New Approach to Chargemaster Management

Save to myBoK

by John Richey, MBA, RHIA

Editor's note: This project received second prize in AHIMA's Best Practices Award Program. The third-prize winner will be featured in the February issue of the *Journal of AHIMA*. The Best Practice Awards are generously underwritten by a grant from founding sponsor Healthcare Management Advisors, Inc. (HMA) to the Foundation of Research and Education (FORE). Since 1990, HMA has provided compliance and clinical data quality services to more than 1,600 hospitals and 20,000 physicians, and now also provides online solutions via the Internet.

After examining their charge description master management processes, HIM professionals, in conjunction with clinical and support departments, redesigned and automated several practice aspects. Turnaround times were reduced and end users are happier. Here's how they did it.

Effective charge description master (CDM) management goes far beyond setting up new charge codes correctly. HIM professionals are increasingly—and rightfully—called on to manage the CDM in their healthcare facilities. After making a comprehensive assessment of the CDM process, we were able to streamline the new charge request and input processes, thus decreasing turnaround times. Further, because staff education was a top priority in the restructuring, end users' investment and proficiency in CDM management grew.

"Plan, Do, Check, Act"

St. Vincent Mercy Medical Center (SVMMC), a 600+ bed urban, regional referral center located in Toledo, OH, is part of a five-hospital integrated delivery system, Mercy Health Partners, and has more than 28 outpatient treatment sites located throughout the region. Last year, SVMMC recorded more than 21,700 inpatient admissions and 56,000 emergency room visits.

An average of 175 new charge items are added to the SVMMC CDM per month. When managing SVMMC's 35,000-item CDM became my responsibility, I decided to use the PDCA Cycle as a tool to ensure that our CDM management processes were as value-added as possible.[1]

The PDCA cycle is a process improvement cycle with four steps: **plan, do, check, act.** These can be applied to nearly every business problem or challenge. The first step, **plan,** begins with a thorough assessment of the present situation. To evaluate a CDM file and associated management processes, the assessment must cover all aspects of charging and billing: from new charge item setup all the way through interpretation of budget reports. Our CDM process assessment included the following steps:

- we interviewed many clinical and support department managers and staff, focusing on key support departments such as patient accounts, health information services, and finance, and main clinical departments, including surgical materials management, central stores, pharmacy, lab, and radiology. These departments typically had the largest number of items on their CDM and they frequently requested new charge items. We asked these managers what they needed and what they expected in terms of CDM process and service

- we diagrammed the entire CDM process from beginning (new charge item setup) through the middle (charge posting to patient account and coding) to the end (final bill and reconciling the revenue report to the budget report). This exercise revealed opportunities for process improvements

- we reviewed available literature on the CDM[2]

A thorough assessment of the CDM management processes allowed us to clearly define our business problems.

These were:

- lack of CDM procedural documentation
- few formal CDM processing structures or work flows
- lack of involvement of key CDM users and experts, including staff from HIM, patient accounts, corporate compliance, IS, and clinical departments
- lack of CDM-related education for clinical department managers

With these problems in mind, we were able to set goals for CDM process improvement.
The general goals follow, with more specific objectives listed beneath them:

1. **Formalize CDM process structures and work flows and get users and experts involved:**
    - for larger facilities and multifacility enterprises, create a management position of chargemaster manager and consider creating a CDM department
    - create a CDM team made up of key experts and users
    - involve these experts in the process of creating new CDM items and changing data on existing CDM items
    - develop a standardized new charge request form
    - automate the new charge request form by creating a database application that allows the experts to process new charge requests via e-mail
    - interface the database application's new charge data directly into the computer CDM file

      enable the clinical managers to check on the status of their pending new charge requests through the database application

2. **Improve CDM-related procedural documentation:**
    - develop relevant CDM document, policies, and procedures
    - organize these documents, policies, and procedures into a CDM reference handbook, which will be used for clinical department manager education, training, and reference

3. **Educate clinical department managers on the CDM and its effect on the corporate compliance plan:**
    - organize, schedule, and conduct CDM education sessions for clinical department managers
    - periodically repeat the sessions for reinforcement

We developed a formal proposal and presented it to the hospital's finance administration to secure sufficient funding and administrative approval to implement our objectives to achieve our goals. Once administrative approval and adequate funding were secured, other more specific implementation steps were taken, and we moved on to PDCA Cycle step two, **do**.

Implementing the Process

As planned, we created the chargemaster manager position and created a CDM department. Further, we formed a CDM team with representatives from clinical departments, HIM, patient accounts, corporate compliance, and information systems. As an interim solution, we created a standard new charge request form designed around the required data fields in our patient accounting system. We introduced the form and interim work flow to our clinical department managers a few departments at a time. The steps for setting up new charge codes were:

- the form was initiated by the clinical department manager to list the item description and proposed price
- the form was faxed to the HIM staff to assign the CPT codes
- the form was then faxed to the patient accounts staff to assign the UB-92 Revenue Codes
- finally, the form was faxed to the CDM staff for manual data entry into the CDM

As a permanent solution, we automated our new charge request form with the help of an application developer using an integrated e-mail/database application. (See "Redesigned New Charge Request Form") The new charge request form can be e-mailed from the clinical department manager to HIM, then to patient accounts and then to the CDM department, and finally interfaced directly into the CDM file. Development, painstaking refinement, and thorough testing of the application and its interface into the CDM took just over six months to accomplish. Our application development payments to the consulting company were around $35,000. (See "New Charge Request Process")

The next step was to pilot test the new CDM database in the surgery materials management department. Because that department historically requested 60 to 70 percent of our new charge items, it would benefit the most from immediate implementation. After the surgery department mastered the system, we rolled the application out to the remaining 80 clinical departments.

Educating the Participants

While we were immersed in the database application development, the CDM staff were also busy continuing our development and refinement of CDM-related polices, procedures, flow charts, and associated documentation. We planned to include all this documentation in CDM reference handbooks to be distributed to our clinical mangers at the official CDM education sessions we were planning. Some of the documents included in the CDM reference handbooks included:

- CDM team contact information
- definitions of charge item key data elements, such as item description, CPT code, UB-92 revenue code, and price
- flow chart of new charge request process
  o policies and procedures for the new charge request process
- one-page examples of department-specific CDM printouts, charge-posting audit reports, monthly revenue and usage reports, and budget comparison reports
- flow chart of auditing posted charges
- polices and procedures for auditing posted charges
- glossary of CDM/finance terms

The documents were organized into binders, which became our CDM reference handbooks. We also scheduled every clinical department manager to attend four one-hour CDM education sessions, where the reference handbook contents were reviewed in detail.

To facilitate communication and distribution of new and revised CDM handbook materials, we created an e-mail group that contains all of the addresses of our clinical department managers. Whenever a CDM policy or procedure is created or revised, the CDM staff can attach that file to an e-mail message and forward it to the entire group simultaneously. The managers open and print the document and insert it into their reference handbooks.

Once or twice per year, the regional CDM staff hold CDM "refresher sessions" for the clinical department managers to personally review new/revised CDM reference handbook materials since the last education session and to be available for questions and clarification.

Accessing and Using the Data

The third step in the process improvement cycle is **check.** A useful management feature we included in the CDM database application is the automatic calculation of "turnaround times by processing department." The program can automatically calculate the average number of days it takes HIM to process their new charge requests, and the same for patient accounts and the CDM departments.

With the new database, our clinical department managers can check on the status and present location of their pending request. Managers can see instantly which department is presently working on their new charge requests and then they can follow up directly with that department if necessary.

The final step in the process improvement cycle is **act.** Armed with department-specific turnaround time information from our database application, staff resources can be re-directed to areas where CDM processing backlogs occur. We also asked our

clinical managers to evaluate our CDM education sessions and we modified subsequent session content based on their comments.

Reaping the Benefits of Process Improvement

The new CDM processing model yielded several benefits. The application implementation automated several aspects of CDM management while simplifying access to CDM information for participants. To begin, all new charge requests and maintenance requests are now processed electronically through the database application, which improved CDM accuracy.

Further, HIM and business services are now directly involved in processing charge requests. This means that the charge items are set up correctly initially so that all bills containing new charge codes are correct. The result is reduced billing delays and denials and improved claims processing for our business services staff and our payer community. The new application also directly supports our corporate compliance plan by reducing our exposure to future claims of billing fraud.

Increased accountability is another benefit of the new system. Processing turnaround times are automatically tracked by department, so coders, patient accounts staff, and regional chargemaster staff are accountable to clinical department managers. The charge processing turnaround times are graphed each month and are routinely shared with our CDM team to ensure that charge requests are processed quickly. Our goal is to process all charge requests received in a given month within an average of seven business days. (For 1999, we reached the goal 10 out of 12 months and our average processing time was 4.6 business days. For 2000, our average fell to 3.5 days.) Similarly, clinical department managers appreciate their ability to review the status of their pending requests at the click of a mouse.

The CDM education effort was a critical step in securing staff buy-in that has also yielded numerous benefits. The reference handbooks serve both as a CDM manual and a valuable education and training tool. The accompanying education sessions for clinical department managers gave them a strong foundation in CDM management, which enabled us to launch more sophisticated projects with them such as cost accounting, productivity, clinical care paths, and others relative to our organization's financial and strategic plans. The CDM education sessions also represented a much higher level of internal financial services than our clinical managers had access to previously, and that has created a deeper sense of trust, service, and goodwill among us as colleagues.

Beyond meeting SVMMC's needs, we've been rewarded by the positive comments from consultants, some of which have reported that our system is "the best they have ever seen." Further, reviews of the current literature supports our new CDM management model.

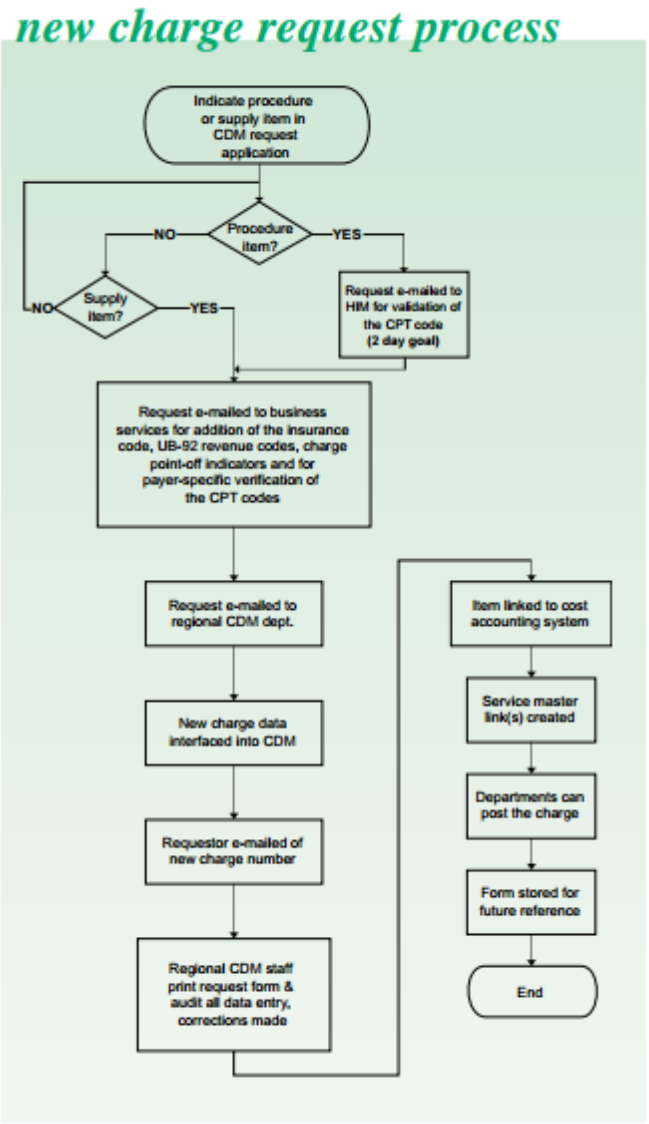
Moving Forward with New Knowledge

CDM management is a team effort because the systems and processes are enterprise-wide and far-reaching. In short, one person can't do it all. And when working with several departments, keep in mind that a reasonable application of technology can vastly simplify day-to-day work and that an ounce of education erases a pound of frustration for users. Friendly, open communication leads to strong, supportive working relationships. Finally, we learned that customer satisfaction is just as important to our internal co-workers and colleagues as it is to our external customers.

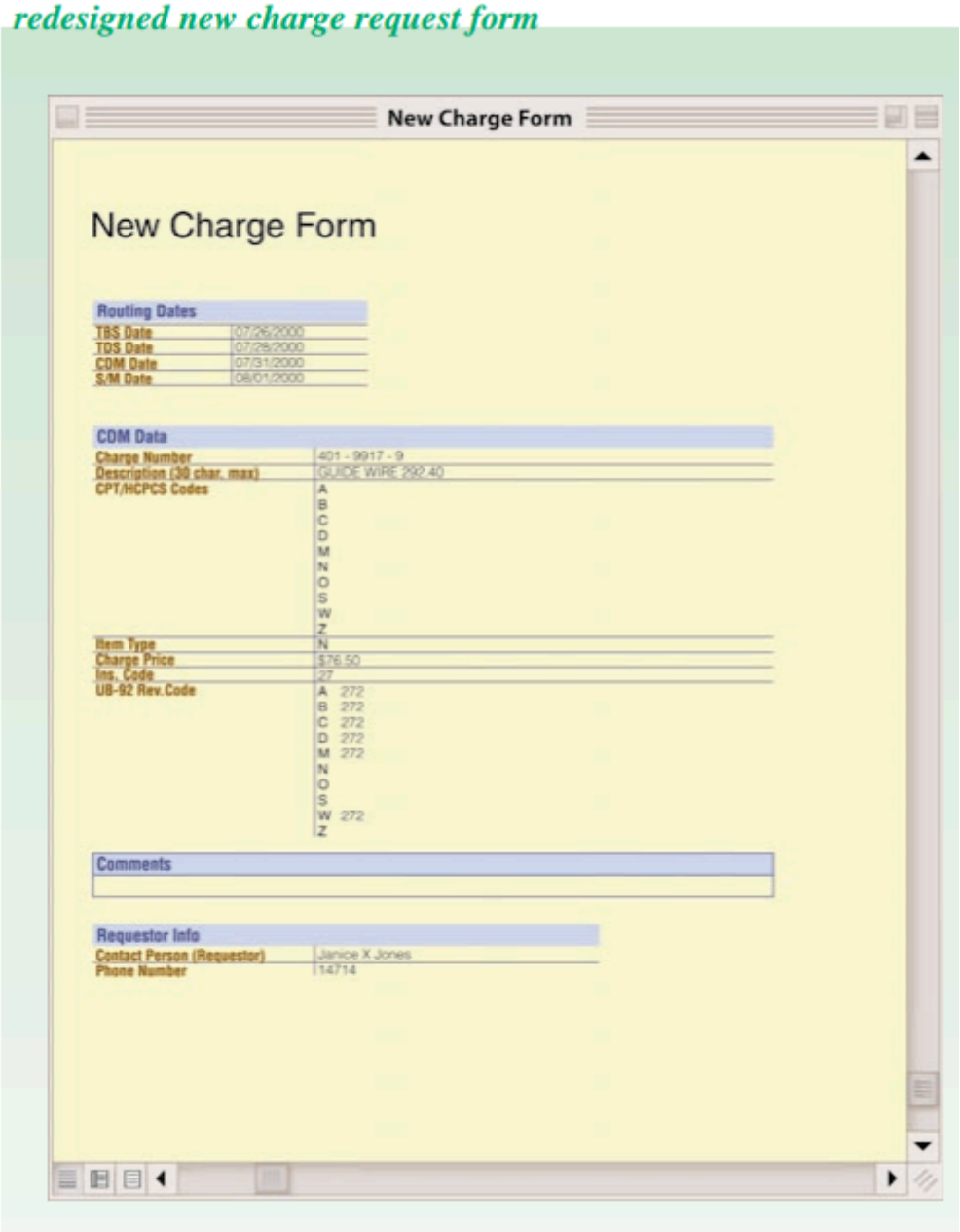
The CDM process improvement also illustrated that HIM professionals are uniquely qualified to coordinate and lead such efforts. We understand registration, documentation, coding, billing, cash flow, and accounts receivables, plus politics, organizational structure, teamwork, committees, workgroups, physicians, and administrators. We understand regulations, compliance, standards, best practices, and benchmarking along with processes, workflow, and systems. We understand people, motivation, and human resource management.

Because of these extensive qualifications, our HIM department became directly involved in processing new charge requests as well as an active, standing member of the new CDM team. Further, an HIM professional secured a nontraditional Vision 2006 practice role within SVMMC, which ultimately expands the HIM employment market and creates professional growth opportunities for all HIM professionals.

New Charge Requests Process Charts


new charge request process
Indicate procedure or supply item in CDM request application
Procedure item?
NO
YES
Supply item?
NO
YES
Request e-mailed to HIM for validation of the CPT code (2 day goal)
Request e-mailed to business services for addition of the insurance code, UB-92 revenue codes, charge point-off indicators and for payer-specific verification of the CPT codes
Request e-mailed to regional CDM dept.
New charge data interfaced into CDM
Requestor e-mailed of new charge number
Regional CDM staff print request form & audit all data entry, corrections made
Item linked to cost accounting system
Service master link(s) created
Departments can post the charge
Form stored for future reference
End

redesigned new charge request form



Notes

1. Uzelac, Stephen. *Zen Leadership: The Human Side of Total Quality Team Management,* 3rd ed. Perrysville, OH: Mohican Publishing, 1996.

2. Some examples regarding CDM management: see "The Care and Maintenance of Charge Masters" in the July/August 1999 *Journal of AHIMA*; St. Anthony Publishing's *The Hospital Chargemaster Guide,* and *For The Record's* recent cover story on CDM management.

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