



Hospital Pricing Project

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CALIFORNIA
HOSPITAL
ASSOCIATION



What is the Hospital Pricing Project?

In December of 2011, the CHA Board of Trustees directed staff to:

- Find a solution to proactively mitigate near-term and future efforts by others to mandate unreasonable and unsustainable pricing policies on hospitals.
- The solution should improve the public's perception about hospital bills and pricing.



Why Was The Direction Given?

November 22, 2011

Honorable Kamala Harris
Attorney General of California
Attn: Initiative Coordinator
Department of Justice
1300 I Street, 17th Floor
Sacramento, CA 95814

RECEIVED
NOV 23 2011
INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE



Re: Request for Title and Summary of the Fair Healthcare Pricing Act of 2012

Dear Attorney General Harris:

We hereby request your office prepare a circulating Title and Summary for the enclosed



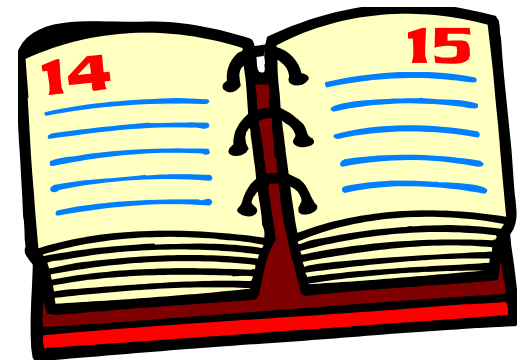
\$18 For A Baby Aspirin? Hospitals Hike Costs For Everyday Drugs For Some Patients



After an overnight stay, St. Luke's Hospital charged Diane Zachor \$442 for the same everyday drugs she also takes at home. (Photo by Julia Cheng/USA Today)

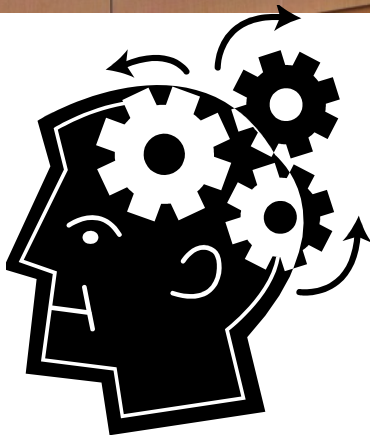
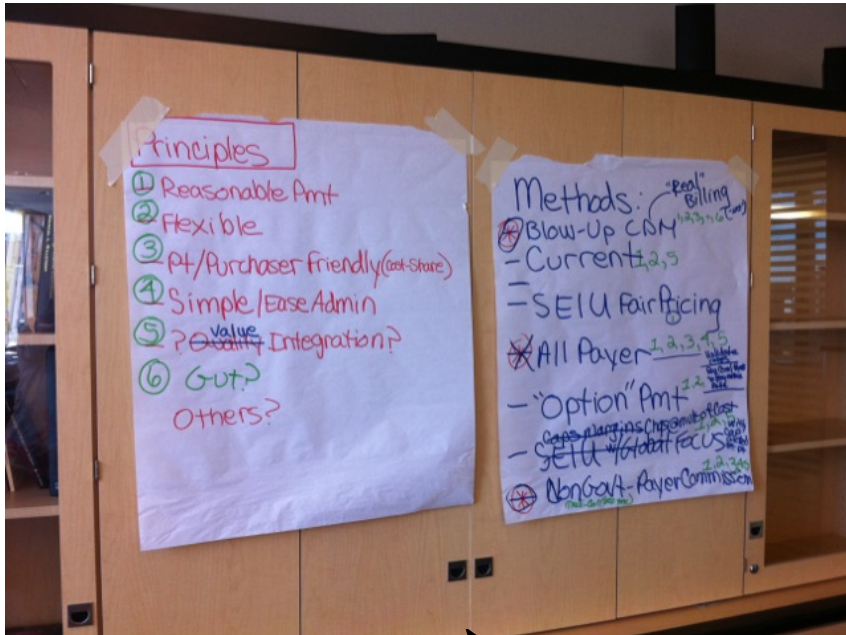


When and Who?





What Did The Workgroup Do?



Pricing Method

Current

SEIU

All Payer

Option Payment

SEIU Modified

Non Govt Commission

Real Billing

Payment Principles

	1	2	3	4	5	6
Current	✓	✓			✓	
SEIU	✓					
All Payer	✓	✓	✓	✓	✓	
Option Payment	✓	✓				
SEIU Modified	✓	✓			✓	
Non Govt Commission	✓	✓	✓	✓	✓	
Real Billing	✓	✓	✓	✓	✓	✓



What Did The Workgroup Decide?



Real Bill Concept Advanced to
CHA Board

Theory:

Bill the patient/payer for the amount you expect to receive..... Actual “charge” would be \$0.00.....





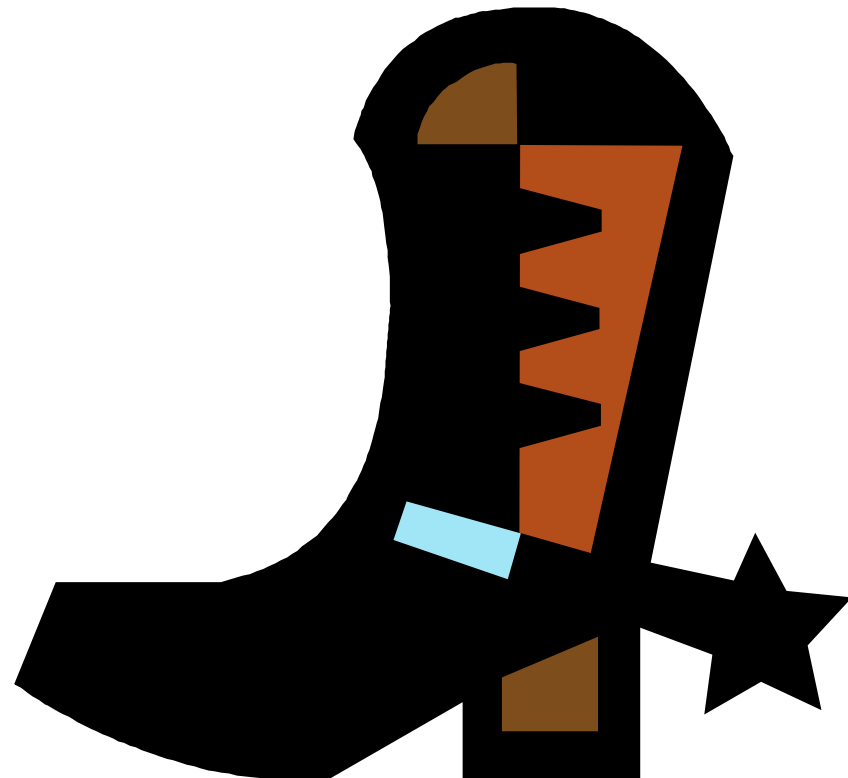
Issues and Concerns

Cost reporting
Medicare outlier payments
Regulatory barriers
Reporting problems
DRG/APC weight development
Lesser or costs or charges
Etc., etc., etc.....





How Did the Board React?



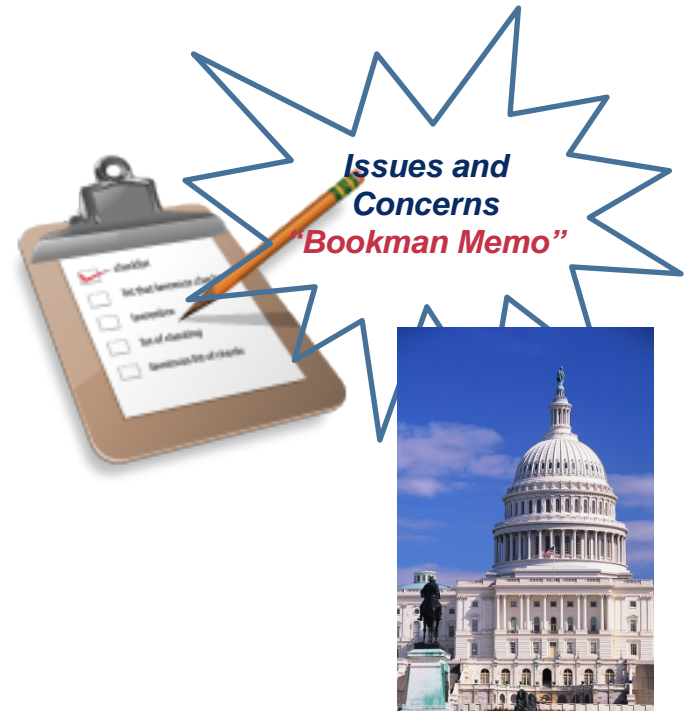
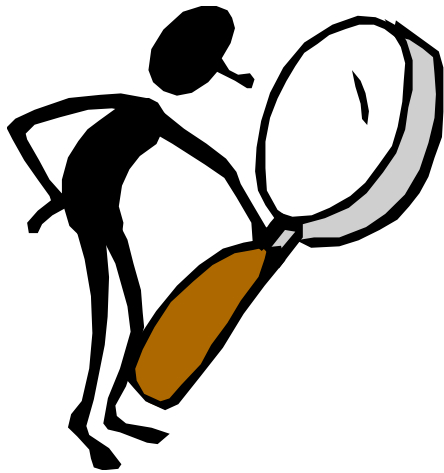


What Next?





What Did the Group Do?



Modern Pricing

Theory:
Reduce charges to a level
that can be explained and
has some relationship to
costs.



What Did the Group Do?

Real Bill



Modern
Pricing





How Did the CHA Board React?



Board: Is this the best you can do?



Workgroup: Yes
Board: Bring us a plan



Board: OK



And Then.....

November 8, 2013

VIA MESSENGER DELIVERY

RECEIVED

NOV 08 2013

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ashley Johansson, Initiative Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814

RE: FAIR HEALTHCARE PRICING ACT OF 2014

Dear Ms. Johansson:

Pursuant to Elections Code section 9001, we are hereby submitting the enclosed initiative measure entitled the "Fair Healthcare Pricing Act of 2014" and the Attorney General to prepare a circulating title and summary for the



Join us if you think a single aspirin shouldn't cost \$21



We Need to Just Fix This Issue

Modern Pricing: Planned Price Adjustments to Hospitals Charges – A Voluntary Implementation Guide for Hospitals

- A mechanism hospitals can use to adjust their prices to create consumer-friendly billing and achieve regulatory compliance, all while sustaining revenue integrity.
- Identifies Medicare and Medicaid regulatory hurdles and provides guidance on how to navigate the CMS process to avoid revenue loss.
- Provides suggestions for discussing with third party payers.
- Offers implementation guidance and highlights operational considerations.
- Provides hospitals with the theoretical information and approach to lowering charges to an explainable level determined by the hospital.



Getting Started

- Establish a team:
 - Ancillary care departments
 - Revenue cycle
 - CDM manager
 - Reimbursement
 - Contracting
 - Purchasing/inventory
 - Other....
 - MUST have sufficient resources to be successful (backfill roles in other departments, consultants, project management).
- Develop a pricing method – determine markup and allocation of other costs
- Quick start strategies – eliminate low-charge items, eliminate sundry items, eliminate obsolete or low-volume items, ensure proper coding and ensure compliance with CMS regulations.
- Develop a plan
- Execute it
- Be flexible



Regulatory Considerations

- Ratio of costs to charges (RCC)
 - Cost reporting
 - Outlier payments

Hospitals should be able to reduce gross charge rates without affecting cost-based reimbursement determined pursuant to Medicare and Medi-Cal cost.

Hospitals can obtain an adjustment to the RCCs used to determine outlier payments to account for significant reductions in charge rates.



Regulatory Considerations

- Permissive Exclusion/Usual Charge Rule

Hospitals should make sure their line item prices for services exceed Medicare payment levels.

- Medi-Cal Charge Limits

Hospitals should make sure their line item prices for services exceed Medi-Cal payments.

- Medicare Actual Charge Limits

Hospitals should make their line item prices for outpatient services exceed APC rates paid by Medicare



Third Party Payer Considerations

- Existing contracts may include payment mechanisms based on charges.
- Stop loss provisions also often based on charge limits triggered.
- Outpatient services may be percent of charges.

Hospitals will need to seek to include contract provisions with third party payers that allow for revenue neutrality in the even of price changes.

Out-of-network patients could be a consequence of reduced provider charge rates.



What's Next?

- CHA finalizing “Guide” for hospitals
- Educational webinars planned – dates TBD
- CHA will make resources available to members on the web or through mailings
- To make a difference and achieve the original goals of the CHA Board, we all have to work together to make this happen
- This will not be easy!



Thank You

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