



**Priority Management Group, Inc.  
Presents**

# **Charge Setting & Costing 2010**

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## **Agenda**

- **Introduction**
- **Clinic Costing**
  - **Actual Costing**
  - **RBRVS**
  - **Cost Per Patient Visit**
- **Backing into a RVU**
- **Charge Setting**
- **Summary**

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## **Speaker:** **Ray Jorgensen, MS, CPC, CHBME**

Raymond T. Jorgensen is President and CEO of Priority Management Group, Inc. (PMG). Ray is responsible for oversight of consulting operations as well as coding, reimbursement, and payer related issues for the out-sourced billing component of PMG's services (more than 850,000 annual encounters). He has personally trained thousands of providers from over 35 states on coding, billing, and reimbursement in addition to authoring two books and dozens of articles.

Ray's health care experience and education is unique in that he was schooled by the payers. Having worked for Blue Cross and Blue Shield as well as United HealthCare Corporation, primarily in professional relations and contracting, Ray has an understanding and perspective on the payer's objectives and process unlike other medical business consultants groomed from the provider side.

- BA from The College of the Holy Cross (Worcester, MA)
- MS from Northeastern University (Boston, MA)
- CPC from the American Academy of Professional Coders (Salt Lake City, UT)
- CHBME from the Healthcare Billing & Management Association (Laguna Cliffs, CA)

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## **Disclaimer:**

1. The coding guidelines, interpretations, and recommendations set forth as part of this training session are presented as a guide only. Attendees understand and recognize that actual coding decisions are the sole liability and responsibility of the provider(s) and respective billing staff. Priority Management Group, Inc. does not accept any liability or responsibility in this regard.
2. The presentation today includes discussion about a particular commercial product/service and the presenter has significant financial interest/relationship with the organization that provides this product/service.

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## Clinic Costing: Actual (1 of 3)

- Labor/time intensive tracking
- Each expense item allocated to each usage
  - Pens, pages of paper, staples, etc.
  - Urine dipsticks, cotton balls, syringes, etc.
- Extreme variability in labor expense
  - Clinician/staff hourly or salary wage
    - Increased or decreased production... change in allocation
- Depo Provera Example (96372 & J1055)
  - Administrative expense (front desk staff, encounter form, etc.)
  - Clinic staff expense (provider, MA, nurse time)
  - Supplies expense (syringe, substance, PT, etc.)

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## Clinic Costing: RBRVS (2 of 3)

- Resource Based Relative Value Scale (RBRVS)
    - Relative Value Units (RVUs) Assigned per HCPCS (CPT)
    - National Benchmark Data from CMS
  - Three Components:
    - Practice Expense (Overhead)
    - Malpractice Expense (Liability)
    - Work Expense (Provider Salary)
  - Conversion Factor (CF): Expense
    - $\text{Total Expenditures} \div \text{Total RVUs} = \text{Expense/RVU} = \text{Expense CF}$
    - $\text{Total Revenue} \div \text{Total RVUs} = \text{Revenue/RVU} = \text{Rev CF}$  (Affords net result)
  - Depo Example (96372 & J1055)
    - Total, annual RVUs of 29,000 & Annual Expense of \$870,000
      - Expense Per RVU of \$30 ( $\$870K \div 29K$ )
    - Total Expense Per RVU
      - 96372 has RVU of .53 resulting in expense of \$15.90 ( $\$30 \times .53$ )
      - J1055 has RVU of 1.02 resulting in expense of \$30.60 ( $\$30 \times 1.02$ ) \*\*
      - Total expense for Depo: \$46.50
- \*\*Estimated substance expense of \$35, value of 99212 with RVU of 1.02

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## Clinic Costing: Encounter Rate (3 of 3)

- **Encounter Rate... Expense Per Encounter**
  - **Total Expenses** ÷ Total Visits (Encounters)
    - Must track ALL visits (e.g., PT, Condom sale, pill pick-up, etc.)
  - Easy to determine benchmarks for production
  - Expense Encounter Rate: \$59
    - Desired Revenue Encounter Rate: > \$59
    - In other words, “net” should equal or exceed expense
- Depo Provera Example (96372 & J1055)
  - Total Visits: 14,500
  - Total Expense: \$870,000
  - Expense Per Visit: \$60 (\$870K ÷ 14.5K)

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## Encounter Rate Analysis

Average Monthly Charges:	\$ 252,871.64
Average Monthly Payments:	\$ 44,923.50
Average Monthly Adjustments:	\$ 101,829.80
<hr/>	
Total Patients Seen:	1,802.00
Annualized:	5,406.00
Monthly Average:	450.50
Weekly Average (4.3):	104.77
Encounter Rate (\$\$/visit):	\$ 99.72

Payments over a fixed fiscal period divided by the number of visits it took (patients seen) to achieve those payments = Encounter Rate

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## Charge Setting

- Always charge more than highest paying payer
- Charge floor (not ceiling)... Medicare fees
- Maximal Charge: 150% to 250% of Medicare
- Verify MCO (HMO) fees; Charge more (30-35% adjustment, on average)
- Underpayment Management
  - Posting payments within 10% of charge, raise charge(s)
  - E.g., \$100 charge results in payment (insurance + co-pay) of \$90+
- Prompt Pay Discount
  - Afford to any entity settling account at time of service
  - Not a reduced charge but adjustment (language is critical)
  - Time value to money
  - Different from financial hardship, I.e., hardship should be slightly more to encourage prompt payment

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## Special Considerations...

- Financial Hardship
  - Entirely subjective... case by case
- Prompt Pay Discount
  - Legal because of pervasive application
  - Afforded REGARDLESS of ability to pay
  - Maintain elevated full charge without disenfranchising
  - Level "F" from preceding slide (201%+)
- Professional Courtesy (VIP) Status
  - For anyone meeting criteria
- Prompt Pay & VIP
  - Non-discriminatory... Unilaterally applied

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## Sample RBRVS Charges (1 of 3)

HCPCS Code	Description	Work RVU	Practice Expense RVU	Malpractice Expense RVU	Total RVU	Medicare Allowable
99201	New Patient Level 1	0.45	0.55	0.03	1.03	\$ 39.23
99202	New Patient Level 2	0.88	0.84	0.05	1.77	\$ 67.42
99203	New Patient Level 3	1.34	1.11	0.09	2.54	\$ 96.75
99204	New Patient Level 4	2.30	1.49	0.12	3.91	\$ 148.93
99205	New Patient Level 5	3.00	1.79	0.15	4.94	\$ 188.16
99211	Established Patient Level 1	0.17	0.32	0.01	0.5	\$ 19.05
99212	Established Patient Level 2	0.45	0.55	0.03	1.03	\$ 39.23
99213	Established Patient Level 3	0.92	0.76	0.03	1.71	\$ 65.13
99214	Established Patient Level 4	1.42	1.10	0.05	2.57	\$ 97.89
99215	Established Patient Level 5	2.00	1.38	0.08	3.46	\$ 131.79

**Total RVU multiplied times Medicare's Conversion Factor = Medicare's Allowable**

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## Sample RBRVS Charges (2 of 3)

HCPCS Code	Description	Medicare Allowable	150% of Medicare	200% of Medicare	250% of Medicare
99201	New Patient Level 1	\$ 39.23	\$ 59	\$ 78	\$ 98
99202	New Patient Level 2	\$ 67.42	\$ 101	\$ 135	\$ 169
99203	New Patient Level 3	\$ 96.75	\$ 145	\$ 193	\$ 242
99204	New Patient Level 4	\$ 148.93	\$ 223	\$ 298	\$ 372
99205	New Patient Level 5	\$ 188.16	\$ 282	\$ 376	\$ 470
99211	Established Patient Level 1	\$ 19.05	\$ 29	\$ 38	\$ 48
99212	Established Patient Level 2	\$ 39.23	\$ 59	\$ 78	\$ 98
99213	Established Patient Level 3	\$ 65.13	\$ 98	\$ 130	\$ 163
99214	Established Patient Level 4	\$ 97.89	\$ 147	\$ 196	\$ 245
99215	Established Patient Level 5	\$ 131.79	\$ 198	\$ 264	\$ 329

**Setting charges as a multiple of Medicare's fee schedule.**

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## Sample RBRVS Charges (3 of 3)

Slide Level:	"A"	"B"	"C"	"D"	"E"	"F"	"G"	"G"	"G"
Percent of FPL:	≤100% FPL	≥ 101% to 125%	≥126% to 150%	≥151% to 175%	≥176% to 200%	≥ 201%	1.5 x "F"	2 x "F"	2.5 x "F"
HCPCS Code	(0% of "F")	(20% of "F")	(40% of "F")	(60% of "F")	(80% of "F")	Medicare Allowable	150% of Medicare	200% of Medicare	250% of Medicare
99201	\$ 5	\$ 8	\$ 16	\$ 24	\$ 31	\$ 39	\$ 59	\$ 78	\$ 98
99202	\$ 5	\$ 13	\$ 27	\$ 40	\$ 54	\$ 67	\$ 101	\$ 135	\$ 169
99203	\$ 5	\$ 19	\$ 39	\$ 58	\$ 77	\$ 97	\$ 145	\$ 193	\$ 242
99204	\$ 5	\$ 30	\$ 60	\$ 89	\$ 119	\$ 149	\$ 223	\$ 298	\$ 372
99205	\$ 5	\$ 38	\$ 75	\$ 113	\$ 151	\$ 188	\$ 282	\$ 376	\$ 470
99211	\$ 5	\$ 5	\$ 8	\$ 11	\$ 15	\$ 19	\$ 29	\$ 38	\$ 48
99212	\$ 5	\$ 8	\$ 16	\$ 24	\$ 31	\$ 39	\$ 59	\$ 78	\$ 98
99213	\$ 5	\$ 13	\$ 26	\$ 39	\$ 52	\$ 65	\$ 98	\$ 130	\$ 163
99214	\$ 5	\$ 20	\$ 39	\$ 59	\$ 78	\$ 98	\$ 147	\$ 196	\$ 245
99215	\$ 5	\$ 26	\$ 53	\$ 79	\$ 105	\$ 132	\$ 198	\$ 264	\$ 329

### Sliding Fee (Charge) schedule examples.

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## Backing into a RVU... (1 of 3)

- **Certain CPT Codes have no RVU (e.g., lab or 80000 series)**
- Determine Conversion Factor from Medicaid service with RVU
- For Example...
  1. 99213 pays \$25 on Medicaid schedule
  2. Medicare RVU = 1.66
  3.  $\$25 \div 1.66 = 15.06024096$
  4. \$15.06 is Medicaid's Conversion Factor for this service
  5. 81002 (urine dip) pays \$6.79 from Medicaid
  6.  $\$6.79 \div \$15.06 = .450863214$
  7. RVU for 81002 = .45

Source for Medicaid FFS Schedule:

<http://www.aafp.org/online/en/home/policy/state/issues/medicaid/medfeesched.html>

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## PMG Backing into a RVU... (2 of 3)

CPT Code	RI Medicaid Fee	Medicare RVU	Resulting Conversion Factor
99201	\$ 16.72	0.99	\$ 16.89
99202	\$ 27.24	1.73	\$ 15.75
99203	\$ 29.00	2.56	\$ 11.33
99204	\$ 45.00	3.52	\$ 12.78
99205	\$ 46.00	4.93	\$ 9.33
99211	\$ 8.05	0.55	\$ 14.64
99212	\$ 20.64	1.02	\$ 20.24
99213	\$ 20.64	1.66	\$ 12.43
99214	\$ 27.00	2.52	\$ 10.71
99215	\$ 32.00	3.42	\$ 9.36
<b>Average Conversion Factor:</b>			<b>\$ 13.35</b>

Divide Medicaid Fee by Medicare RVU.

Result is Conversion Factor, the average of which may be used to determine RVU for certain services lacking a Medicare RVU but possessing a Medicaid Fee.

Source for Medicaid FFS Schedule:

<http://www.aafp.org/online/en/home/policy/state/issues/medicaid/medfeesched.html>

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## PMG Backing into a RVU... (3 of 3)

RVU for a Urine Dip (81002)

$A \times B = C$

A = RVU (UNKNOWN)

B = Conversion Factor (\$13.35)

C = Medicaid Allowable (\$7.50)

$A \times \$13.35 = \$7.50$

$A = \$7.50 \div \$13.35$

A = .56

RVU for 81002 (Urine Dip) is .56

Divide Medicaid Allowable by Average Conversion Factor to find RVU.

Result is RVU which may be used to determine Charges as a multiple of Medicare.

Process may be followed for any HCPCS code without a RVU but for which a Medicaid Fee exists.

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## **Summary**

- Stay Informed & Analyze Data
- Metrics Based Management & Compensation
- Longitudinal Analysis
- Staff Feedback & Education
- Commit to Educate (Top down)

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