Addressing providers' concerns with best practice solutions
McGladrey speaker’s contact information

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Learning Objectives

- Addressing myths to the question: Why is pricing important?
- Understanding how an organization should set their prices
- Where should my organization set their prices
- Best practice methodologies
Experience the power of being understood

Pat Keel
Executive Vice President and Chief Financial Officer
Good Shepherd Health System
Longview, Texas

“If you’re looking for results, McGladrey is the top health care adviser, bar none. Unlike other firms we’ve worked with, McGladrey was able to identify millions in additional Medicare funding — and they’re not even done yet. What’s more, they understand us and openly share methodology so the results can be sustained over time.”
Awareness around Health care price transparency growing

**HUFF POST BUSINESS**

Price Transparency in Health Care: Is It The Holy Grail?

Health care is the only product or service we purchase without any idea of the price. Often, you don’t even know your portion of the price.

This raises the question, ”Why?” Can anyone imagine getting a meal that costs $110 without knowing the price? It would not happen. Why not for health care?

**THE WALL STREET JOURNAL**

More Transparency, Better Health Care

As the debate over how best to reform our wasteful health-care system continues, there is one measure we can implement immediately to improve quality and rein in runaway costs—the public release of data from the Medicare program, as required by a provision of the Patient Protection and Affordable Care Act.

The need for change is striking. Research by the Dartmouth Atlas of Health Care documents that, on average, more than 40% of Americans are not receiving the care most likely to help them and that, even when they do, it is often provided wastefully.
Lawmakers aiming to promote greater transparency about health care costs

<table>
<thead>
<tr>
<th>Health Care Price Transparency Promotion Act of 2013 (H.R. 1326)</th>
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<tbody>
<tr>
<td><strong>Sponsors:</strong></td>
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<tr>
<td>• Michael Burgess (R-TX)</td>
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<td>• Gene Green (D-TX)</td>
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<td>• John Carter (R-TX)</td>
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<td>• Bill Cassidy (R-LA)</td>
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<td>• Robert Wittman (R-VA)</td>
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<td><strong>Requirements:</strong></td>
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<td>• States to establish laws mandating that hospitals publicly disclose the cost of various services</td>
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<td>• Health insurers to provide consumers with information about estimated out-of-pocket costs for health care products and services (Goedert, <em>Health Data Management</em>, 3/26)</td>
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<td>• The Agency for Healthcare Research and Quality to identify the types of health care cost data that consumers find beneficial (<em>AHA News</em>, 3/26).</td>
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Provider Preparedness

- MOST providers are not thinking of price as a deliberate strategy.
  - Related to attracting specific segments of business
  - Related to the image of the organization
  - Related to coordination with other marketing elements.

- MOST providers are woefully unprepared for public inquiries about the price of their services.
  - Exception – Elective services providers who are closely tied to the price of their service.
Quality vs. Price

- Ideally, people should select providers based on the perceived “quality” of the experience – both clinical and “personal interaction”.
  - Some payers are even moving to adjusting reimbursement based on set quality outcomes.
- But this operates largely in a “price vacuum” for average consumers.
- If price for health services becomes a key factor, will it drive “quality” out the door?
  - Too soon to tell, but price has impacted the “brands” of other industries – airlines, telephone service, etc.
Three spheres of influence on price

- Desired Net Income
  - Sustainable growth determines reasonableness of target

- Competitive Position
  - Quality
  - Cost
  - Market Share
  - Capital Intensity
  - Payer Mix

- Market Structure
  - Buyers/Sellers
  - Barriers to Entry
  - Price Elasticity
Best practice price methodologies support the objectives of today’s providers
Understanding the methodologies is necessary to effectively manage a provider's price strategy.

<table>
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<tr>
<th>Methodology</th>
<th>Description</th>
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<tr>
<td>Cost /Cost Surrogate Methodology</td>
<td>Focusses on developing a rationale / defensible pricing strategy by using internal cost accounting and Medicare data to develop line item pricing</td>
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<tr>
<td>Reimbursement Methodology</td>
<td>Focusses on developing a pricing strategy to drive net revenue by focusing on services that are price sensitive while meeting organizational net revenue objectives</td>
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<tr>
<td>Market Methodology</td>
<td>Focusses on developing a pricing strategy competitive with market area competitors</td>
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<tr>
<td>Hybrid Methodology</td>
<td>Focusses on developing a pricing strategy that incorporates a combination of cost / cost surrogate, reimbursement and market pricing methodologies</td>
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Developing a rate strategy

Critical steps in a hospital’s rate-setting strategy

- Set the desired profit target
- Establish initial rate-increase limits and parameters
- Use the right data to estimate rate-increase impact
- Model your contract terms
- Assess fee-schedule pricing
- Incorporate cost data
- Examine competitive pricing comparisons
- Review pharmacy / medical-supply issues
- Evaluate impact by case categories
- Evaluate impact by payer
- Adjust parameters as necessary and implement final CDM changes
Jim Sink
McGladrey Principal
Davenport, IA

### Background

Jim Sink is a key leader in McGladrey’s Health Care Industry Practice and leads our National Health Care Advisory Services Practice. His professional career has focused exclusively in health care for nearly 22 years, specializing in performance improvement, revenue integrity, reimbursement strategy and regulatory compliance. Jim has invested the last 14 years of his professional career building McGladrey’s health care advisory capabilities, now exceeding more than 50 dedicated health care professionals.

Jim holds a CPA certification, has earned his MBA in Business Administration and holds undergraduate degrees in both accounting and finance. Jim co-developed the ICD-10 rapid assessment approach for the firm.

### Contact

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### Relevant assignments

- **Revenue performance improvement** – Enterprise or focused assessments addressing patient access, charge capture, contract management, pricing strategy, health information management, patient accounting, denial management, reimbursement and cost reporting, people, process and technology improvement opportunities

- **ICD-10 risk assessment** – Enterprise risk assessment of ICD-10 governance, managed care, translation, revenue cycle, denial management, health information management, clinical documentation improvement, physician/coder education and overall ICD-10 readiness with respect to industry benchmarks

- **Regulatory reporting, reimbursement strategy and regulatory recovery, optimization and appeal services** – Medicare, Medicaid and Blue Cross cost reporting and cost-allocation analysis; provider-based strategy addressing attestation, financial projection and revenue cycle implementation and related people, process and technology issues; regulatory recovery and appeals services addressing Medicare DSH/340B, bad debt, medical education and wage index and occupational mix reimbursement opportunities

- **Financial projection** – Development of complex financial models enabling sensitivity analysis of key strategy variables impacting future financial performance; models developed addressing change of ownership, organization and cost structure, debt funding and provider-based strategy, changes in payer mix and/or reimbursement methodologies and start-ups
Jason Durrett
McGladrey Manager
Dallas, TX

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Relevant assignments
- Multi-hospital system – ICD-10 assessment; the project lead for the IT assessment, vendor assessment and risk management overview; produced key deliverables that focused on ICD-10: roadmap, risk management, IT/vendor overview and designed/drove the final work products
- Academic medical center – ICD-10 assessment; assisted with the ICD-10 assessment for the acute care practice, as well as assisted with the physician practice; key work products included ICD-10 IT assessment, departmental ICD-10 readiness and developing a shared services department workflow for the medical center
- Health insurance organization – ICD-10 remediation; supported the development of a program level plan, crosswalk strategy, program governance and program execution infrastructure; produced a key deliverable covering the current market for vendors with a concentration on ICD-10 mapping/modeling
- Multi-hospital systems – participated in developing access and excel documents for 340B drug ordering; developed roadmap for 340B implementation
- Regional hospital – participated in the development of the bad debt assessment phase workpaper documentation
- Proposals – developed point-of-view slide decks for Medicare Stars, Specialty Pharmacy and PetMeds to present to various provider and payer networks

Background
Jason Durrett has nine years of healthcare experience working at a large regional health care provider, with a focus on strategic planning, revenue cycle and supply chain management. Prior to joining McGladrey, Jason worked at a multi-hospital system. Jason accomplished site-specific cost savings, indentified service line opportunities and has experience working with facility remodeling.

Jason has his MHA from Trinity University and his BS in Biological Sciences from Oklahoma State University. He is also active member of ACHE, HFMA, and HIMSS.
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