



# Claims Pricing: A White Paper

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## **Overview**

With rising healthcare costs, flexibility and complexity in reimbursement terms is inevitable. For example, physicians may be reimbursed according to the RBRVS method, fee schedules, UCR, and other methods. Hospital reimbursement methods include DRG, per diem, case rate, and others with provisions for outliers. Professional pricing includes methods for anesthesia pricing, RBRVS, fee schedules, and other methods. In addition, provider reimbursement typically involves complex stop loss rules, exclusions, modifier pricing, place of service limitations, and rules for multiple or bilateral procedures. This wide variety of reimbursement techniques has to be supported by automatic pricing of claims to realize benefits. In the absence of an automated claims pricing system, manual pricing leads to a significant administration cost for payers and networks. Often, such challenges in pricing have resulted in over-simplified and sub-optimal contracts.

Complex reimbursement terms can also create gaps between provider contracts and representation of the terms in claims systems, resulting in non-optimal payments. It is important to ensure that reimbursement terms are specified in contracts and are also loaded into claims systems accurately. Although it may be possible to load fee schedules into the claims processing system, the process of loading and maintaining such fee schedules continues to be a pain point for many organizations.

Another challenge that is faced during automation of claims pricing is due to the lack of standards in reimbursement terms among payers and networks. Reimbursement terms are used in different ways by different organizations. A flexible way of modeling these terms is essential to automate the claims pricing process.

Finally, claims repricing by networks is cumbersome and expensive. This often involves manual calculation by the network, dealing with paper claims, and manual entry of repricing information into the payer system.

## **Representation of Contract Reimbursement Terms**

A representation of contract reimbursement terms or reimbursement model for processing electronic claims is an essential first step in automating the claims pricing process. Often, even in systems that support electronic data

interchange (EDI), this representation of contract reimbursement terms is reduced to only fee schedules. There is no adequate system functionality that handles exceptions. Further, the rich variety of reimbursement terms used by payers introduces a high degree of complexity into the representation. An intuitive user interface and flexible reimbursement modeling capability allow contract management and claims staff to easily cope with the complexity and variety of reimbursement terms.

A representation scheme that allows system users to express rules is needed. Furthermore, rules have to be expressed at various levels in the contract. For example, a stop loss rule may be applicable to any reimbursement as per a contract, to reimbursements only within a program, or to a single service. The claims pricing system should support specification of rules at such levels.

Rule specification functionality should also be user-friendly. For example, a system may require its users to learn a new rules language. A better approach is to provide a user friendly interface that obviates the need to learn the rules language. At the same time, it should also be possible to express complex rules with a rich vocabulary that covers what is typically used in provider reimbursement.

A payer or network may have thousands or tens of thousands of provider contracts. Building an accurate reimbursement model for a contract should be an efficient process. This process should support reimbursement templates that can be reused for as many contracts as necessary with suitable modifications.

### **Rules Based Claims Pricing**

Electronic claims are received in the standard X12 837 format. As a first step in pricing a claim, the right contract to be used in applying reimbursement terms needs to be efficiently accessed. A rules engine that interprets reimbursement rules in the contract and any global rules can then proceed to compute the priced amount. Since rules may be applicable at more than one level in the contract, any conflicts among applicable rules need to be resolved. The rules engine should be capable of handling the complexity involved in reimbursement such as stop loss rules, anesthesia pricing rules, DMEPOS rules, etc.

Claims may be submitted in large batches where a batch may contain thousands of claims. An efficient claims pricing system should price a claim in a few seconds or less and maintain a high level of throughput. It should have the capability to price several claims in parallel. A reporting feature is essential to track and analyze all pricing results. In addition, reports that provide information regarding claims associated with a specific contract could be useful during contract negotiations. In the case of a PPO, the pricing

report should also contain information regarding the revenue that is due to the PPO.

## **Conclusion**

In order to achieve significant efficiency in claims pricing, it is essential for the claims pricing system to be able to model reimbursement terms in the contract accurately. The use of batches of electronic claims increases the efficiency of the pricing system further. A powerful rules engine that can process complex reimbursement rules ensures that auto adjudication rates are high as much fewer claims will have to be priced manually. The benefits offered by the claims pricing system are further enhanced by comprehensive reports that provide detailed information on claims processed and insight into contract performance.

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