

# CASE STUDY: FLORIDA HOSPITAL

## The journey to pricing transparency

In an era of rising health care costs and consumer-driven financing alternatives, the need for health care cost transparency solutions has taken on increasing importance. Patients require simple explanations around care and fees, while regulatory measures will continue to drive this need. In order to stay competitive, as well as responsive to market and consumer needs, some health care organizations are currently implementing new pricing transparency strategies. Change of this magnitude, however, is a complex journey for many organizations, requiring patience, tenacity, focus and know-how. Florida Hospital can attest to that as it transforms its own pricing strategy to meet patients' growing needs.

### Background

Florida Hospital, a 2,400-bed acute-care medical facility, serves as a community hospital for Greater Orlando and as a major tertiary referral hospital for Central Florida and much of the Southeast. A highly respected facility, it was ranked by *U.S. News & World Report* as the No. 1 hospital in Florida. As part of the Adventist Health System, Florida Hospital is among a system of hospitals in 10 states serving more patients than any other in the United States.

With impressive stats and leadership within the health care industry comes responsibility, however, and Jeff Hurst, senior vice president of finance at Florida Hospital, believed his organization could do better, especially in the approach to patient billing and the hospital's Charge Description Master (CDM), or chargemaster.

Like other health care systems, Florida Hospital had its share of complex billing challenges. Jeff knew many of their patients received pages and pages of itemized and confusing billing. He listened to patient feedback and understood their frustrations. He wondered why the billing couldn't be simplified and more like the consumer experience in purchasing a car, for example.

"When you buy a car and look at the invoice, you don't see all the car's lug nuts broken down item by item," Jeff said. "You don't see every charge for all the pieces and parts of a car. Rather, you have two or three line items like price, dealer handling, tax and that's about it. Yet in health care, everything

from bandages, sutures, observation time, medication and more is broken down line by line. It's exhausting for the patient to review and incredibly confusing." Jeff indicated they wanted to address this at Florida Hospital. RSM was eager to help.

## The approach

Jeff indicated their objective was two-fold: They needed help to reduce the total number of line items and create more parity between charges and payments. Led by Jim Sink, RSM's health care industry national revenue integrity lead, the team conducted an analysis of current billing systems and the hospital's CDM while also evaluating payer agreements, payment methodology-related opportunities and risks presented by charge-sensitive contractual agreements. Specifically, the three-pronged approach included:

- **Rational pricing**—the development of a cost-based pricing model while reconciling market and managed care forces and implications. The model incorporated key managed care agreement payment terms enabling relatively precise estimates of the financial impact of pricing changes. In addition, financial implications associated with reducing charges were evaluated.
- **Lean CDM and item master (IM)**—a thorough evaluation of pricing and associated medical codes to determine efficiencies and reductions.
- **Revenue performance improvement and charge capture**—identifying services that could be charged, but were not currently billed charges.

Jeff and Jim knew this analysis period and the work that followed would take time and the effort was not without challenges. New systems and processes had to be implemented to track productivity, utilization and costs, and certain payers required specific chargemaster items in order for claims to be paid. In addition, contracts would need to be renegotiated and Medicare outlier thresholds would have to be rebased. As Jeff said, many dominoes needed to fall in order to get to the implementation phase. He indicated the organization is close and he expects a full pricing strategy launch will most likely take place in 2017. The goals include simplifying charges, reducing line items and in the end, improving the overall patient experience through open communication and streamlined billing.

## The differentiator

Jeff credited the foundational work done with Jim and the RSM team with being essential to understanding the issues and setting up a successful pricing strategy.

"When taking on a transformative initiative like this you want the best and brightest thought leaders in the room and RSM brought that level of expertise," Jeff said. "They understood what we needed to accomplish as well as our unique barriers, market dynamics and the very specific issues we deal with. I don't do business with vendors. I do business with partners and that's what RSM is to me."

For more information about RSM's pricing strategy services, contact us at +1 800 274 3978.

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