

Billing & Reimbursement

Your program likely has two billing entities:

- Hospital (facility fees).
- Physicians and APPs - professional fees (“pro fees”), based upon RVUs generated by billing E&M CPT codes.



Physician and APP Billing & Reimbursement

- Difficult to support a medical director's effort on pro fees.
- Consider the feasibility of the Hospital (or practice plan or school of medicine) supporting the medical director's effort.



Hospital Billing & Reimbursement

Two types of payment arrangements

- **Fee for service**
 - Contract based.
 - Reimbursement based on **negotiated** payments.
 - Usually commercial insurance.
 - Revenue usually > Hospital Costs.
- **Case based reimbursement**
 - Reimbursement based on **fixed** payments (APCs / DRGs).
 - MCaid/ MCare plus a growing number of commercial payors.
 - For MCaid/ MCare, revenue usually < Hospital Costs.



Hospital Financial Data: Charges, Costs and Revenue

with examples from one patient visit



Charge:
Sticker price.
Source:
Chargemaster

\$30,992



Cost:
Cost to the Provider
"Direct" vs. "Indirect"
Source: Cost Accounting

\$15,098



Net Revenue:
Expected payment.
Source: Contracts;
MCare & MCaid
Payment rates.

\$17,488



**Summary
Payments:**
Actual payment.

\$0

DENIED



Important Financial Calculations

- **Contribution Margin (“CM”):**
Net Revenue minus Direct Cost
- **Operating Margin (“OM”):**
Net Revenue minus Total Cost

