

RELATIVE PRICE OVERVIEW

May 27, 2020

CENTER FOR HEALTH INFORMATION AND ANALYSIS



Agenda

Relative Price Overview

FAQs with Bela Gorman, Gorman Actuarial

- What is Relative Price?
- Relative Price Data
- The Reporting of Service Categories
 - Hospital Outpatient and Physician reporting
- The Reporting of Multipliers

Data Preparation for Submission with CHIA Staff

- Parent vs Local Provider Groups
- A quick note on the Submission Templates and Provider List

Bela Gorman
Gorman Actuarial, Inc.



Gorman Actuarial, Inc.

What is relative price?

Illustrative Cohort

Acute Hospital,
Commercial
(self and fully
insured)
HMO and POS

Acute
Psych
Chronic
Rehab

Commercial
Medicare
Medicaid
Dual Eligibles 18 to 64
Dual Eligibles 65+
Other

HMO and POS
Indemnity
PPO
Other

Hospital Name	Hospital Type	Insurance Category	Data Year	Product Type	Blended RP	Inpatient RP	Outpatient RP
Anna Jaques Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.770	0.840	0.720
Athol Memorial Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.740	0.710	0.770
Baystate Medical Center	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.980	1.020	0.950
Baystate Franklin Medical Center	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.920	0.990	0.860
Fairview Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.370	1.080	1.600
Signature Healthcare Brockton Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.790	0.780	0.800
Cape Cod Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.300	1.150	1.420
Falmouth Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.350	1.150	1.510
Steward Norwood Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.880	0.880	0.890
Steward Carney Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.910	0.970	0.880
Cooley Dickinson Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.920	1.000	0.850
Dana-Farber Cancer Institute	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.020	0.840	1.160
Beth Israel Deaconess Hospital - Needham	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.830	0.820	0.840
Emerson Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.960	0.990	0.930
Brigham and Women's Faulkner Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.050	1.130	0.980
Harrington Memorial Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.850	0.800	0.890
HealthAlliance Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.740	0.740	0.740
Heywood Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.740	0.680	0.790
Steward Holy Family Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.830	0.890	0.780
Holyoke Medical Center	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.770	0.800	0.750
Beth Israel Deaconess Hospital - Plymouth	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.900	0.950	0.860
Lawrence General Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.760	0.820	0.710
Lowell General Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	0.890	0.930	0.860
Martha's Vineyard Hospital	Acute	Commercial (self and fully insured)	2017	HMO and POS	1.890	1.240	2.390

Relative price is a metric that measures how expensive one provider is compared to another for a certain "cohort".

Relative Price Data

- Inpatient Hospital
 - Inpatient Hospital Claims & Non Claims
 - Discharges
 - Case Mix Index
- Outpatient Hospital, Physician, Other Provider
 - Outpatient Hospital Claims & Non Claims
 - Multiplier by Service Category

Hospital Outpatient & Physician Service Categories

- Generally, payers negotiate multipliers for categories of service
 - Applied to a fee schedule
 - Fee schedule on the most part would be the same across hospitals
- Payers and hospitals negotiate price for groups of services (generally) – “service categories”
- Each insurer must assess the best approach to group data by examining how they contract for services – this may require conversations with the contracting area within an insurer.
- All insurers in our market report data using different service category definitions.

Exemplar Hospital Outpatient Service Categories

Payer 1	Payer 2	Payer 3	Payer 4	Payer 5
Ambulatory Facility	Clinic	Outpatient	Clinic Codes	All remaining Ancillary services
Emergency Room	Current Payment on Account Factor	Outpatient Emergency Room	Codes paid on APC FS	Drug, DME and Ambulance services
Lab	Dialysis	Outpatient Medical Rx	Emergency Room	Emergency Room services
Medical Pharmacy	DME	Outpatient Observation	Hosp OP Drug FS	Evaluation and Management services
Radiology	Emergency Room	Outpatient Radiology	Hospital OP Therapy	Hospital Outpatient Surgical services
Specialist Physician	High Tech Radiology	Outpatient Same-day Surgery	Observation	Laboratory, CT Scans, MRI services
	Laboratory		Other	Mental Health E&M provided by non-MD
	Mammography			Observation
	Mental Health			PT / OT, Mammography
	Observation			
	Other			
	Outpatient Rehab Services			
	Outpatient Surgery Services			
	Pharmacy			
	Professional Services			
	Radiation Oncology			
	Radiology			
	Sleep			

Payers should group their hospital outpatient data into categories of services. Categories should align with how prices are negotiated. Each payer uses their own definitions of service categories and no two payers are the same. There are some consistent categories ie. Emergency Room & Ambulatory Surgery.

Exemplar Physician Service Categories

Payer 1	Payer 2	Payer 3	Payer 4	Payer 5
Ambulatory Facility	All Physician Payments	All Physician Payments	Commercial MD	Anesthesia services
Dental Rider				Drug, DME services
Home Health				Physician services; typically RVU-based
Lab				
Medical Pharmacy				
Mental Health				
Primary Physician				
Radiology				
Specialist Physician				

Payers should group their physician data into categories of services. Categories should align with how prices are negotiated. Each payer uses their own groupings and no two payers are the same. Here we observe that some payers only have 1 category of service.

The Reporting of Multipliers



Gorman Actuarial, Inc.

The Reporting of Multipliers

- Multiplier data critical in calculation of Relative Price.
- The multiplier represents the mark up from a standard fee schedule
- Two ways to report multiplier
 1. Directly from the negotiated provider-payer contract
 2. Imputed from Data
- If insurers report multiplier using method 1, then the Multiplier Indicator would be designated as “1” (Negotiated base rate or multiplier (not calculated))
- If insurers report multiplier using method 2, then the Multiplier Indicator would be designated as “2” (Calculated payment –derived base rate or multiplier)

Calculated multiplier (imputed multiplier): Hospital Outpatient

- The calculation for imputed multipliers would be performed separately by “cohort” & service category
 - Cohort
 - Hospital Type {Acute, Psych, Chronic, Rehab}
 - Insurance Category {Commercial, Medicaid, Medicare, etc.}
 - Product Type {HMO/POS, PPO, Indemnity, Other}
 - Service Category {Emergency Room, Lab, Ambulatory Surgery etc.}
- The methodology used to report multiplier “should be” the same within each “cohort” and service category
- Data used will be claims based payments and number of units

Calculated payment-derived base rate or multiplier (imputed multiplier): Numerical Example

	(1)	(2)	(3)	(4)	(5) = (1)/(3)	(6) = (2)/(4)	(7)	(8)	(9) = (7)/(8)
Lab Services Multiplier	CPT X Total Allowed Claims	CPT Y Total Allowed Claims	CPT X Units	CPT Y Units	CPT X Price	CPT Y Price	Actual Average Price	Expected Price	Multiplier = Actual/Expected
Provider A	\$250	\$300	3	3	\$83.33	\$100.00	\$91.67	\$78.21	1.172
Provider B	\$700	\$700	10	9	\$70.00	\$77.78	\$73.68	\$77.94	0.945
Total/Network Average	\$950	\$1,000	13	12	\$73.08	\$83.33			

Calculated payment-derived base rate or multiplier (imputed multiplier): Numerical Example

Columns (1) & (2): These represent total allowed claims paid out for CPT X and CPT Y for Provider A & B in a given year.

Columns (3) & (4): These represent total units for CPT X and CPT Y for Provider A & B for the same year as the reported allowed claims.

Column (5) & (6): These represent an imputed price for CPT X and CPT Y by provider and for the network.

Column (7): This is the actual price across both CPT codes. The formula for Provider A is: $(\$250 + \$300) / (3 + 3) = \$91.67$. The formula for Provider B across both CPT codes is: $(\$700 + \$700) / (10 + 9) = \$73.68$

Column (8): This is the expected price for each provider using the network average prices. The formula for Provider A is $\{(3 * 73.08) + (3 * 83.33)\} / (3 + 3) = 78.21$. The formula for Provider B is $\{(10 * 73.08) + (9 * 83.33)\} / (10 + 9) = \77.94

Column (9): This is the imputed multiplier and takes the ratio of Actual Price to Expected Price.

Issues with Imputed Multiplier

- Small sample size can lead to results that do not make sense
- Calculation may not represent true negotiated price
- Payers are expected to review results for reasonability and to adjust results accordingly to best reflect actual prices
- Multipliers should be reviewed by payer provider contracting area and payer actuarial/finance departments before reporting to CHIA

Checking for reasonability

Here we see that the multiplier ranges from 0.08 to 2.00. I have highlighted 0.08 as it appears unlikely. This is where contracting or actuarial could provide insight and also suggest modifications on how to report the multiplier.

Lab

Hospital A	1.10
Hospital B	2.00
Hospital C	0.08
Hospital D	0.95
Hospital E	1.00
Hospital F	0.85

Here we see that the multiplier ranges from 0.60 to 10. I have highlighted 10 as it appears unlikely. This is where contracting or actuarial could provide insight and also suggest modifications on how to report the multiplier.

Amb Surg

Hospital A	2.00
Hospital B	1.70
Hospital C	10.00
Hospital D	2.20
Hospital E	0.80
Hospital F	0.60

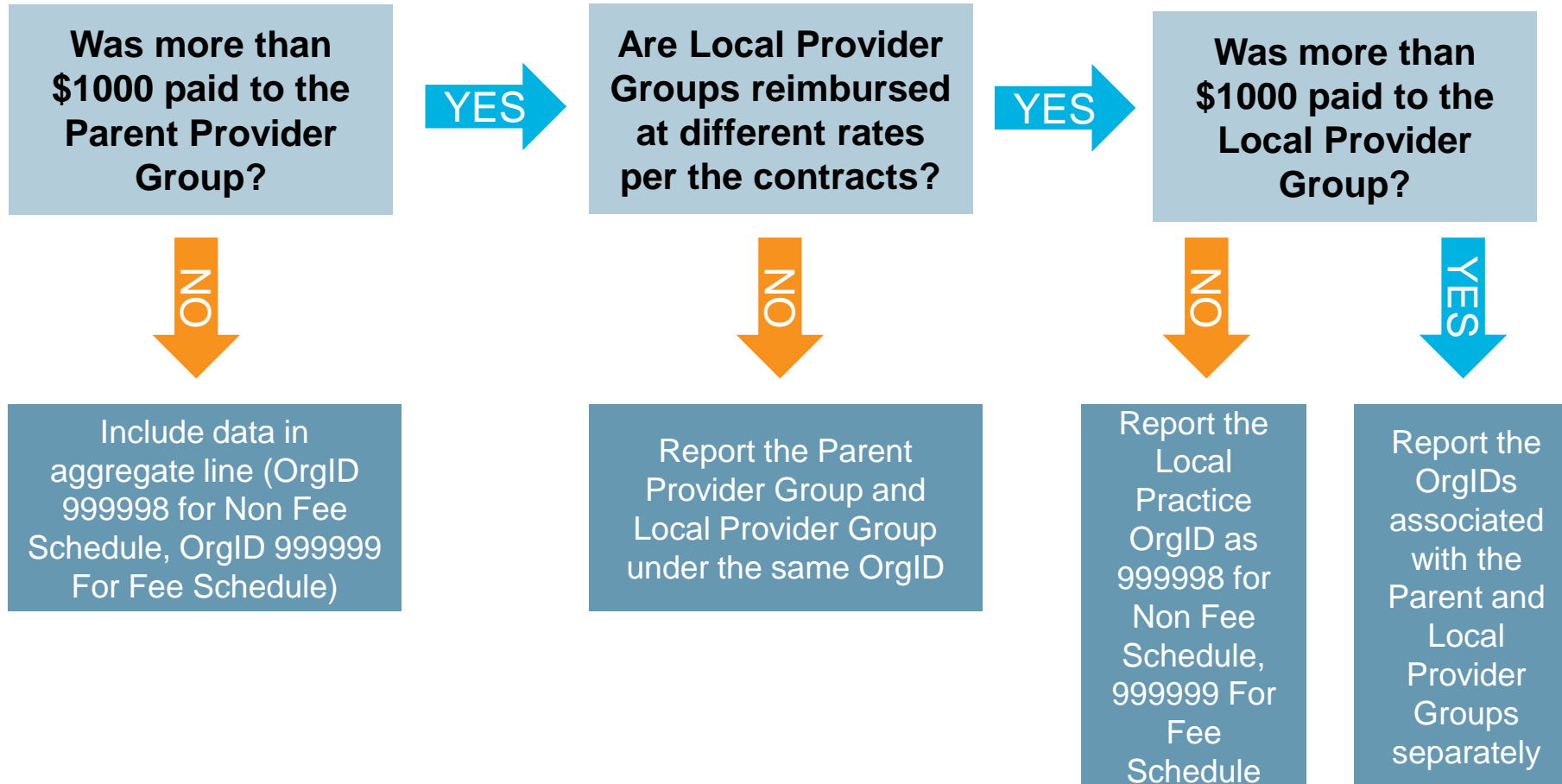
Adjusting the results

- Imputed multipliers that lead to inaccurate results:
 - Seek assistance from contracting or actuarial/finance area
 - May lead to modifying the calculation or adjusting the data
 - May lead to reviewing the actual contracts
- Review your calculations to ensure they are correct
- Contact CHIA and CHIA's actuaries for consultation

DATA PREPARATION

Reporting Parent/Local Data

Within an Insurance Category/Product Type Combination:



Reporting Parent/Local Data

Use of a Local Aggregate is new for 2020 Reporting Year

Example: Atrius Health

- Scenarios
 - 1: Data is tracked only for Atrius Health
 - 2: Data is tracked at local physician level and payments are >\$1000
 - 3: Data is tracked at Local Practice level and payments are <\$1000

Scenario	Parent OrgID	Parent	Local OrgID	Local	Payments
1	9995	Atrius Health	9995	Atrius Health	\$15,000
2	9995	Atrius Health	10963	Dedham Medical	\$5,000
2	9995	Atrius Health	4932	Harvard Vanguard	\$5,000
2	9995	Atrius Health	10964	Granite Medical	\$5,000
3	9995	Atrius Health	4932	Harvard Vanguard	\$14,000
3	9995	Atrius Health	999999	Fee Schedule Payments	\$1,000

Reporting Parent/Local Data

Reporting Thresholds

New for 2020 Data Collection

- Physician groups should be reported individually until 90% of total payments are included
- Other Providers should be reported individually until 80% of total payments to that provider type are included
 - i.e. Aggregate reporting lines should contain less than 10% of total physician payments and less than 20% of total other provider type payments
 - Aggregate lines should only exceed this proportion if reporting additional provider groups would result in reporting payments of less than \$1000

Reporting Parent/Local Data

The Parent Physician Group should be the group that is contracted with

- CHIA often gets questions about which provider group is the parent
 - It depends!
 - The list to the right represents the top parent physician groups

Top Reported Parent Physician Groups	
OrgID	Physician Group
9995	Atrius Health
8643	Baycare Health Partners, Inc.
10968	Beth Israel Deaconess Care Organization (BIDCO)
10969	Boston Medical Center Mgt Service
17687	Lahey Clinical Performance Accountable Care Organization
10826	Mount Auburn Cambridge IPA
9916	New England Quality Care Alliance (NEQCA)
8745	Partners Community Physician Organization
10972	Reliant Medical Group
11058	Steward Network Services, Inc.
11018	The Childrens Hospital Corporation
9784	UMass Memorial Medical Group

A Quick Note About the Template

It is necessary for the Front Page to be complete prior to submission

1 Payer Reporting of Relative Price
2 A. File Overview and Payer Verification

3
4
5 Save & Name Submission

6 **Contact Name:** *

7 **Contact Email:** *

8

Table A.1: File Overview	
Payer OrgID *	0
Payer Name *	Select Payer:
Risk Tool and Version *	
Submission Year *	
Data Year *	

15

Table A.2: Data Checks	
Hos Inpatient Data Tab	Please run Inpatient Data Review prior to submission
Hos Outpatient Data Tab	Please run Outpatient Data Review prior to submission
Hos IP Review	Please run Inpatient Data Review prior to submission
IP Payments Review	Please run Inpatient Data Review prior to submission
OP Service Review	Please run Outpatient Data Review prior to submission

Table A.3: Data Reviews Certifications	
Data Tab	Acknowledgement
I acknowledge I have reviewed the Hos Inpatient Data tab *	
I acknowledge I have reviewed the Hos Outpatient Data tab *	
I acknowledge I have reviewed the Hos Inpatient Review tab *	
I acknowledge I have reviewed the OP Payments Review tab *	
I acknowledge I have reviewed the OP Multiplier Review tab *	
I acknowledge I have reviewed the OP Service Review tab *	
RP Comments	
Additional Comments	

37
38
39
40
41
42

◀ ▶ Contents **Front Page** HOS Inpatient Data HOS Outpatient Data Hospital List

A Quick Note on the Provider List

The Uniform Provider List has been updated on CHIA's Website

The new version includes NPIs for Physician Groups and Other Providers

- CHIA was able to identify NPIs for only about 80% of Other Provider organizations
- NPIs are provided for reference but OrgIDs are still considered the authoritative identifier for providers by CHIA
- There is not a 1 to 1 relationship between NPIs and OrgIDs, so data submitters should use due diligence when using NPIs in data preparation
- Data submitters are responsible for verifying that the data is associated with the correct organization prior to submission
- NPIs are included in the Uniform Provider List on CHIA's website but will not be added to the submission templates
- Please reach out to CHIA with any feedback on the NPI Lists

Next Steps

CHIA anticipates releasing final Provider List next week

CHIA will be offering individual calls with each Payer to answer any questions regarding the new RP process

Please feel free to reach out at any point with questions to Matt MacNabb at Matthew.MacNabb@massmail.state.ma.us