

# MANAGING THE CHARGEMASTER

## THE FUEL OF THE REVENUE ENGINE



### Introduction

The chargemaster is no longer just one file; it has emerged as a complex central revenue engine for the organization.

Hospital leadership responsible for achieving financial goals that include revenue growth, expense management, and operating margins are facing the growing importance of chargemaster integrity. We attribute the challenge of managing these financial goals to the accuracy of charge data, complex systems impacting viewability of data and the rapidly changing healthcare environment.

Ensuring that effective processes are in place for compliance with appropriate cost standards and principles will require more from leadership than before. Hospitals must manage the chargemaster to meet these requirements by identifying performance improvement opportunities through analysis of trends illustrated by data, workgroup teams focused on effectiveness of cost management, and industry best practices.

This paper describes the benefit of an efficiently managed chargemaster to a healthcare organization and summarizes industry best practices for chargemaster management priorities. The role of chargemaster management far exceeds the use of software itself. The role encompasses everything impacting the revenue stream from correcting coding and billing errors to managing the inflow of monthly and annual regulatory changes (CMS for example) and forecasting the long-term chargemaster budget.

### Description of Chargemaster

The Charge Description Master (CDM) file, known simply as the chargemaster, comprehensively lists charges and services provided during the course of patient care. A hospital chargemaster may include ten thousand or more items, and new charge items are added all the time. The chargemaster is used by hospitals and other healthcare organizations to store information billed to payers.

## The Chargemaster Environment

The chargemaster environment grows increasingly complex. Minimizing the potential for errors means understanding complicated health information system (HIS) data relationships, capability to identify inaccuracies in coding and comprehend the impact of regulatory changes. Organizational changes such as acquisitions, software and system conversions, and change in payment models increase the potential for errors.

In today's multifaceted healthcare industry, hospitals are recognizing the need to proactively plan for future chargemaster management. They are also recognizing the necessity of having a set of best practices to optimize their revenue streams. Hospitals may have limited processes to manage charge data and pricing; limited internal processes to audit their own chargemaster; and sub-optimal means to communicate payment, coding, and regulatory changes to departments. Many organizations find they are unequipped for long-term chargemaster management.

### Benefits

#### Capturing Appropriate Services

A compliant, well-managed chargemaster means that the master file for all services, procedures, drugs and supplies is routinely updated and the revenue cycle operates seamlessly. Where a chargemaster is fully managed and maintained, accurate charge capture leads to continual revenue optimization—a revenue management best practice. A compliant chargemaster ensures appropriate charges and converts them to revenue. Those who manage the chargemaster process should:

1. Confirm that charges are reasonable and defensible,
2. Ensure coding translates to accurate billed and paid services, and
3. Reduce or eliminate inappropriate charges.

Hospitals should frequently assess components of the chargemaster and identify performance opportunities within systems and within associated processes.

#### Managing Risks to Revenue Cycle

Comprehensive chargemaster management has other important benefits including managing risks to the revenue

cycle. As coding and billing rules become more and more complex, Healthcare organizations today are finding the use of chargemaster software beneficial for:

1. Discovery of revenue at risk, reduction of errors resulting in denied claims, and realization of opportunities to increase revenue
2. Protection of revenue earned from audit take-backs by reducing the potential for external audits
3. Discovery of hidden compliance issues that put revenue at risk
4. Maintaining a competitive edge through comparative pricing analysis

## Understanding Chargemaster Management Priorities

Hospitals rely on their chargemasters primarily to protect their revenue and control operation costs, but other management issues compete for priority. The sidebar to the right lists chargemaster management priorities we have identified as most important to hospital systems.

We examine the top 5 management priorities in some detail, next.

- Protect revenue from at-risk charge data
- Control revenue cycle operations cost
- Maximize efficiency and productivity of staff responsible for chargemaster management
- Ensure availability of timely, accurate, integrated reference information
- Establish controls for enacted process improvement

### Protecting Revenue

One of the greatest revenue challenges is maintaining the internal controls that ensure continuity of chargemaster data quality. Organizations protect revenue through frequent monitoring and control of at-risk-charge data, which can lead to inaccurate payment (and revenue claw-back upon audit), or claim denials. Through efficient internal monitoring, payer and other external audits such as MAC, OIG, CERT, RAC, and commercial insurance audits can be minimized.

Charge data can be at-risk in several ways:

1. The chargemaster may have obsolete and other inaccurate descriptions that can lead to coding errors. Further, CPT® and HCPCS or revenue codes may be incorrectly assigned.
2. Charge items may be coded as miscellaneous when specific codes exist for services, pharmaceuticals and supplies. In addition, inconsistent processes may result in missed charges for pharmaceuticals and supplies.
3. Some high-cost items, such as implants, devices or other operating room supplies, are managed through miscellaneous price overrides when they would be better managed with their own service item listed on the chargemaster.

Every year there are code updates and other changes that require modifications to the chargemaster. Protect revenue by incorporating defined workflow processes into any new major projects and initiatives such as health information system conversions, chargemaster reviews and standardization, strategic pricing studies, or data synchronization studies. A well rounded chargemaster management program will include internal and external audits, and monitoring to identify internal charge capture weaknesses.

Example of changes include the addition of new entities, providers, departments, services (for example, advances in interventional radiology services), drugs and supplies. You want to proactively ensure these changes are implemented. The chargemaster will lose data integrity unless workflow processes identify changes from new systems, changes to coding and charging protocol, services with new processes, and departments with new staff. All changes must be accurately accounted for in chargemaster management workflows.

### Controlling Revenue Cycle Operations Costs

An efficient revenue cycle is under constant bombardment from the cost of operations and can be undermined when budgets are not managed. Best-practice chargemaster management seeks:

1. to reduce duplicate software tool, coding sources,
2. to reduce labor costs of resolving erroneous charges and claims data, and

3. to manage Medicare regulatory and payment system resources.

Best practice includes bringing in-house what can be internalized, such as consulting support or outsourcing costs, e.g., pricing analysis and references for charge-related claims resolution. However, the cost of personnel must be considered within the budgeting process. Depending on the size of the organization, chargemaster management may be only one of the responsibilities assigned to a single person – or – there may be an entire team dedicated to the task. In either scenario chargemaster management requires the ability to multi-task. Time management, team building and leadership skills are necessary. The lack of defined workflow process, designated assignments and established timelines will impact integrity of the chargemaster and add cost to revenue cycle operations.

### Improving Efficiency and Productivity

Chargemaster management includes researching specific coding, charging, and claims issues. With a proactive approach that includes appropriate tools and resources these tasks can be managed within the organization. The key to success is to ensure processes are efficient. When care is taken to ensure the right individuals have the right tools and resources then improved efficiency and productivity will be realized with each chargemaster management function, for:

1. Assuring accurate and synchronized master files
2. Conveying department-specific coding and regulatory updates, and communicating the changes, additions, and deletions as well as approvals
3. Internalizing auditing and charge data monitoring
4. Expediting and coordinating chargemaster updates
5. Accessing and properly interpreting market pricing information

### Ensuring Fully Integrated Reference Information

Best-practice chargemaster management ensures timely, accurate, and completely integrated reference information to deliver correct charges. Hospitals can expect seamless integration of coding system changes such as for the CPT codes published by the American Medical Association (AMA) and HCPCS issued by Centers for Medicare and Medicaid (CMS), along with the associated guidelines for

code use, CMS reimbursement data; regulatory publications; and industry publications on improved management techniques. Ancillary files should be available that reference payment rules about the charge data for pharmacy, supplies, and claims edit files. Research the rules when building new charge items and document the changes to charge data or charging processes. Document the supporting evidence in ancillary files. Revenue remains at risk without reliable and integrated reference information.

## Establishing Process Controls

A solid process of change management control should be developed so the chargemaster becomes efficient and effective. All the elements of the change management process must be effectively controlled and efficient. It is one thing to correctly resolve claims errors claim-by-claim, but preventing similar errors is a more proactive effort—and don't forget to synchronize files.

Create a chargemaster team of experts that can recommend efficiency and productivity improvements that cross departments. A knowledgeable team can interact with those who are involved in setting up new charge items and guide their use of tools and resources.

The team will develop an organization-wide communication process control to deploy payment, coding system and regulatory references to departments. Include relevant documentation to use for training.

## Best Practice Chargemaster Management

Managing the chargemaster is far more than setting up new charge codes every month, controlling operation costs, integrating reference documentation, and other efficiency measures. The keys to proactive management require determining an appropriate budget to maintain the chargemaster and analyzing the final budget report; establishing new process controls; and creating and enforcing policies to promote efficiency and productivity.

1. **Developing the chargemaster long-term budget.** The budget should cover more than the next software iteration. Given the broad array available, it is useful to understand that there are tradeoffs for a more or a less robust program. The more robust programs can produce financial improvements and protect against compliance

penalties, e.g., pricing analytics can be integrated in a tool, reducing consulting project timelines. Updates to the chargemaster itself can affect the budget through staff training costs. Savings can be made when software is robust.

2. **Establishing controls to maintain new process improvements.** A strong process should be developed to support compliance initiatives. The importance of staff education and training cannot be underestimated here because an educated and motivated staff is the organization's strongest ally in process management. Also develop processes to manage coding integrity, charge capture, targeted audits, and other monitoring.
3. **Creating and enforcing chargemaster management processes.** Assess and selectively audit the data. Include by-department chargemaster lists, frequent charge-posting audits, monthly revenue and usage reports, and final budget-to-revenue comparisons.

## Summary

Achieving financial goals of the organization relies heavily on chargemaster management. The complexity of data has grown along with changes in healthcare systems and revenue management. Hospital revenue remains at risk unless the organization ensures that effective processes are in place to accurately capture charges in compliance with appropriate regulatory requirements and industry best practices. Hospitals that map their chargemaster management to meet these requirements and that identify performance improvement opportunities can maximize correct charges. The role of chargemaster management has grown to exceed the capability of one individual supporting the chargemaster. Efficient and productive chargemaster management includes internal teamwork, and increasingly, the role encompasses partnership with robust software system companies that add value that in the end help control costs.

## PANACEA and Holliday & Associates Solutions for Effective Chargemaster Management

PANACEA provides auditing, education, and training services that assure appropriate charging, complete documentation of processes and references on charges, and consistent coding. PANACEA's Comprehensive CDM Review engagement is designed to: identify charging vulnerabilities; eliminate coding and billing errors; generate correct revenue; sustain regulatory compliance; and educate hospital staff on revenue cycle best practice.

Our auditing services are unique in the industry. The engagement involves a detailed review of hospital outpatient encounters in which we identify the service lines with most potential for revenue opportunities: missed charges, units underreported, and modifier assignment.

PANACEA's consulting team and customers utilize ChargeAssist®, the industry's best all-in-one Chargemaster Management tool created by Holliday & Associates. The product allows streamlined and robust chargemaster collaboration, data monitoring, and process improvement, immediately resulting in improved revenue integrity and compliance. ChargeAssist® is rapidly-replacing competing chargemaster products across the country, and seamlessly accommodates EPIC, Cerner, and other HIS platforms.



### About Panacea

Designed for healthcare professionals responsible for financial performance or compliance, Panacea delivers innovative auditing, compliance, chargemaster, strategic pricing, and revenue integrity consulting and software solutions as a single-vendor solution to help clients proactively identify risks and opportunities and overcome today's challenges, providing the clear answers needed to swiftly and cost-effectively achieve quality results.

Minnesota  
PANACEA®  
444 Cedar Street, Suite 920  
St. Paul, MN 55101  
866-926-5933

New Jersey  
PANACEA®  
1707 Atlantic Avenue, Building 1, Suite 4  
Manasquan, NJ 08736