

The Argus Advantage Series: Provider Pricing and Reimbursement Methodology

Argus Claim Review is constantly monitoring and communicating with providers regarding pricing and billing patterns in an effort to protect a Plan's overall assets. In an age of skyrocketing health care costs, Argus believes that a self-insured employer should never have to pay more than what is appropriate for the level of service provided.

Deciding on an appropriate payment for a level of service can sometimes be difficult because hospitals, physicians and other providers of health care do not have a uniform basis for what they decide to charge for a service.

Keeping that in mind, what follows is an analysis of two files for two patients who both A) had the same condition (Coronary atherosclerosis of native coronary artery), B) were both flown by air ambulance, and C) both were admitted inpatient for two days. The only difference is that one patient lives in Illinois; the other in Kentucky.

Patient A (Illinois) was flown 27 miles by air ambulance. His bill was as follows:

- HCPCS A0431-HH (Air Ambulance): \$17,000.00
- HCPCS A0436-HH (Ambulance Mileage): \$4,050.00
- Inpatient 2/11/14 through 2/13/14: \$95,515.65
- **TOTAL: \$116,565.65**

Patient B (Kentucky) was flown 30 miles by air ambulance. His bill was as follows:

- HCPCS A0431-HH (Air Ambulance): \$25,691.80
- HCPCS A0436-HH (Ambulance Mileage): \$8,125.20
- Inpatient 2/13/2014 through 2/15/14: \$47,607.21
- **TOTAL: \$81,431.21**

While prices do vary by geographic region, it is difficult to determine the methodology of each provider's pricing and what should be appropriate payment for identical services.

The current gold standard to compare any charge to is that of the allowable rate of the Centers for Medicare and Medicaid Services (CMS). Under the Medicare reimbursement system, the nature and severity of the services are weighted. CMS pays for services under a resource-based relative value reimbursement system, which assigns a higher relative value for services that are more difficult to perform or more time consuming.

CMS reimbursement methodology is a well-studied system with objective findings, and the Medicare Payment Advisory Commission (MedPAC) conducts regular reviews of the CMS reimbursement, issuing two reports per year that are meant to ensure ongoing improvement and fairness of the program under the Social Security Act.

CMS takes geographic wage indexes into account when they calculate their allowable rates, and adjust their national rate by this to compensate for the change in wage index – which may result in a lower or higher payment for that service in a given location. For the aforementioned files, this is what CMS would pay in the same circumstances:

Patient A (Illinois):

- HCPCS A0431-HH (Air Ambulance): \$4,932.48
- HCPCS A0436-HH (Ambulance Mileage): \$908.55
- Inpatient 2/11/14 through 2/13/14: \$13,269.76
- **TOTAL: \$19,110.79**

Patient B (Kentucky):

- HCPCS A0431-HH (Air Ambulance): \$4,386.88
- HCPCS A0436-HH (Ambulance Mileage): \$1,009.50
- Inpatient 2/13/2014 through 2/15/14: \$13,646.22
- **TOTAL: \$19,042.60**

Continued on next page...

...continued from prior page

All of these bills were out-of-network. In order to protect the Plan from undue loss against these high-cost bills, Argus Claim Review used the above calculations and allowed 200% of the CMS allowable on these claims and offered the providers an opportunity to objectively prove that this allowable did not cover their true costs and provide them with a reasonable profit margin.

Argus seldom receives appeals on these types of files, with the providers accepting the adjusted payment amounts. On these two cases alone, Argus will have saved over \$120,000 by utilizing a more uniform and acceptable payment methodology.

Cypress continually monitors industry-related guidelines, costs and other factors to ensure we are always using best practices to ensure claims are accurate, ultimately resulting in savings and effective cost-containment for our clients.

If you have any questions about provider pricing and reimbursement methodology, Argus Claim Review or other benefits-related topics, feel free to contact us – we're happy to answer any questions you have.

Greg Berth
Appleton, WI
(877) 236-0844

gregb@cypressbenefit.com

Amy Barnwell
Portland, OR | Salem, OR
(800) 277-8579 | (855) 351-0582

amyb@cypressbenefit.com

Andrew Rozmiarek
Colorado Springs, CO
(877) 236-0844

andrewr@cypressbenefit.com

Julie Kohanek, RHU
Omaha, NE
(800) 223-5508

juliek@cypressbenefit.com

For more articles like this, sign up to receive our twice-monthly [eNewsletter](#).