Choosing Your Steerage Response Strategy

An interactive workshop
Goals for this session

Learning objectives

1. Understand potential impact of steerage policies on business
2. Review options to mitigate steerage using a sample hospital
3. Learn to use Price Shift Calculator to determine least-costly option

Source: Imaging Performance Partnership interviews and analysis.
Pleasantville Hospital

- 250-bed community hospital
- Located in suburban, middle class area

- Hospital operates two outpatient facilities
  - On-campus outpatient radiology department
  - Off-campus imaging center billing as HOPD

- Hospital leaders struggle to determine how to react to Anthem’s and UHC’s site of care steerage policies that refuse reimbursement for CT and MRI imaging performed in HOPDs

1) Hospital Outpatient Department
2) UnitedHealthcare; Advisory Board is a subsidiary of Optum, which is part of United Health Group. All analysis in this exercise is independent of and separate from UnitedHealthcare.

Source: Imaging Performance Partnership interviews and analysis.
**Significant UHC, Anthem outpatient volumes**

### Payer Mix

2018

- **UHC**: 15%
- **Anthem**: 5%
- **Self-insured**: 15%
- **Other commercial**: 15%
- **Medicaid**: 45%

**20%**

**UHC and Anthem**

### Procedure Mix

2018

- **X-ray**: 12,137
- **Ultrasound**: 8,033
- **CT**: 7,577
- **MRI**: 2,955

Legend:

- ■ On-campus HOPD
- ■ Off-campus HOPD imaging center

Source: Imaging Performance Partnership interviews and analysis.
Four potential responses to steerage

1) Push back against steering payers
2) Lower rates for select payers and/or services to avoid steerage
3) Move OP imaging to freestanding rate, compete aggressively for new market share
4) Court steerage from clinical entities focused on referral management

Focus for today’s workshop

Source: Imaging Performance Partnership interviews and analysis.

1) Physician ACOs, activist employers, etc.
Introducing the Price Shift Calculator Tool

Navigation
• Introduction
• CPT Input Worksheet
• CPT Price Shift Calculator
• CPT Medicare Rate Calculations
• Procedure Price Shift Worksheet

Overview
Welcome to the Imaging Performance Partnership’s Price Shift Calculator. This tool is designed to assist healthcare professionals, including CFOs, financial analysts, and others who want to gauge the revenue impact of changes in outpatient center billing status (e.g., HOPD to MPFS) or the impact of price, payer mix changes, or hospital volume cuts.

Primary uses

- Analyze impact of changing outpatient center billing status (e.g., HOPD to MPFS)
- Evaluate impact of price, payer mix changes
- Model required volumes needed to break even on price cuts

To download, visit advisory.com/ipp/tools

Source: Imaging Performance Partnership interviews and analysis.
Careful process needed to plan response

1. Size the impact
   - Determine payer mix, current rates for UHC/Anthem imaging patients
   - Calculate impact of potential loss of all CT/MRI volumes for UHC/Anthem patients at HOPD

2. Calculate retention option costs
   - Options could include price cuts, switching current off-campus HOPD to freestanding billing, entering into joint venture with freestanding center, or building new center

3. Account for retention value of UHC/Anthem patients
   - Calculate revenue generated by UHC/Anthem CT/MRI patients otherwise lost
   - Discount to account for shift from HOPD to freestanding rates
   - Subtract from retention cost so cost is lowered

4. Compare options
   - Select the least costly option to imaging’s bottom line
   - Losing UHC/Anthem patients may generate the least loss

Source: Imaging Performance Partnership interviews and analysis.
Step 1: Size the impact of CT/MRI steerage

1. Open the “Steerage Case Exercise” file. This file is a modified version of the Price Shift Calculator that has data pre-filled.

2. Select the “CPT_1” tab. This tab contains the CPT codes linked to all UHC/Anthem CT and MRI patients, which the hospital will lose due to these payers’ steerage policies.

3. Select the “Calculator1” tab. Under the Payer Mix table, find the row for UHC and Anthem, and then set the “New Payment Rate Relative to Medicare” to 0, effectively eliminating revenue from UHC and Anthem.

4. Scroll down to see the impact of losing all UHC/Anthem CT/MRI patients.

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Impact of Pleasantville Hospital steerage response

Value of all UHC/Anthem CTMRI patients

Size the impact | Calculate option costs | Account for retention value | Compare options

Source: Imaging Performance Partnership interviews and analysis.
Step 2a: Evaluate cost of price cuts

What if UHC and Anthem just paid freestanding rates?

1. Remaining on the “Calculator1” tab, find the “New Payment Rate Relative to Medicare” values for UHC and Anthem that you just set to 0.

2. Set both of these values to 125%.
   - UHC will be reduced from 150% of Medicare to 125%.
   - Anthem will be reduced from 175% to 125%.

3. Scroll down to see the impact of these price reductions.

Impact of Pleasantville Hospital steerage response

- Value of all UHC/Anthem CT/MRI patients
- Cost of price cuts
- Value of UHC/Anthem volumes after price cut

Size the impact Calculate option costs Account for retention value Compare options

Source: Imaging Performance Partnership interviews and analysis.
Visualizing retention of hospital volumes

Base case ("do nothing")

Hospital (HOPD)  OP center (HOPD)

Hospital and OP center both lose all UHC/Anthem patients due to steerage

Flip OP center to freestanding rates

Hospital (HOPD)

UHC/Anthem patients at hospital steered to freestanding center, but now reimbursed at discounted rate

OP center (freestanding)

UHC/Anthem patients at freestanding center retained, but now reimbursed at discounted freestanding rate

Source: Imaging Performance Partnership interviews and analysis.
Step 2b: Calculate impact of HOPD to freestanding

What if UHC and Anthem just paid freestanding rates?

1. **Move to the “CPT_2” tab.** This tab contains CPT data for Pleasantville’s off-campus outpatient imaging center, which currently bills as an HOPD.

2. **Select the “Calculator2” tab.** Set “Future billing status” to “Freestanding (TC only).”

3. **Scroll down to see the impact** of the billing change.

**Impact of Pleasantville Hospital steerage response**

- Cost of losing all UHC/Anthem CTMRI patients
- Cost of switching off-campus center to freestanding

**Size the impact**

- Calculate option costs
- Account for retention value
- Compare options

Source: Imaging Performance Partnership interviews and analysis.
Step 3a: Value retained UHC/Anthem patients

1. **Move to the “CPT_3” tab.** This tab contains CPT data for UHC/Anthem CT/MRI patients at the hospital, excluding those at the OP center who have already been accounted for in the previous calculation.

2. **Select the “Calculator3” tab.** Set “Future billing status” to “Freestanding (TC only).” This simulates the change in value from moving these UHC/Anthem patients from the on-campus HOPD to the off-campus center now billing as freestanding.

3. **Scroll down to see the impact of the billing change.** The important number we want here is the “Future – Overall” value of the CT and MRI patients. This is the value of retaining them by changing the billing status of our off-campus center.

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**Impact of Pleasantville Hospital steerage response**

<table>
<thead>
<tr>
<th>Value of UHC/Anthem CTMRI patients at hospital</th>
<th>Reduction from shift to freestanding</th>
<th>Net value of UHC/Anthem hospital patients now at freestanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Imaging Performance Partnership interviews and analysis.
Step 3b: Calculate net cost of switching billing status

Be wary of double-counting volumes

-$1.8M Cost of switching off-campus HOPD center to MPFS

+$600K Value of UHC/Anthem CT and MRI patients at the hospital ($716K) discounted to account for shift to MPFS

-$1.2M Net cost of switching off-campus HOPD center to MPFS

Impact of Pleasantville Hospital steerage response

<table>
<thead>
<tr>
<th>Cost of changing OP center to freestanding</th>
<th>Net cost of changing billing status of OP center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain from retained hospital-based Anthem/UHC patients</td>
<td></td>
</tr>
</tbody>
</table>

Size the impact
Calculate option costs
Account for retention value
Compare options

Source: Imaging Performance Partnership interviews and analysis.
Decision analysis: What did you choose and why?

First choice: Option B
- Negotiating lower rates least costly, most desirable option
- Accepting lower prices on UHC/Anthem patients less costly ($275K) than losing them outright ($1.4M)

Second choice: Option C
- If negotiation not an option, Option C less costly ($1.2M) than losing all UHC/Anthem patients ($1.4M)
- May attract additional price sensitive patients to freestanding site

Third choice: Option A
- Most costly, least desirable option

Impact of Pleasantville Hospital steerage response

<table>
<thead>
<tr>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lose all UHC/Anthem HOPD patients</td>
<td>UHC/Anthem price cuts to freestanding</td>
<td>Shift HOPD to freestanding</td>
</tr>
<tr>
<td>-$1.4M</td>
<td>-$275K</td>
<td>-$1.2M</td>
</tr>
</tbody>
</table>

Source: Imaging Performance Partnership interviews and analysis.
Real analyses can be more complicated…

Additional considerations, resources for planning your response

- Does your off-campus HOPD have sufficient capacity to absorb additional volumes?
- What would the additional cost be of adding a new CT or MRI machine to your center?
- Is there potential to capture price-sensitive patients from existing competitors?
- Is there potential for your freestanding center to cannibalize existing on-campus HOPD volumes?
- Are there potential joint venture partners who could help you profitably operate a freestanding center?

Additional Partnership resources

- Price shift calculator
- Imaging capacity modeling tool
- Imaging pricing toolkit
- Scrutiny over hospital imaging prices continue: how you should respond
- Growing outpatient imaging
- Top 5 questions on site neutral payments, answered
- How Medicare’s final rules affect imaging in 2019
- Imaging consumer survey results portal

Source: Imaging Performance Partnership interviews and analysis.
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