Top Ten Service Pricing Learnings

Each month, Wipfli's Revenue Cycle Team contributes insights to the Health Care Perspective newsletter highlighting the Top 10 Revenue Cycle Opportunities we observe from our work with clients. This month's insight pertains to our service pricing recommendations.

1. Be aware of your ***current*** competitors and their market position, price-sensitive services (typically higher cost and non-urgent services), and relative risk of volume shifts (possible opportunity for steerage).
2. Be aware of your ***emerging*** competitors and their market position, price-sensitive services, and relative risk of volume shifts. These shifts are real—particularly from Walgreens, CVS, and other retail outlets providing urgent care and chronic care management services, as well as from freestanding imaging providers that may be 30 to 60 miles away—close enough for your patients to drive for non-urgent services to save $500 or more. Insurance companies are encouraging the shift.
3. Understand your world: your charge structure, insurance contracts, payer mix, financial situation, relative market position, service mix, capital demands, impact of government shortfalls, community care requirements, and leverage in the market (service/quality/etc.).
4. Establish prices based on rational cost-based benchmarks and objective market data, but be aware there is usually a significant difference in facilities' charges (by revenue code), often because of the difference in services provided at the claim level.
5. Perform price modeling:
   - Consider market and cost data—use the most current market-based data available (state claims data, Medicare data, etc.) at both the CPT level and the claim level for comparison.
   - Review claim information for top payers to understand the potential reimbursement impact of price changes before they are implemented.
   - Understand your key markup factors for pharmacy items, supplies, etc.
   - Consider a simplification of your chargemaster into bundled procedures as a way to control variability in pricing for common services.
6. Define the impact (by payer, by CPT code for high-volume services, by claim for high-volume comparable services) and compare to cost (incremental or variable cost for new business or business at risk of shifting).
7. Focus on the price-sensitive services first. Where are your largest risks?
8. Perform pricing analyses, at a minimum, annually. Consider multiyear adjustments to achieve your goals, since one-year shifts may be too drastic because your pricing strategy will need to ensure all your organization's financial requirements are met.
9. Ensure pricing formulas are simple to update and easy to communicate to various stakeholders (including members of the general public) in a very transparent and accurate way.
10. Create patient accountability with a clear plan for timely payment of their financial obligation, before non-urgent services are rendered.

Jane Jerzak
920.662.2821
jjerzak@wipfli.com

Vicki Mueller
920.662.2890
vmueller@wipfli.com