



## The Critical Need to Review Hospital Chargemasters

by John W. Sigmon, M.P.H., F.A.C.H.E.

**Q:** *What is a chargemaster and why is it so important?*

**A:** The hospital's chargemaster is a critical revenue-generating document. The chargemaster is linked to the cost reporting and cost accounting structures. The chargemaster plays a key role in the development and utilization of internal management reports. The chargemaster is also a primary component in the hospital's overall compliance plan.

**Q:** *Why should regularly scheduled reviews of hospital chargemasters occur?*

**A:** A "clean" chargemaster enhances hospital revenues, both directly and indirectly, under any payment system. With the implementation of ambulatory payment classifications (APCs), many hospitals are currently reviewing their chargemasters. This critical document must be reviewed periodically and proactively.

**Q:** *What is meant by direct and indirect revenue enhancement?*

**A:** Indirect revenue enhancement results from delivering accurate tools (chargemaster, encounter forms) to patient accounting so staff can complete the billing process correctly the first time. Rework, often caused by an inaccurate chargemaster, results in increased costs within service lines that may already be operating at a loss or on a slim return on investment. Direct revenue enhancement is tied to doing the job correctly the first time.

**Q:** *What should be looked for when reviewing the chargemaster?*

**A:** Several key elements should be examined in the chargemaster. They include:

- Accuracy of CPT/HCPCS codes: While some changes are relatively minor, they can affect the billing and revenue stream. Notices from the Health Care Financing Administration (HCFA) and annual CPT/HCPCS code changes should flag a chargemaster review. Accuracy at this level is critical. For example, a problem area is procedures that require multiple CPT codes (e.g., cardiac catheterizations) and therefore multiple chargemaster line items in order to report the complete procedure
- Accuracy of service descriptions and revenue center codes
- Accuracy of modifiers: When possible, modifiers should be "hard coded" (putting the information permanently) into the system by staff in the health information management department
- Correlation of revenue codes and CPT/HCPCS codes
- Close examination of charges to ensure that they reflect the accurate cost of service delivery
- Manageable chargemaster in design or set-up that is workable in both paper-based and electronic formats.

**Q:** *How should the review be conducted, if the hospital is already understaffed?*

**A:** The importance of a systematic, regular, proactive review of your hospital's chargemaster cannot be overemphasized. APCs have distinct chargemaster consequences and result in certain design elements that need to be incorporated into the chargemaster. The process of reviewing a chargemaster has become a major function over the past decade. Some hospitals have

financial/decision support staff charged with this function or a chargemaster coordinator position. Other organizations use outside consultants to provide a periodic review and update of their chargemaster due to staffing and operational concerns.

Whatever the method used, a team-oriented approach seems to work best. Such an approach should be comprehensive and include, at a minimum, the following elements:

- A designated staff person/department to distribute Medicare fiscal intermediary (FI) bulletins to relevant departments
- A coordination of annual updating of CPT codes, including the purchase of CPT, HCPCS II manuals
- An annual review of pricing
- Assistance to the patient accounting department to resolve billing errors that are chargemaster-related (i.e., inaccurate coding, pricing, levels of service)
- Research of new billing and coding requirements when new procedures are used
- Coding expertise provided by the health information management (medical records) department
- UB-92 revenue codes assigned by patient accounting
- Involvement in the review of department managers from ancillary areas such as laboratory or radiology
- Pricing decisions made by the finance department, working closely with the chief financial officer
- Awareness by the information systems department of what is being updated. ■

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