Improving Pharmacy Revenue Integrity

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BILLINGS CLINIC WORKED TO IDENTIFY DISCONNECTS BETWEEN MEDICATION PURCHASES, CHARGES, AND PAYMENT—AND HAS SIGNIFICANTLY IMPROVED CODING EFFICIENCY AND QUALITY.

At a Glance

Billings Clinic learned the following important lessons in implementing a pharmacy revenue integrity initiative:

- Integrate pharmacy data as fully as possible.
- Audit and review pharmacy data regularly to validate the data and identify key areas where education can be provided to support accuracy and compliance.
- Use technology to bridge gaps between pharmacy data, such as gaps in billable units and billed units.
- Establish data governance workflows.

Revenue integrity programs are an effective means for hospitals and health systems to ensure that data related to costs and charges are captured correctly and that optimal payment is received for healthcare services provided. When organizations implement these programs, however, they often overlook the pharmacy department.

The complexity of pharmacy revenue cycle operations makes it difficult for healthcare organizations to identify disconnects between the amount of medication purchased and dispensed, the amount charged for particular subsets of drugs, and the payment received. For example, there is no standard algorithm for establishing charges for medications: Charges might be based on vial size or on HCPCS codes, which are used by public and private health plans to formulate fee schedules for medical supplies and equipment. An organization might also rely on either the average wholesale price or the acquisition cost as a benchmark for pricing and payment—and there may be sizable gaps between these two figures.

The challenges in establishing links between an organization’s pharmacy spend data and its chargemaster make the process of implementing a pharmacy revenue integrity program a
daunting prospect. But the stakes are high: Organizations that choose not to implement a pharmacy revenue integrity program could fail to secure millions of dollars in revenue if pharmaceutical data in their billing systems are incomplete or incorrect, or if certain data are missing altogether. Incomplete, incorrect, or missing data also could create issues related to compliance.

At Billings Clinic in Billings, Mont., a collaborative effort between finance and pharmacy and compliance specialists to improve pharmacy revenue, performance, and compliance reduced fluctuations in medication charges, aligned charges between the organization’s hospital and clinics, and enhanced its potential to improve revenue integrity and patient satisfaction.

How Billings Clinic Did It

Billings Clinic is an integrated delivery system (IDS) with a tertiary-care hospital based in Billings, Mont. With six branch clinics and 10 affiliated hospitals and clinics, the regional health system serves a largely rural population in 43 counties. In January 2013, Billings Clinic achieved designation as a Medicare accountable care organization. The organization also is a participant in the 340B program.

In 2011, an audit of drug expenditures versus reimbursement at Billings Clinic disclosed that the IDS was potentially underbilling for medications.

One of the biggest challenges Billings Clinic faced was in aligning prices for medications between its hospital and its clinics. In the hospital setting, medications are charged on a per vial or dosage basis; in the clinic setting, charges are based on Medicare outpatient dosages and are assigned HCPCS billing codes.

Exhibit

The organization’s billing process also was encountering gaps in pharmacy data as the data moved through disparate billing systems. Billings Clinic uses two chargemasters—one for its hospital and another for its clinics. The number of pharmacy line items for the hospital is more than 10 times greater than that of the clinics, and about 300 line items in the clinic chargemaster apply only to the clinic setting. As pharmacy charge data moved through these distinct billing systems, and as conversion factors were applied and National Drug Codes (NDCs) and units of measure were added, errors would sometimes occur that would affect the final bill.

In the fall of 2011, Billings Clinic established a team of finance, pharmacy, and clinical representatives to study pharmacy coding and billing processes and identify areas for
improvement. The goals of the initiative were to strengthen the integrity of pharmacy billing policies and procedures, enhance pricing transparency, and improve financial performance.

The team began by mapping out pharmacy processes from the point a physician prescribes medication for a patient to the point the medication appears on the patient’s bill. The team spent two days mapping out these processes—and discovered that for any given medication administered, at least a dozen people touched the claim before the charge appeared on the patient bill.

The team examined opportunities to reduce the number of people who touched pharmacy claims in the organization and to ensure that the right resources were dedicated to managing the flow of pharmacy charges, updates related to pricing and regulations, changes to the pharmacy formulary, pharmacy audits, and more.

Billings Clinic created two new full-time positions—a pharmacy chargemaster specialist and a pharmacy coding adviser—to help guide the organization in its efforts to improve pharmacy revenue integrity.

The pharmacy chargemaster specialist, who reports to the director of pharmacy, originally worked as a coder for the IDS. Billings Clinic trained the coder as a certified pharmacy technician—a process that took about 18 months—so that the coder could serve as a link between pharmacy and finance, meeting with both the director of pharmacy and the director of reimbursement weekly to troubleshoot issues related to pharmacy revenue integrity and develop action plans for improvement.

The pharmacy coding adviser, who works on the finance side, collaborates with the pharmacy chargemaster specialist in digging down into the pharmacy data and determining ways to better support revenue integrity, efficiency, transparency, and compliance.

The pharmacy chargemaster specialist updates all of the prices for pharmaceuticals in both chargemasters on a monthly basis, adds new drugs to the chargemasters as these drugs are introduced, and modifies additional data related to existing line items as needed. The specialist also uploads Billings Clinic’s monthly purchase history for pharmaceuticals into an automated tool that indicates the most frequently used NDC in each category, which helps coding staff and others in ensuring that the correct NDC appears on the bill. The tool also detects and alerts the chargemaster specialist to:

- Medications that were purchased but are missing from the chargemasters
- Drugs that cost more than the IDS can expect to be paid
- Drugs that were purchased but are missing CPT, HCPCS, or revenue codes
- Drugs with invalid NDCs
- Variances between the purchased volume and the billed volume, which may signal issues with charge capture
- Variances in actual pricing versus the pricing defined by approved pricing policies
The automated tool also highlights opportunities to save money by using less costly, generic alternatives for specific medications and compares Billings Clinic’s drug costs with a number of cost benchmarks, including pharmaceutical purchase data, the average wholesale price, the federal upper limit used in some state Medicaid payment calculations, the wholesale acquisition cost, the suggested retail price, and the direct price provided by the manufacturer.

Billings Clinic moved from an average wholesale price algorithm to an acquisition cost-based pricing algorithm to establish a more defensible pricing strategy. The pharmacy chargemaster specialist then built pharmacy charging algorithms into the chargemaster and synced the algorithms with the hospital’s finance system, so that finance staff could better understand the relationship between unit size, cost, and payment. Meanwhile, the pharmacy coding adviser reviews new chargemaster requests to ensure compliance and proper billing, determines whether HCPCS codes and billable units are properly assigned and designated, ensures that NDC units of measures and conversion factors have been correctly applied, and reviews the claim for proper revenue code assignment.

**Lessons Learned**

Although it is too early to determine the full financial impact of the initiative on pharmacy revenue for the IDS, Billings Clinic already has recorded noticeable improvements in coding efficiency and quality as well as revenue integrity.

The addition of dedicated personnel to oversee the pharmacy revenue integrity efforts has saved Billings Clinic’s pharmacy director five to 10 hours per week in analyzing data to pinpoint where the IDS was losing money on drugs that were being administered, why, and how to reverse unprofitable trends. The hours and accuracy that were gained more than cover the pharmacy chargemaster specialist’s salary and have better positioned Billings Clinic to more fully use the pharmacy’s automated chargemaster tool to enhance integrity and pinpoint opportunities for improvement.

Having the pharmacy chargemaster specialist upload Billings Clinic’s monthly pharmaceutical purchases history has provided coders, pharmacy professionals, and finance staff with a more dynamic purchase history than previously available. A special pricing identifier located within the automated tool automatically flags drug prices that fall outside Billings Clinic’s pricing algorithm, and the ability to use the tool as a vehicle for selecting an NDC based on the IDS’s purchase history (e.g., the most frequent/recent or most commonly purchased NDCs that month) has supported coding staff in more accurately assigning NDCs for enhanced revenue integrity.

Meanwhile, use of a dedicated pharmacy coding specialist to ensure correct and complete coding not only more fully captures revenue opportunities, but also ensures compliance with government regulations.

Billings Clinic attributes its success in enhancing pharmacy revenue integrity to four essential strategic steps.

*Integrate pharmacy data as fully as possible.* Determine the defining pharmacy data elements, such as purchase history, the pharmacy formulary, the chargemaster, and pharmacy pricing
policies, and bring them together in a single information system that pharmacists, coders, and finance staff can use to analyze variances, enhance transparency, and determine action steps for improving revenue capture and reducing risk.

**Validate the data.** Audit and review pharmacy data regularly to identify key areas of concern—such as missing or mismatched HCPCS codes, multiplier issues, and 340B overlaps—as well as opportunities to use less expensive medications without sacrificing quality of care. Also, identify a method for tracking and monitoring key performance indicators related to pharmacy.

**Use technology to bridge gaps between pharmacy data.** When gaps in billable units and billed units are identified, take action quickly. Work to identify issues related to HCPCS coding, 340B overlaps, purchases outside of the organization’s pharmacy formulary, and missing charge codes, and bring in the appropriate staff and resources to determine action steps for improvement. Track changes to HCPCS codes and primary NDCs, and establish workflows for operational efficiencies related to chargemaster requests and tracking and auditing of pharmacy claims.

**Establish workflows and a maintenance process for data governance.** Assign staff to monitor regulatory changes, and communicate changes and updates to key team members.

**Collaboration Is Key**

Billings Clinic’s finance leaders also recognized one additional requirement for establishing a successful pharmacy revenue integrity program: Finance should not attempt to undertake such an initiative on its own. Such a program requires the cooperation of pharmacy leaders and staff who have the technical expertise to help manage data on all sides of the equation—from establishing consistent pricing to reviewing the costs of pharmaceuticals in comparison with payment and directing conversations with physicians regarding changes that could be made to protect and enhance revenue while providing high-quality care for patients.

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**sidebar**

**Protecting Pharmacy Revenue Integrity**

When pharmacy reimbursement codes are incorrect, incomplete, or absent altogether, the consequences for hospitals can be significant. Payment can be delayed, lowered, or even denied, and hospitals can face increased compliance risk.
For example, administrators for the Health Resources and Services Administration (HRSA) 340B Drug Pricing Program recently began auditing participants for compliance with rules related to patient eligibility, appropriate Medicare billing, and more. Without a pharmacy revenue integrity initiative in place to help ensure that key guidelines are being followed, hospitals could be subject to fines or even dismissal from the 340B program—potentially decreasing access to medication for low-income patients who rely on the program.

The financial consequences of a lack of pharmacy revenue integrity also can be significant. One Indiana hospital determined that it was losing $10 million a year due to variances between the hospital’s drug spend and how medication administration was being captured in the hospital’s information systems. Another hospital unknowingly overcharged payers for an oncology drug—and when investigators for the U.S. Office of Inspector General uncovered the error, the hospital was forced to pay back more than $1 million to payers and was issued an $850,000 fine.

Identifying gaps in pharmacy data within a hospital’s information systems, or gaps between disparate systems used to manage pharmacy patient purchases and patient billing, is a critical first step toward enhancing pharmacy revenue integrity. The use of big data—a concept that describes the use of innovative analytics to pinpoint opportunities to improve value—to enhance pharmacy revenue integrity begins with the following steps involving little data:

- Ensuring that the National Drug Code (NDC) number—the universal product identifier for drugs—that appears on the claim is accurate
- Matching references to prescription drugs in the chargemaster with the way to which they are referred in the pharmacy formulary
- Identifying drugs that have been purchased, but are either missing from the chargemaster or are missing CPT, HCPCS, or revenue codes in the chargemaster
- Calculating correct billable units
- Updating multipliers so that they are in line with NDCs
- Identifying drugs that cost more than the organization can expect to be paid for their use
- Analyzing HCPCS coding to determine whether the fee schedules for public and private organizations are accurate
- Identifying variances between the purchased volume of medications and the billed volume, which may signal issues with charge capture
- Determining whether there are variances in actual pricing versus the pricing defined under approved policies

Gaps in processes that take place from the time a medication is ordered through the billing cycle for an episode of care also can have a detrimental effect on pharmacy revenue integrity.

Only by establishing a pharmacy revenue integrity program as a collaborative effort between finance and pharmacy can an organization truly begin to address such issues.

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