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# Gaining Clarity from Complexity: Front Line Views on Pricing Strategy

*presented by Brian Workinger,  
Professional Services Manager*

# Agenda

- 1** What is wrong with making a profit?
- 2** Consumer Pressure on Healthcare Pricing
- 3** Recent Consumer Survey Results
- 4** Five Steps to Establishing a Rational and Profitable Pricing Structure
- 5** How do you Compare?
- 6** Ensure Tiered Pricing Relationship
- 7** Key Takeaways

**What is wrong with making a  
profit?**

**Nothing**

# Historical Pricing Methodologies



# Common Methodologies

- New Service
- Annual or Mid-Year Adjustment
  - Across-the-Board
  - Rate Optimization
  - Strategic & Defensible



# Consumer Pressure on Healthcare Pricing

What is Pricing Transparency?



# CMS Release

- Affordable Care Act requires standard charges to be made public
- Or, a policy for obtain the information
- Annual update
- Tools and Resources

<http://www.ahacommunityconnections.org/tools-resources/transparency.shtml>

## Self-Assessment Checklist

Yes

No

More needs  
to be done

1. Has your organization conducted a “secret shopper” experiment both within your own facility, as well as with other organizations, to determine how well price information is communicated?

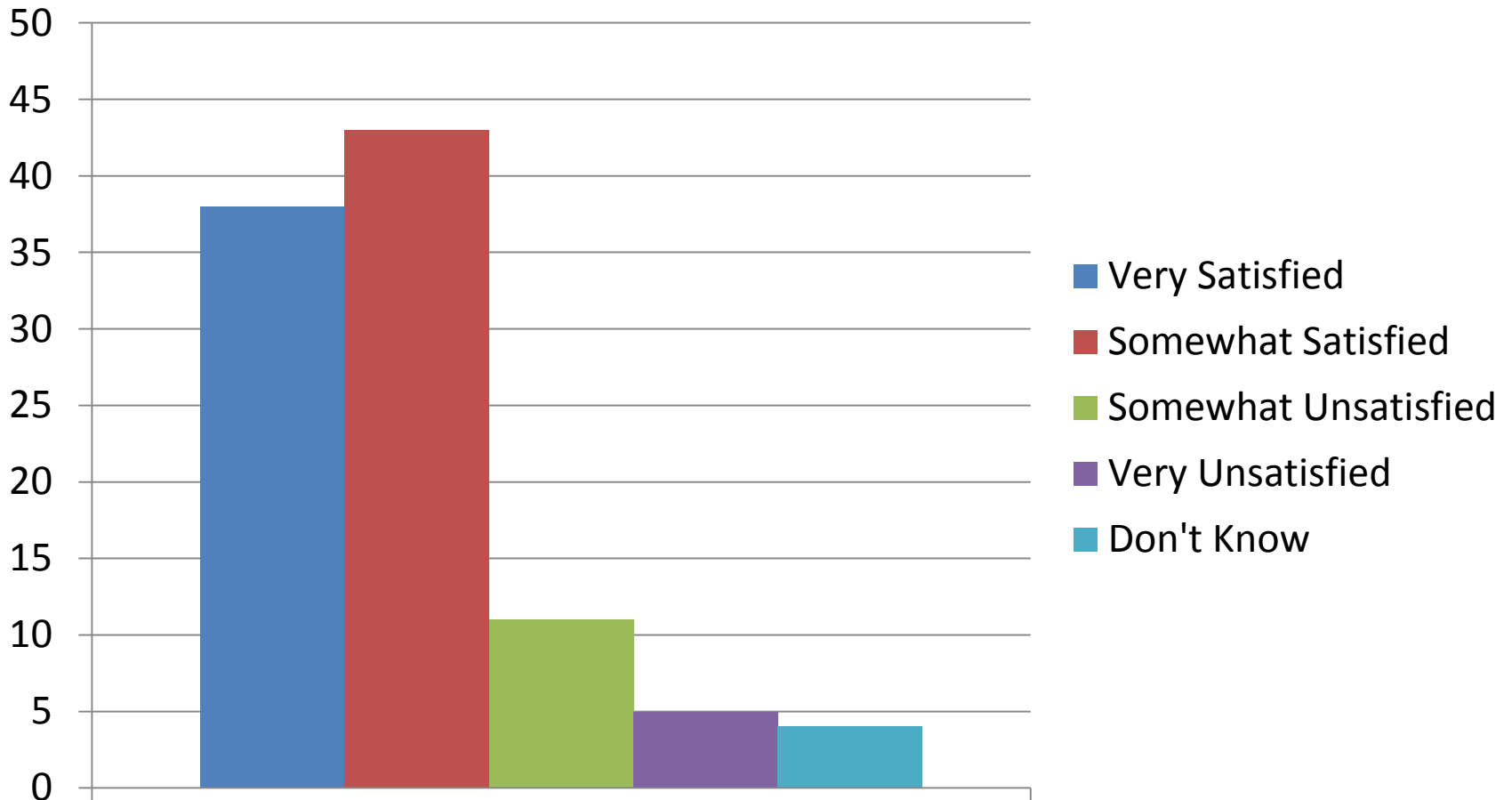
2. Do you proactively communicate price information, as well as information about your billing process, charity care and financial assistance policies, in a way that is easy to understand and culturally appropriate?



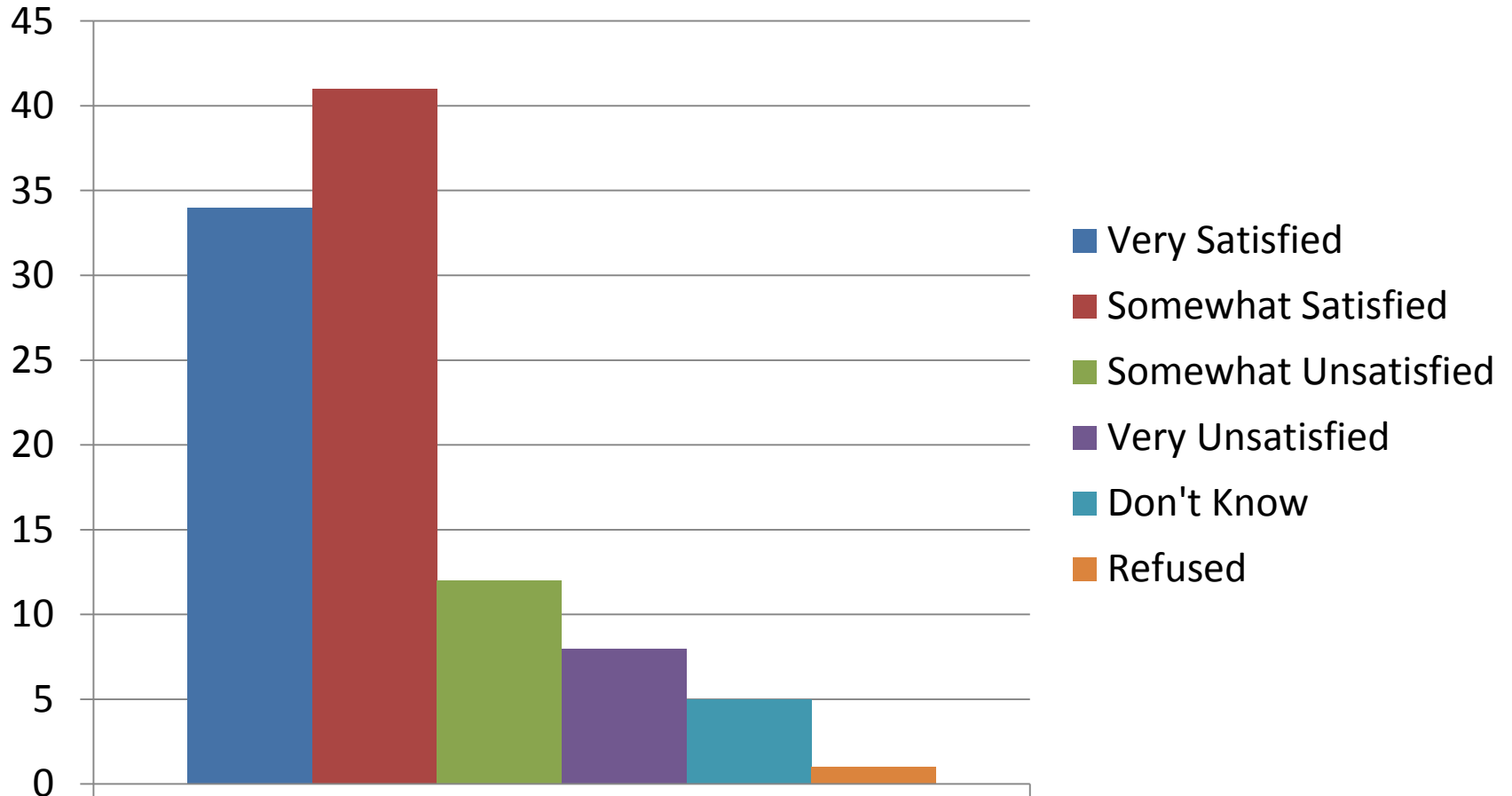
# Health Management Academy/RCB Capital Markets Consumer Health Survey

From Health Management Academy and RCB Capital Markets, Consumer Health Survey, November 2014

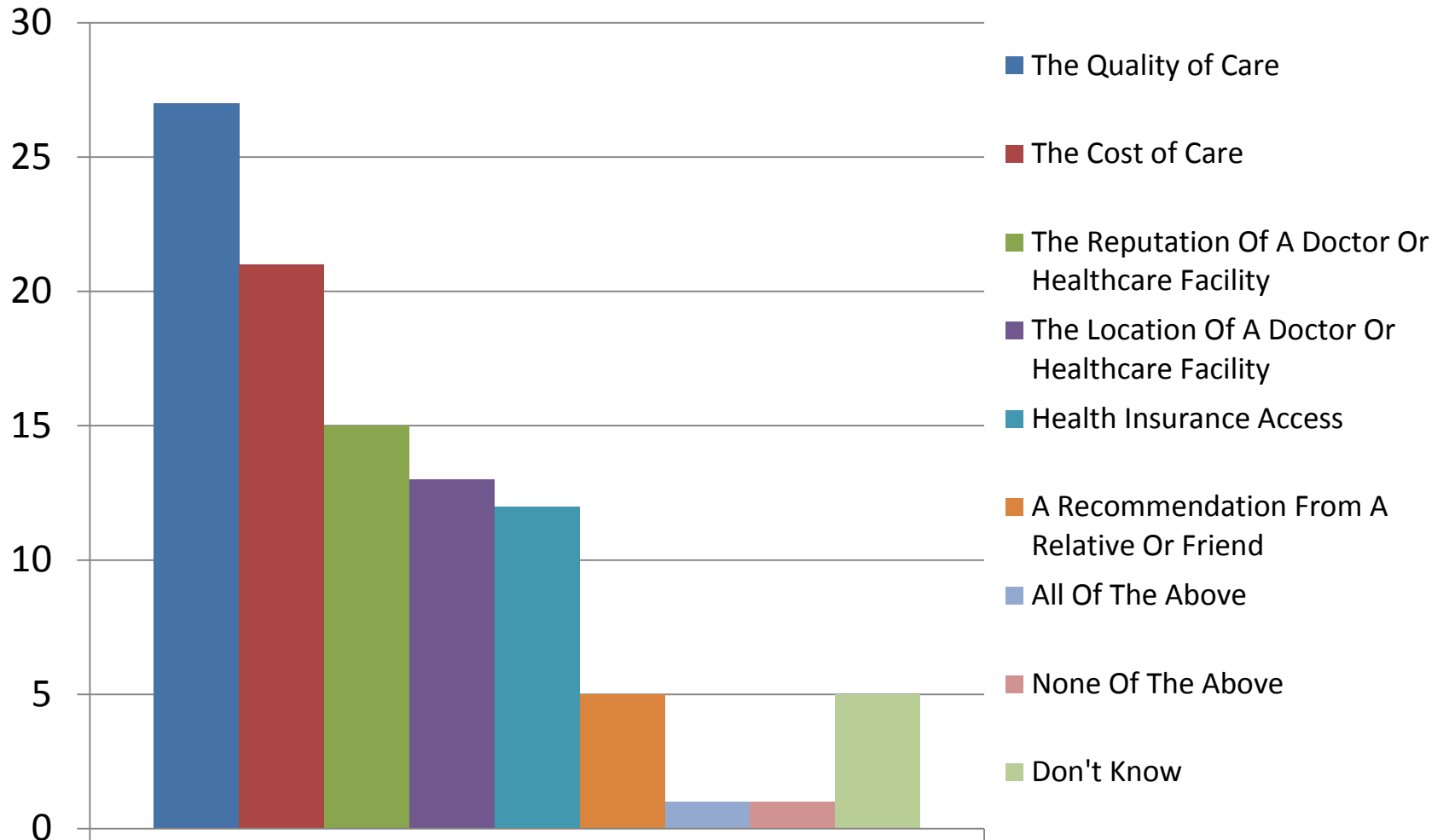
# Thinking about your community...Generally speaking, would you say you are satisfied or unsatisfied with the healthcare provider options like hospitals and doctors that you have in your community?



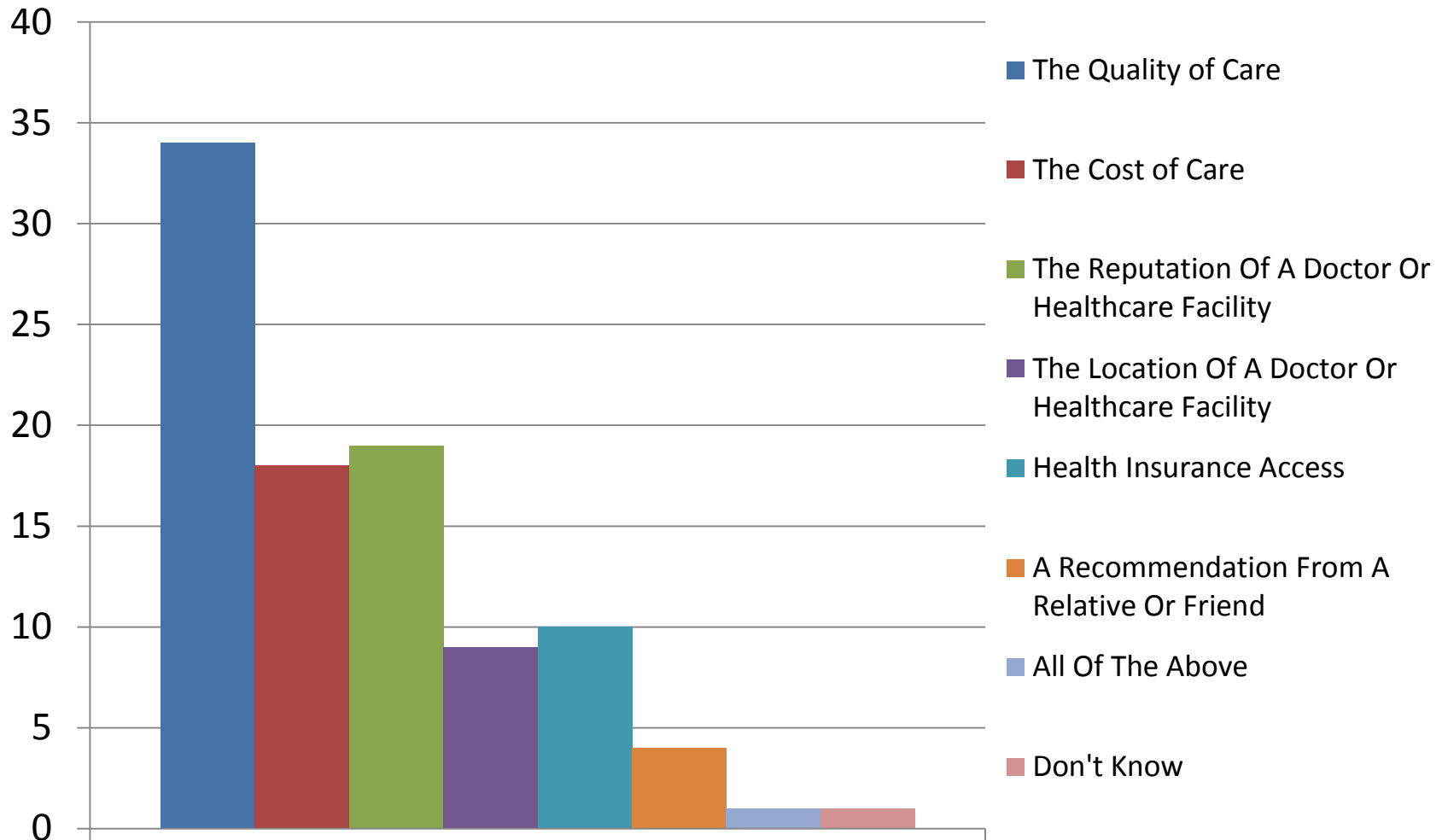
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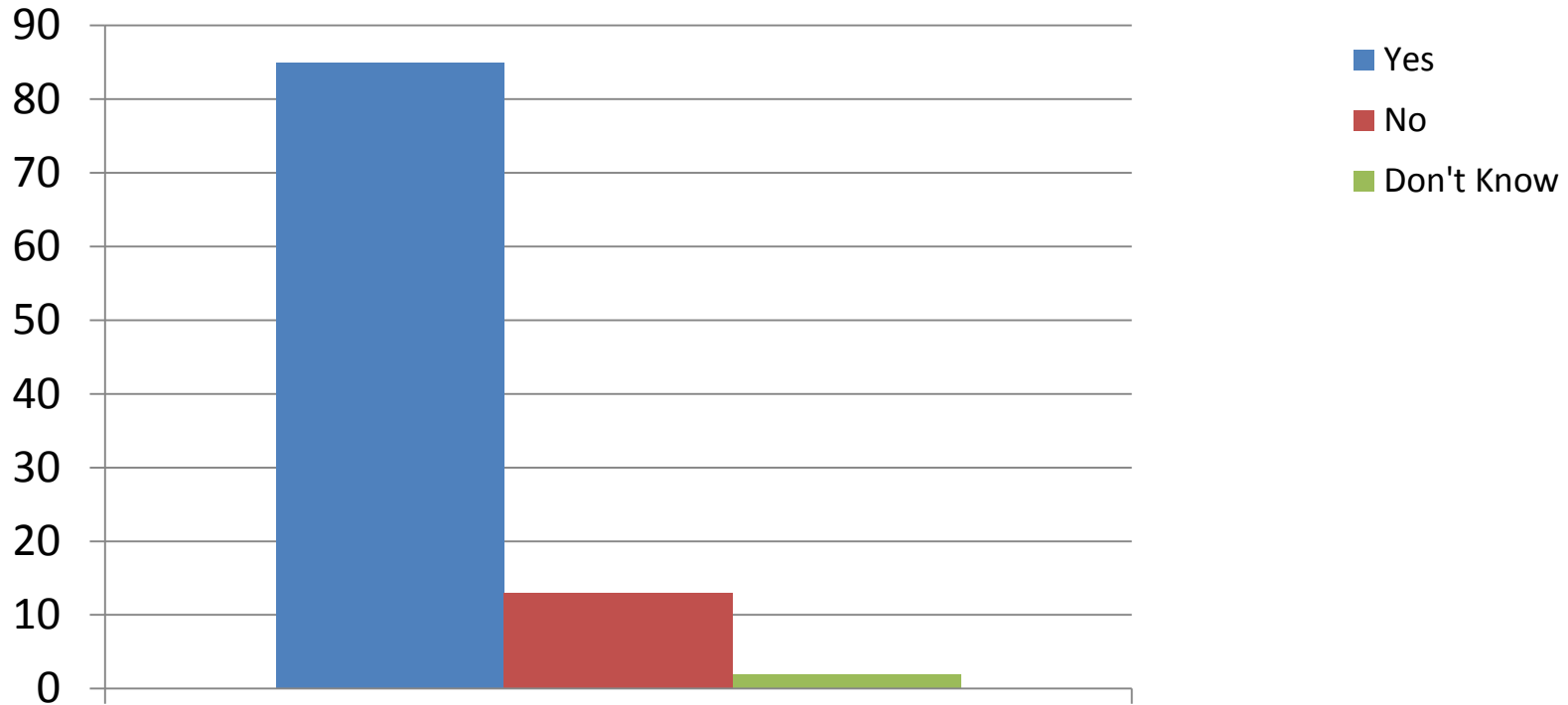
# When you make choices about receiving medical care for a non-life threatening issue, such as having the flu or a cold, what would you say is your top consideration?



# When you make choices about receiving medical care for a serious health issue, such as a concussion or a heart issue, what would you say is your top consideration?

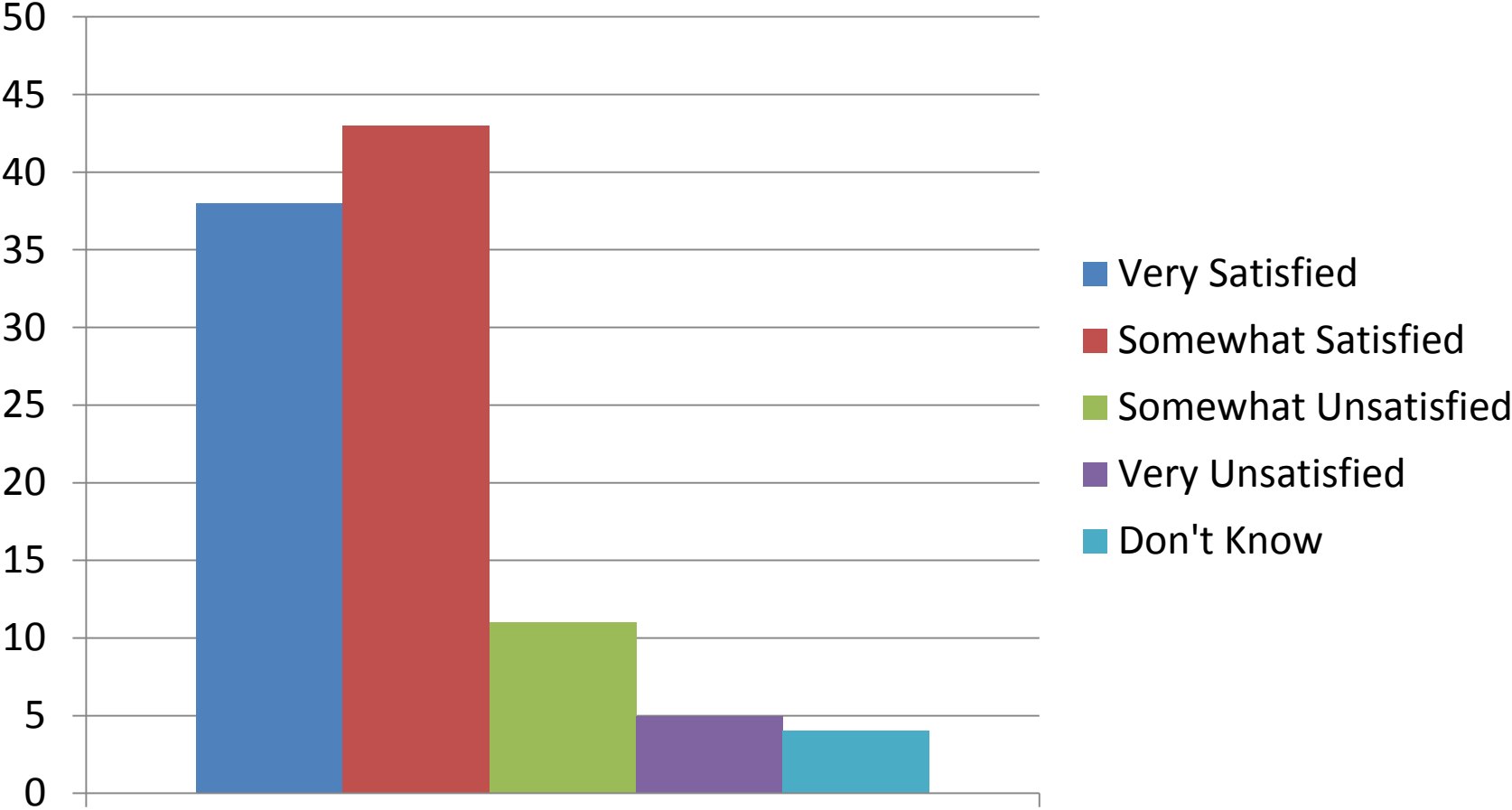


# Do you currently have health insurance coverage?

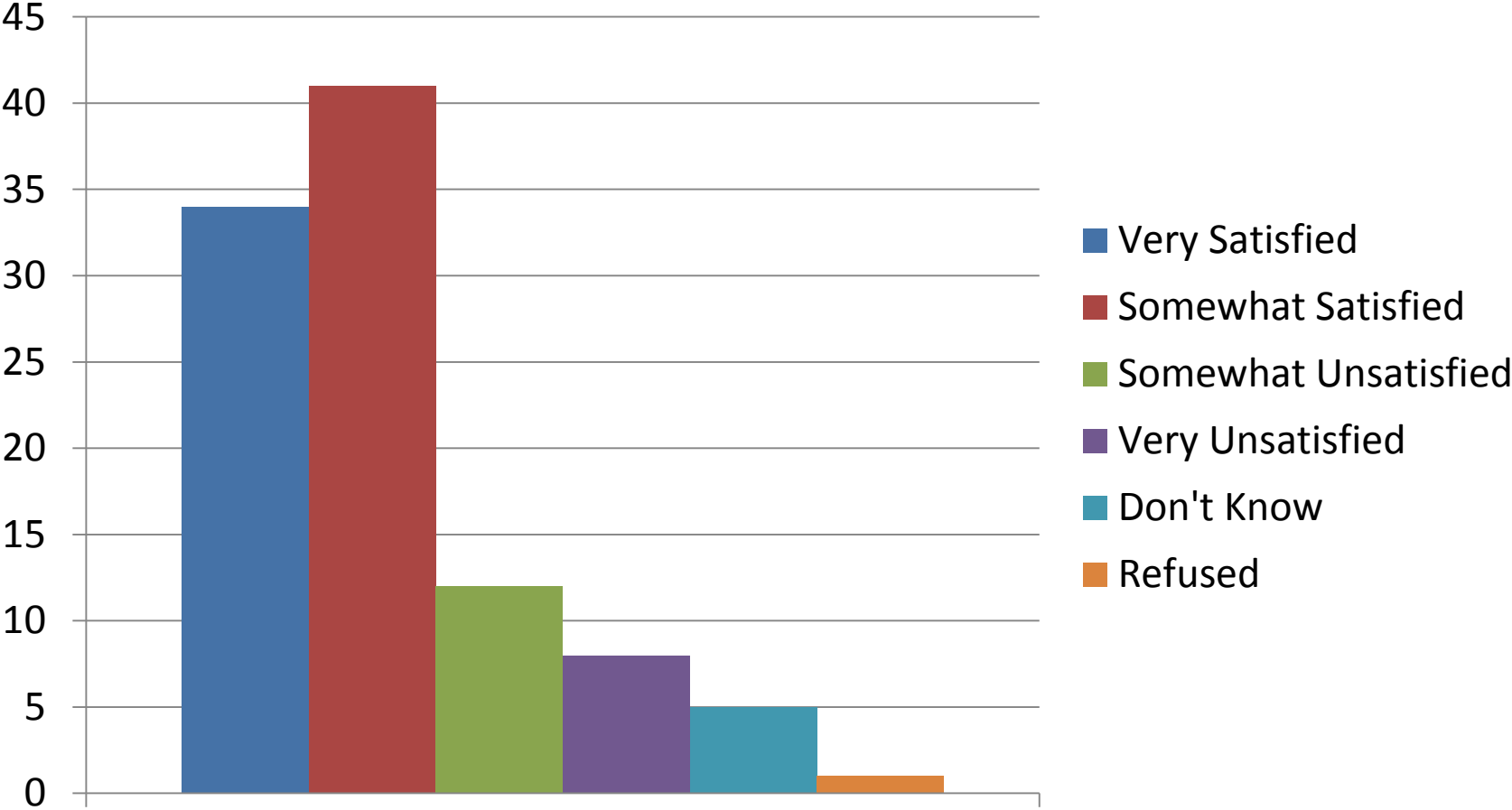


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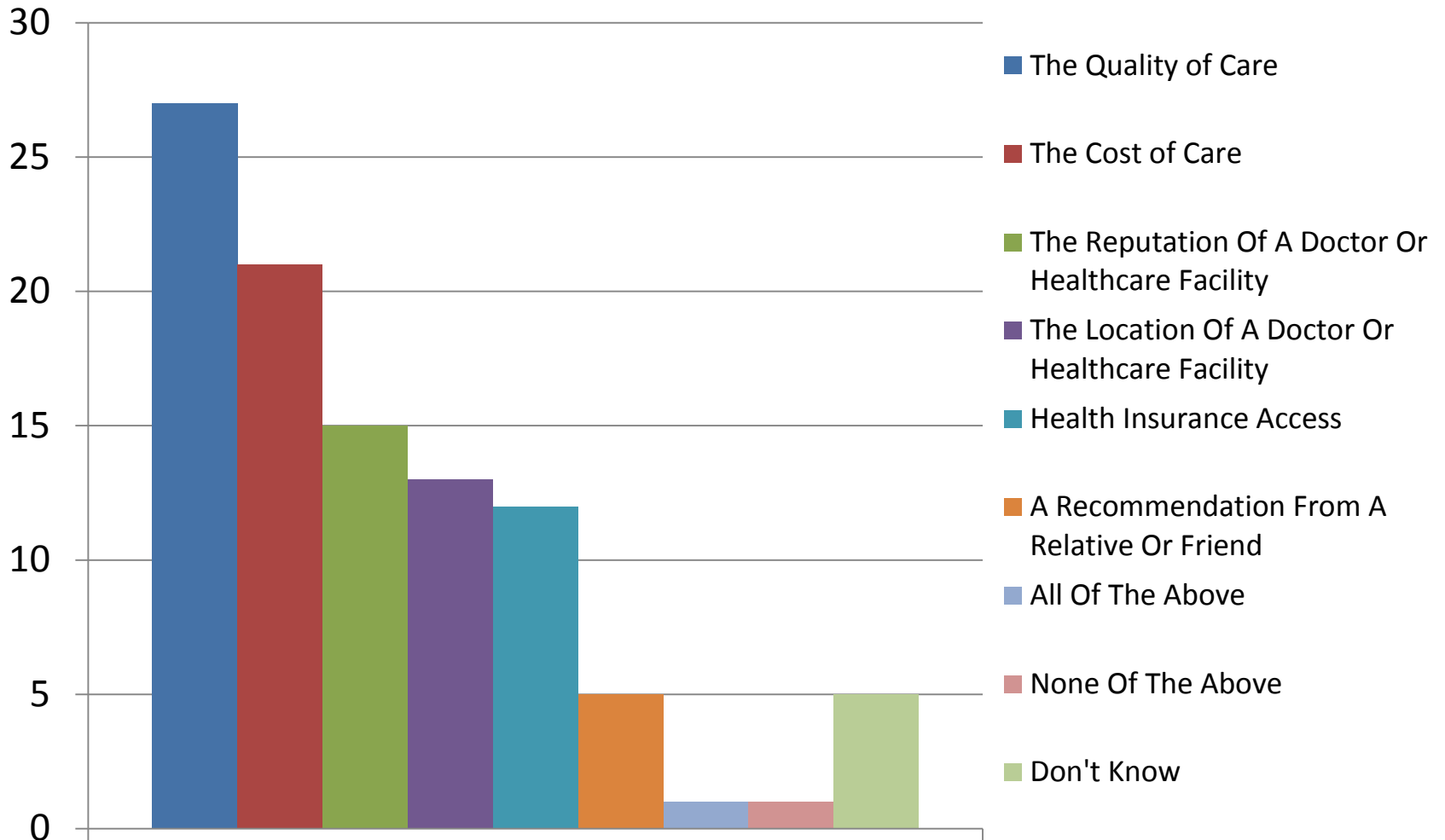
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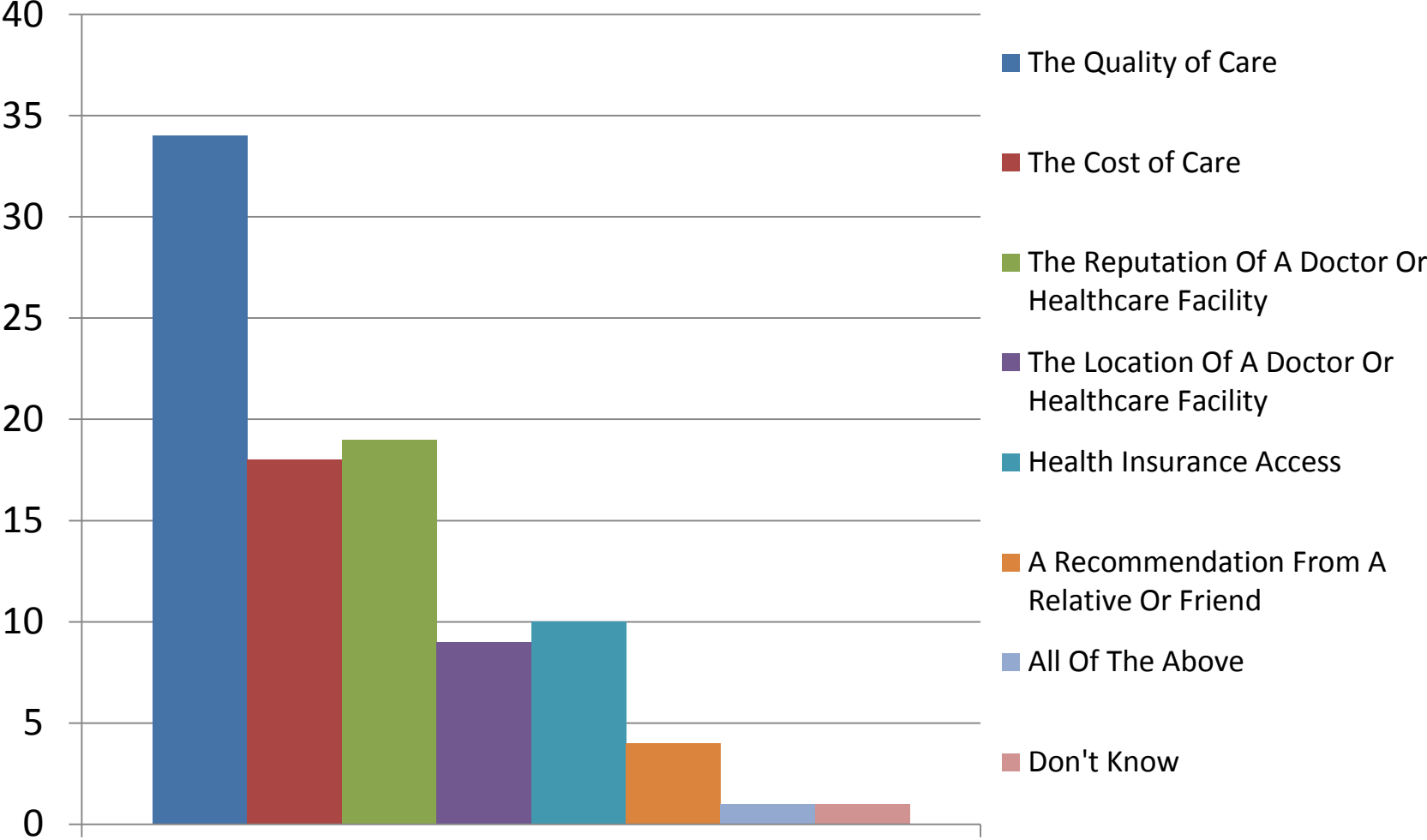
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# Five Steps to Establishing a Rational and Profitable Pricing Structure

# Five Steps to Establishing a Rational and Profitable Pricing Structure

# 1

*Complete understanding of how you are reimbursed*

- Determine price sensitivity
- Assess Fee Schedules
- Rate Increase Limitation

# Actual Impact from Reimbursement Changes

- Prospective Payment System Hospitals – 3 to 5% recovery
- Critical Access Hospital – 20 to 25% recovery



# Five Steps to Establishing a Rational and Profitable Pricing Structure

## 2

### *Comparative Data Analysis*

- Establish a Market Position
- Receive department input

# Five Steps to Establishing a Rational and Profitable Pricing Structure

## 3

### *Financial Objective*

- Determine Budgetary Requirements
- Establish percentage adjustment

# What makes the most sense?

- Prices vs. Competition

High	High/Low	High/High
Low	Low/Low	Low/High
	Low	High

- Hospital Sensitivity



# Five Steps to Establishing a Rational and Profitable Pricing Structure

## 4

### *Develop a Pricing Methodology*

- Price alignment for Same CPT
- Appropriate pricing structure amongst services
  - CT Scan with, without, with & without Contrast

# Pricing Areas

- Ancillary Services
- Room & Board
- Pharmacy
- Medical Supplies
- Free Standing Facilities
- Physician Fees

# Five Steps to Establishing a Rational and Profitable Pricing Structure

## 5

### *Commercial Contract Negotiation*

- Ensure prices are positioned competitively
- Be sensitive to favorable contracted terms

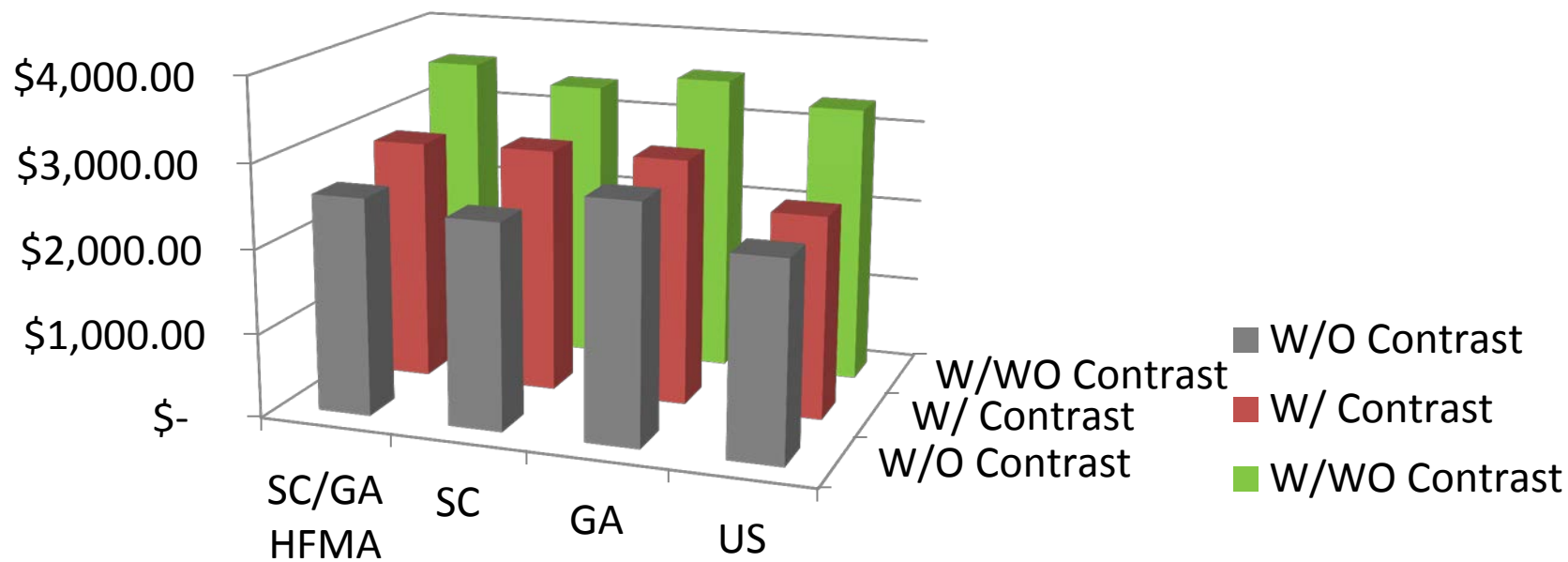
# Five Steps to Establishing a Rational and Profitable Pricing Structure

1. Complete understanding of how you are reimbursed
2. Comparative Data Analysis
3. Financial Objectives
4. Develop a Pricing Methodology
5. Commercial Contract Negotiation

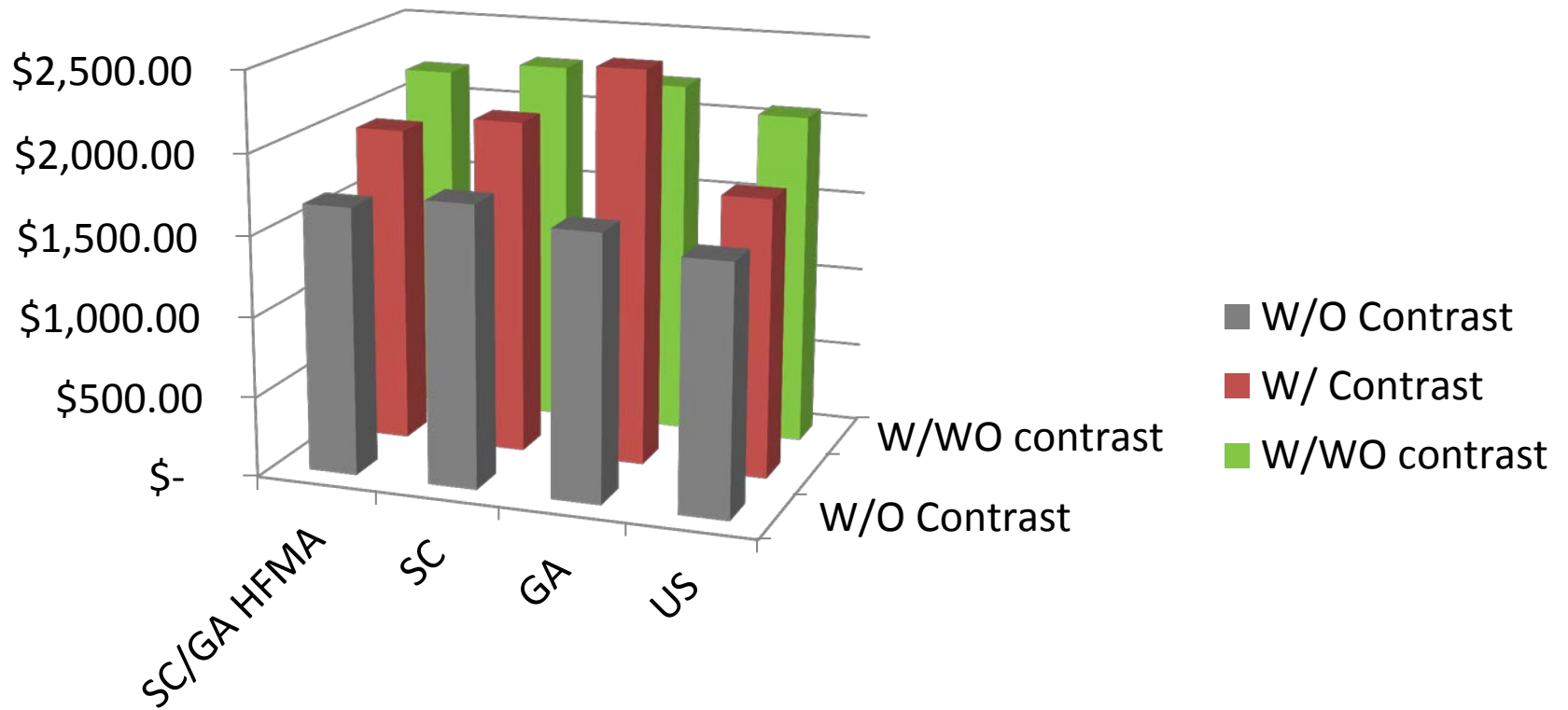
# How do you Compare?



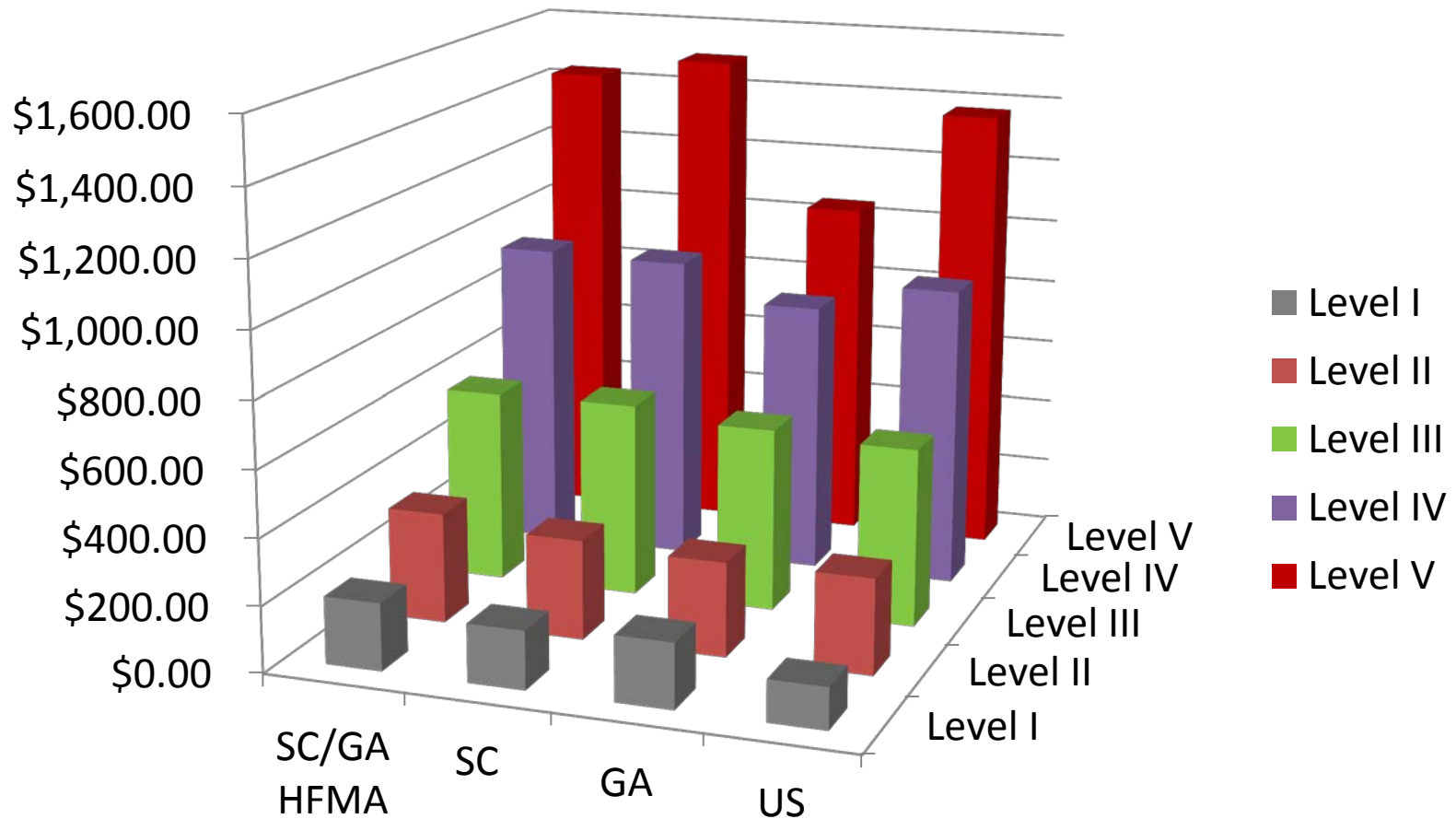
# MRI Upper Extremity Joint – 2012 Data



# CT Scan Head/Brain – 2012 Data



# E&M Levels – 2012 Data





# Ensure Tiered Pricing Relationship



# Key Takeaways

- Ensure your prices are competitive
- Publicized prices
- Pricing relationship
- Define and maintain a consistent pricing methodology

