Establishing and Refining Fee Schedules

What are the rules and how do other Health Center approach the process?
Section 330 Legislation

- HRSA cannot approve a Health Center unless the Center:
  - “Has prepared a schedule of fees or payments for the provision of its services consistent with locally prevailing rates or charges and designed to cover its reasonable costs of operation and has prepared a corresponding schedule of discounts to be applied to the payment of such fees or payments, which discounts are adjusted on the basis of the patient's ability to pay”
Key Questions From HRSA

- Does the Board establish (approve) your fee schedule?
  ◦ Can you document they approved it?

- Can you provide a fee schedule for all services in your scope?
  ◦ What about services you don’t provide directly?

- Does your schedule of fees and corresponding sliding fee discount schedule(s) cover the cost of all services (i.e., medical, dental, mental health, etc.) within your scope?
  ◦ Can you demonstrate what your costs are?
  ◦ Does your Medicare cost report capture all the relevant costs?
Key Questions From HRSA

- Is the sliding fee discount based on a schedule of fees or payments that is consistent with locally prevailing rates?
  - Can you demonstrate how locally prevailing rates were examined?

- Is your schedule of fees/payments and corresponding SFDS and any nominal fees, reviewed and updated on an annual or other regular basis?
  - Do you need to update more often than annually?

- Are full fee for service charges recorded for every encounter?
  - Regardless of payer source…
Your Schedule of Fees

• A carefully assembled and updated fee schedule has many benefits:
  ◦ Operationally speaking…
    • You need it for sliding fee discounts to function
    • Cash patients want to know their charges
    • The degree of openness with patients about pricing is changing
  ◦ Strategically speaking…
    • It’s a good starting point for health plan and other negotiations
Locally Prevailing Rates

- “Have an idea of what your counterparts in the region are charging, without breaking antitrust laws”
  - FAIR Health Fee Estimator
  - CMS Physician/Supplier Procedure Summary Master File
- Understanding other providers’ fees may illustrate areas you are undercharging
Cover Reasonable Costs

- "The **best, defensible thing you can do** for your fee schedule is a cost study"
  - Basing your fees on costs plus margin ensures that your fee schedule is built on what you need to stay in business
  - And, you have to examine costs anyway because HRSA is tracking them
    - Total cost per patient
    - Medical cost per medical visit
    - Cost increase less than national average
Methodologies

• “There is no one accepted best practice for establishing a fee schedule. There are, however, many bad ways to do it…”
  ◦ Recommended
    • Resource-Based Relative Value Scale (RBRVS or RVUs) and Similar Approaches
  ◦ Most Common Way
    • Payers’ reimbursement + _____
  ◦ Bad Ways
    • Ask other practices what they charge (illegal in most cases)
    • Arbitrary
RVUs

- Services are ranked according to the relative provider effort and the costs involved in providing them.
- The RVUs convert into dollars by multiplying the RVU for a particular service by a dollar amount conversion factor.
- The conversion factor is based on practice and provider costs.

Resources
Payers’ Reimbursement + ____

- Generate fees using the reimbursement schedule(s) of your payer(s) plus a percentage mark-up
  - Be careful to compare differences in payer reimbursement across plans and products
  - Check your charges often to ensure they’re capturing all available reimbursement
  - Compare your costs to the fees you determine
Questions?

For further information, please contact:

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