

Strategic Pricing

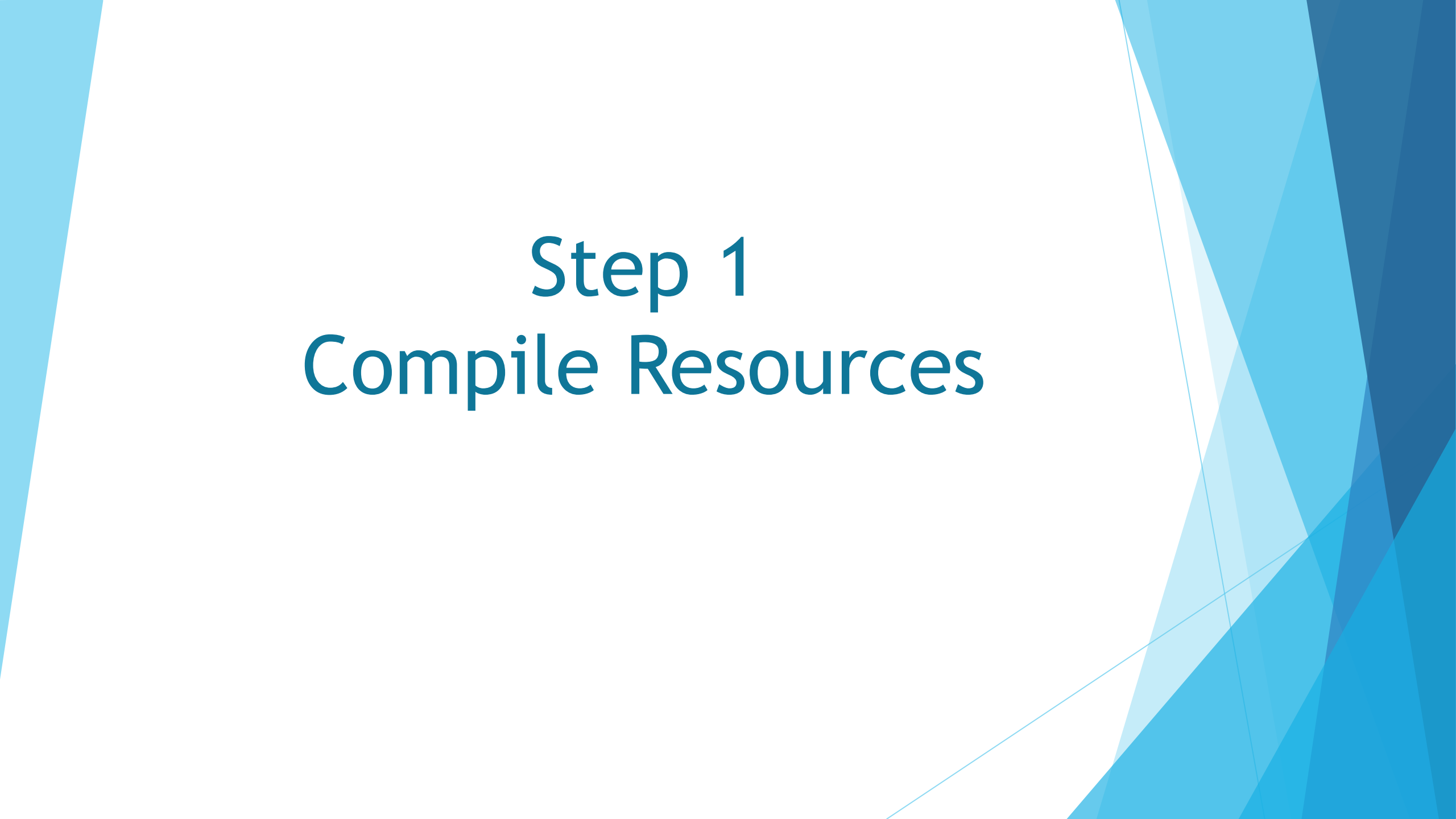
May 7, 2025

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montana chapter



Agenda

- ▶ Overview
- ▶ Resources
- ▶ Develop Pricing Model
- ▶ Final Thoughts

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the left and right sides of the frame, creating a modern, layered effect. The central area is a plain, light grayish-white, providing a high-contrast space for the text.

Step 1

Compile Resources

Resources

- ▶ Revenue and Usage by Payer Report
- ▶ Payer Contract Matrix or Contract Reimbursement Rates
- ▶ Current CDM with Prices
- ▶ Competitor's Pricing Information by CPT/HCPCS Codes
- ▶ Department/Area of Price Sensitivity
 - ▶ Current Patients Pain Points
- ▶ Hospital Pricing Goals

Payer Reimbursement Types

Payment Type	Payers	Reimbursement Impact
Fee Schedule DRG APC	• Medicare (Acute Hospitals) • Medicare Advantage (Acute) • Medicaid • VA/Tricare • Commercial Payers (dependent on contract)	 None
Cost Base	• Medicare (CAH)	 None
Combination Fee Schedule and % of Charge	• Commercial Payers (dependent on contract)	 Low to Mid
Percent of Charge	• Commercial Payers • Self Pay	 High
Other	• 3rd Party • Workers Comp • Native American	 Varies

Price Sensitivity Ratings

High

- % of Charge
- High R/U
- Low Patient Price Complaints

Mid

- % of Charge
- Combination
- Medium to low R/U

Low

- Fee Schedule
- Contracted Rates
- High Patient Price Complaints

Acute Hospital vs CAH CMS Reimbursement

Acute Care Hospitals	CAH Hospitals
Paid per DRG/APC - fixed rates	Paid based on actual costs (99%)
Revenue based on volume/efficiency	Revenue Based on accurate cost reporting
Focus on Reducing Length Of Stay	Focus on capturing and reporting costs

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Step 2

Develop Pricing Model

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#1 - Hospital Strategy: Where do we want to be compared to our competitors?

Our Price vs Competitors Price

Rev Code	CPT/ HCPCS	Description	Price	Comp A	Comp B	Comp C	50%	Increase/ Decrease
0324	71046	Xray, Chest - 2 views	\$ 276	\$ 300	\$ 230	\$ 352	\$ 294	\$18
0110		Room/Board	\$1,490	\$1,600	\$1,350	\$1,830	\$1,593	\$103
0302	86003	Allergen	\$ 95	\$ 65	\$ 25	\$ 43	\$ 44	\$51

#2 -What is the volume
by payer reimbursement
type?

Volume by Payer Type

Rev Code	CPT/ HCPCS	Description	Total Volume	Mcare	MCaid	% Chg Payer	Other
0324	71046	Xray, Chest - 2 views	5,000	1,000	750	3,000	250
0110		Room/Board	5,000	2,000	1,000	1,600	400
0302	86003	Allergen	5,000	500	500	3,500	500

#3 - Pulling it all together

Model

Description	Price	50%	New Price	MCare/ MCaid Qty	MCare/ MCaid \$	% Chg Payer Qty	% Chg Payer 90%	Other Qty	Other 25%	Addt'l Reimb
Xray, Chest - 2 views	\$ 276	\$ 294	\$ 294	1,750	-0-	3,000	\$ 54,000	250	\$ 4,500	\$ 58,500
Room/Board	\$1,490	\$1,530	\$1,530	3,000	-0-	1,600	\$164,800	400	\$41,200	\$216,000
Allergen	\$ 95	\$ 51	\$ 51	1,000	-0-	3,500	\$178,500	500	\$25,500	\$204,000
Total							\$ 40,300		\$20,200	\$ 70,500

Model - Revised

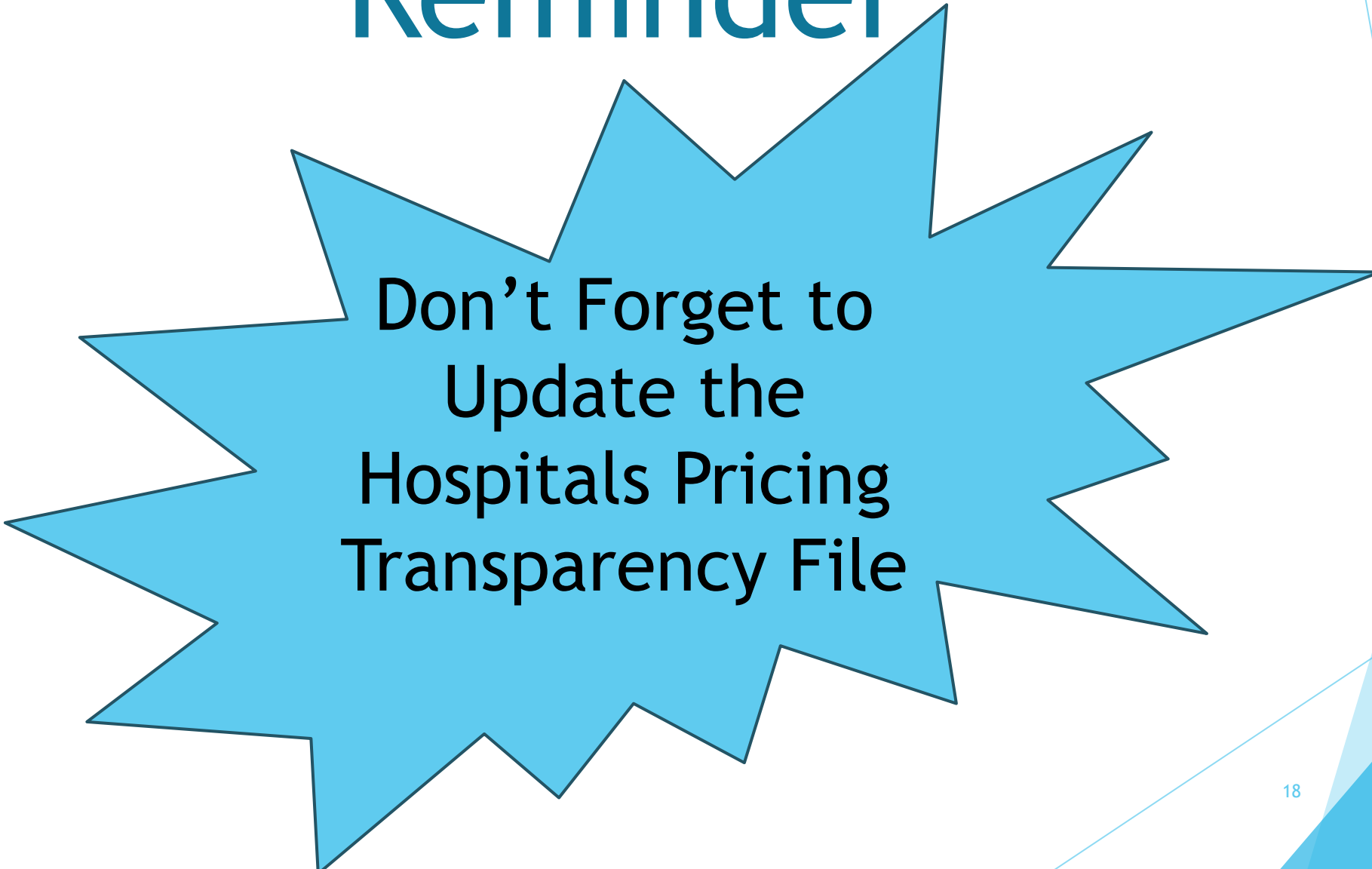
Description	Price	50%	New Price	MCare/ MCaid Qty	MCare/ MCaid \$	% Chg Payer Qty	% Chg Payer 90%	Other Qty	Other 25%	Addt'l Reim
Xray, Chest - 2 views	\$ 276	\$ 294	\$ 294	1,750	-0-	3,000	\$ 54,000	250	\$ 4,500	\$ 58,500
Room/Board	\$1,490	\$1,530	\$1,530	3,000	-0-	1,600	\$164,800	400	\$41,200	\$206,000
Allergen	\$ 95	\$ 51	\$ 95	1,000	-0-	3,500	-0-	500	-0-	-0-
Total							\$218,800		\$45,700	\$264,500

Final Thoughts

Final Thoughts

- ▶ Incorporate Executive Strategic Goals
 - ▶ Floor - example - Do not lower prices less than 10%
 - ▶ Ceiling - example - Do not increase price more than 50%
- ▶ Special decisions for price sensitive area
 - ▶ Radiology
 - ▶ Lab
 - ▶ OT/PT/Speech
- ▶ Review for outliers
- ▶ Send price increase letters to payers per contract as needed

Reminder



**Don't Forget to
Update the
Hospitals Pricing
Transparency File**

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