce a custom upload file or PARA will process the price change utilizing a VPN connection and Boston Workstation to set each individual price.



PARA – Market Based Pricing Process

Follow-up

PARA provides ongoing follow-up services as part of the **Market Based Pricing Process** to be sure the prices are implemented correctly and that the revenue target is achieved.

Implementation confirmation - Immediately after implementation **PARA** requests a copy of the updated charge master to check that the prices were implemented correctly.

Quarterly Impact Analysis - **PARA** will perform a quarterly impact analysis to track the expected gross and net revenue to identify variances from the projection due to a shift in volume, patient type and financial class mix.

PARA will produce the following reports and files to track the projected benefit of the pricing analysis. The impact analyses are based on the current fiscal period as compared to the prior year fiscal period; they are produced at the hospital, department and line levels.

1. Payer mix
2. Procedure volume
3. Stop loss
4. Claim cap
5. Contract annual inflation cap
6. Market pricing opportunity

PARA Data Editor - Demonstration Hospital [Sales] dbDemo [log out](#)

Select Quote A Price Charge Maintenance Contracts Pricing Data Pricing Rx / Supplies Filters CDM Calculator Advisor Administration PARA

Pricing Iteration Name	Creator	Last Executed	Market Target	Raise Non Market	Upper Limit
New Process Test 1	travis	07/21/2010			
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Standard: Move to market midpoint with max 25% increase, 10% increase for non-market items			Midpoint	10	25
Standard: Move to market midpoint with max 25% increase, hold non-market items			Midpoint		25

Remove Setup Pricing Import Pricing Iteration

Pricing Iteration Name: 3rd Quarter Impact Analysis
 Base Charge Master Date: 02/01/2007 (Standard) - 3964 Chgs Online
 GoTo Charge Master Date: 01/31/2008 (Standard) - 11544 Chgs Online
 Select GoTo Charge Master Date: 02/01/2007 (Standard) - 3964 Chgs Online
 01/31/2008 (Standard) - 11544 Chgs Online
Setup Pending - Please Contact PARA

Market Target: Midpoint Average
 Market Inflation: %
 Raise Non Market Items: %
 Upper Limit: %
 Lower Limit: 0 %

Revenue Stream: Blood - Hold for hospital review
 Department: 1020

Pricing Iteration Parameters

Type	Value	Code	Rate	Price Category
Market Target	Midpoint			Default
Lower Limit			Hold	Default
Compliance			1¢	Default
Date Range	undefined			Default