CASE STUDY

BILLINGS CLINIC

Organization
A not-for-profit integrated delivery network (IDN) and Accountable Care Organization (ACO), consisting of six branch clinics and 10 affiliated hospitals and clinics—the largest healthcare system in Montana, serving 43 counties.

Challenge
Improve pharmacy revenue integrity—reducing compliance issues and creating efficiencies by successfully linking pharmacy spend data with the formulary and chargemaster.

Solution
Strategic approach using Pharmacy ChargeLink® to bridge the gaps between pharmacy data and financial system to strengthen billing practices and processes aimed at improved financial and compliance performance.

Results
Significantly improved charge capture coding efficiency and quality, as well as pricing transparency.

Pharmacy purchases account for as much as 10 percent of an average hospital’s total budget. To meet regulatory compliance and avoid underpayments, it is vital for hospitals to proactively reconcile purchasing and charge data. The problem is that there are disconnects between the amount of drugs purchased, the amount charged, and reimbursement received.

Faced with declining reimbursements and increasing expenditures for drugs, Billings Clinic recognized the risks of not establishing a pharmacy revenue integrity initiative—potentially millions of dollars in lost revenue, along with compliance issues due to incomplete, incorrect or missing pharmaceutical data reflected in the formulary and subsequently in the chargemaster.

An audit of drug expenditures versus reimbursements revealed that the organization was potentially under billing for medications. “One of the biggest challenges was aligning prices for medications between our hospital and our clinics,” says Jennifer Carmody, director of reimbursement services. “In the clinics, charges are based on Medicare outpatient dosages with assigned HCPCS codes. In the hospital, charges are based on a per vial or dosage basis.”

At the same time, gaps were discovered in pharmacy data as it moved through disparate billing systems based on two chargemasters—one for the hospital and another for the clinics. “Errors often occurred as conversion factors were applied and National Drug Codes (NDCs) and units of measure were added,” says Carmody. “Eliminating those errors was a top priority. Making sure the correct NDC appears on the bill is critical to proper coding, charge capture and reporting.”

In addition to aligning prices across facilities, Billings wanted to move to acquisition-based pricing and perform monthly updates to support comparable and defensible pricing. And, they wanted to look at proper capture and reporting of NDCs. “The move to 340B status was a big push for us. We needed to ensure accurate, current records documenting compliance with the program’s drug pricing requirements,” says Carmody. “Clearly, our pharmacy clinical system was not built to meet the needs of both pharmacy and finance.”

Without an effective means of addressing compliance issues and inefficiencies, the hospital faced serious financial risk. Making sure pharmacy spend data was accurately captured in the formulary and chargemaster was an essential part of the solution.

Taking Action to Improve Revenue Capture and Compliance
With Craneware’s Chargemaster Toolkit® solution already in place, Billings invested in Pharmacy ChargeLink® to link pharmacy purchases with the chargemaster, providing visibility into the gaps that prevent optimal reimbursement and increase compliance risk. “Our goals were to strengthen pharmacy billing policies and procedures, enhance pricing transparency and defensibility, and improve financial performance,” affirms Carmody. “We had the right tools and needed a best-practice approach with dedicated resources to get optimal results.”

“Pharmacy ChargeLink® has helped us improve pharmacy revenue, financial performance and compliance. With more accurate coding, charge capture, and competitive, defensible pricing, we have confidence that we’re billing and being reimbursed properly.”

Jennifer Carmody, Director of Reimbursement Services
Billings Clinic
Improved Pharmacy Revenue through Best Practices, Technology, Teamwork

Billings began by establishing a multidisciplinary team of financial, pharmacy and clinical representatives to map out pharmacy processes and discover ways to streamline workflows such as pricing updates and regulation changes. “Everyone gained a better understanding of why it takes a village to build a pharmaceutical item,” recalls Carmody. “And, why it’s important to dedicate the right resources to improve revenue capture and compliance.”

As a result, two new positions were created—a pharmacy chargemaster specialist and a pharmacy coding advisor to oversee pharmacy revenue integrity efforts. The two collaborate to identify issues and gain insight into revenue opportunities. The chargemaster specialist supports accurate pricing, chargemaster maintenance, and accurate assignment of NDCs; the coding advisor helps to ensure compliant coding and proper billing.

Implementing a Best Practice Approach for Improving Pharmacy Revenue

• **Integrate pharmacy data.** Determine essential data elements—purchase history, the pharmacy formulary, the chargemaster, pricing policies—and merge into a single system with visibility for pharmacy, financial and clinical staff to see all data in one place.

• **Validate the data.** Review pharmacy data routinely to identify charge capture and compliance concerns—missing or mismatched HCPCS codes, multiplier issues, 340B overlaps. Also, establish a process for tracking and monitoring key performance indicators.

• **Bridge the gaps between pharmacy spend data and financial system.** Once gaps between billable and billed units are discovered, take corrective action promptly to ensure proper pricing and billing on claims.

• **Establish data governance workflows.** Designate staff to monitor regulatory changes and purchase activities, and communicate updates to team members. Ensure ongoing teamwork for efficient monitoring and maintenance.

Turning the Pharmacy from a Cost Center into a Revenue Center

Billings has experienced significant improvements in coding quality, efficiency and overall revenue integrity since integrating pharmacy data and the chargemaster. "Pharmacy ChargeLink makes it easy for staff to correct inaccurate or missing codes, without having to sort through Excel data tables," says Carmody. In addition, the time required for analyzing data to pinpoint the root causes of revenue loss has been greatly reduced. “The combination of advanced technology and dedicated personnel has saved our pharmacy director five to ten hours per week by minimizing recurring errors,” adds Carmody. "The efficiency gains are huge.”

For Carmody and her staff, compliance is the underlying factor in all that they do. “Minimizing compliance risk is the biggest win with the software—Pharmacy ChargeLink helps to make sure we’re pricing, charging and coding properly,” she says. “We can proactively identify our compliance issues rather than having them identified for us.”

The software has also proved to be an effective auditing tool. "We no longer rely on spreadsheets and emails to track changes,” says Carmody. "With a click of a button, we can see who requested a change and when and why it was made.”

Continuing to Improve Revenue Integrity for Years to Come

Billings is optimistic about future outcomes as the clinic continues to improve revenue capture, increase efficiencies and reduce compliance risk through technology and teamwork. "The spirit of cooperation between pharmacy and finance is extraordinary and essential to our success,” concludes Carmody. "Pharmacy understands billing. Finance understands patient safety. Everyone understands the importance of pharmacy revenue integrity as we work to ensure improved financial performance and quality of care for our community.”