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The Art of (Correctly) Capturing and Coding Hospital Pharmacy Charges

By Wendy Lyons Sunshine

Hospital executives who review balance sheets may scratch their heads over the complexity of pharmacy finance. The challenge of ensuring proper coding and keying of drug supplies and medication fees is a complex process requiring highly specialized expertise. Having the ability to spot worrisome trends or prevent data from falling into a black hole comes from years of engaged insight and experience. The stakes are high when it comes to correctly capturing and coding pharmacy charges with coding directly impacting reimbursements, regulatory compliance and the bottom line.

THE COMPLEX WORLD OF PHARMACY CODING

Let's say a patient needs an antibiotic. Will they get the medication in gel, pill or suspension form? At what dose? Erythromycin can vary, for example, from five mg/g ointment to 500 mg film-coated tablet. Each option for a medication is represented by a unique National Drug Code, a numeric string that signals a drug's content, quantity, formulation, labeler and source.

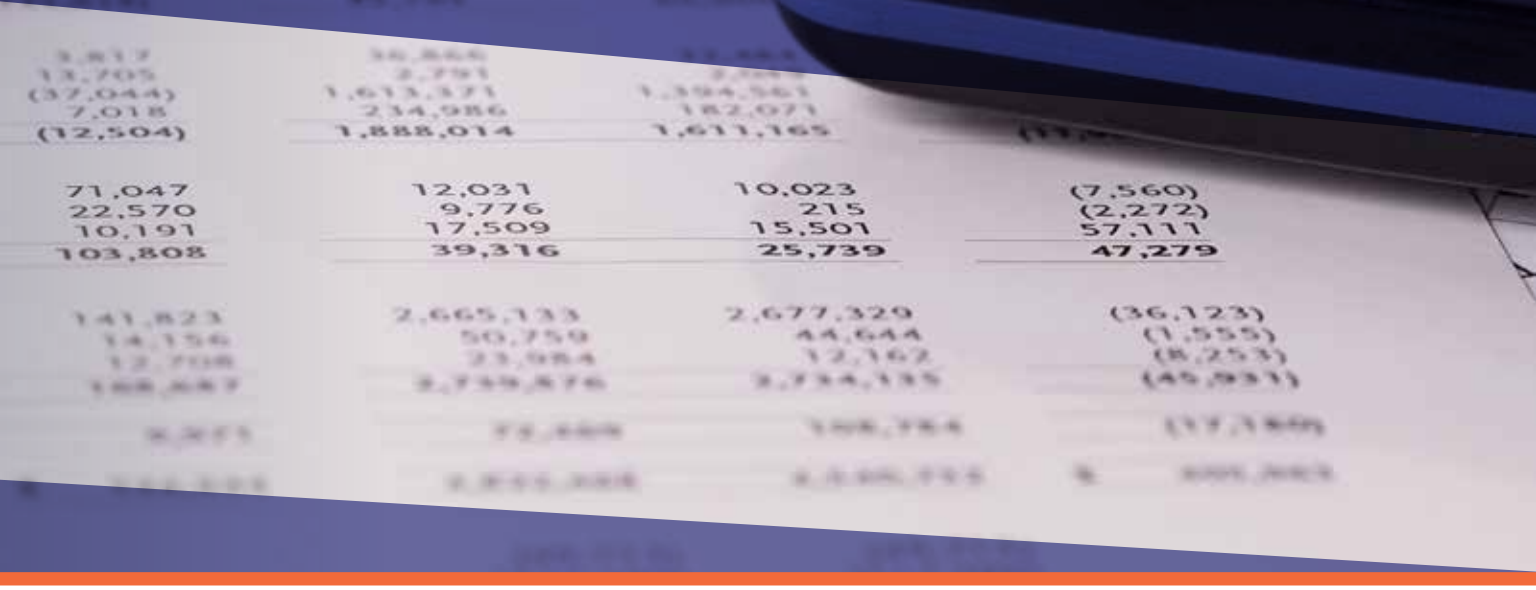
NDCs are among the layers of information that must be tracked for proper billing and insurance audits. For example, injectable drugs must convert the actual dose administered into billing units assigned by the Centers for Medicare & Medicaid Services using multipliers that allow facilities to track and bill wasted amounts by identifying them with a modifier.


KIRSCHENBAUM

"The goal is to tell the patient's story completely, accurately and in a codable fashion," said Bonnie Kirschenbaum, a health care consultant who advises hospitals on pharmacy compliance issues. "If we're able to do that, it leads to both the appropriate reimbursement as well as the appropriate transference of data into the big data pool."

MOTHER NATURE, SILOES AND CODING CHALLENGES

The complexity of the health care system has created challenges such as a silo effect when certain conditions drive one part of the organization but fail to bring in other key teams. For example, Kirschenbaum highlights how some key teams might not get briefed when certain clinical or other operations teams move ahead on solutions with time constraints



and commitments.

"IT may be lagging behind in terms of being able to represent what's really going on," Kirschenbaum said. "That's one of the frustrations of trying to deal with a multitude of different siloed sections, from clinical to purchasing to billing. Each different silo has to do their part, and it doesn't always line up the way it should. A crisis brings out the worst in the way the silos are set up."

Many staff and clinicians focus on their sliver of the documentation and coding process and don't realize the implications of their actions and choices.

The recent hurricane season serves as example. During the 2017 storms, Puerto Rico — a major manufacturing site for pharmaceuticals and IV solutions — took a heavy hit. Manufacturing plants lost power and could not produce at normal capacity. Restoration efforts dragged on much longer than expected. IV solutions became especially scarce. New suppliers had to be found quickly. In the rush to serve patients, database coding often was not updated to reflect changes in suppliers. As a result, electronic health records had a mismatch between products used and the codes entered. Revenue and billing systems lacked the proper NDCs needed for reimbursement, and revenue was negatively impacted.

To drive solutions around this problem, leadership must prioritize a culture of integration, rewarding those who seek to link teams in real time and reduce the natural emergence of silos.

"Regular meetings between pharmacy and finance departments are one important strategy that can help hospitals pinpoint trending issues with drugs, supplies and CMS guidelines," said Kathy Schwartz, director of solutions for Craneware, producer of automated solutions for health care revenue integrity.

Employing the use of a software-based solution also can improve collaboration across siloes.

SCHWARTZ

"Our pharmacy charging solution makes sure drugs are set up correctly. It analyzes multiple sets of data. It looks at purchases. It looks at the formulary and the finance files, and pulls them all together to audit information for exceptions, for compliance in coding, and to identify financial opportunities and missed reimbursement," said Schwartz.

All these steps help ensure that facilities will get proper

reimbursement for drugs. Hospitals can also depend on these types of solution to provide the basic facts, such as name of the drug, dose of the drug, codes that go along with the drug and standard pricing. Frequent data updates reduce the effort of compliance and reduce audit risks. Commercial pharmacy charge software also offers analytic tools that show a facility how to do an even a better job, making it easy to see impact on pricing when hospitals change a procedure or purchase.

"The goal is to have reality match what is on the patient's bill and in the electronic record," said Kirschenbaum, "and that it be a completely transparent process as to how we got there. Especially when drugs are the cost that they are today, with patients' copays sometimes as much as buying a new luxury car every month, it's unconscionable to not be transparent as to what exactly is going on."

COPING WITH DISRUPTIONS

"It takes a crisis to bring to everybody's attention what's working and what's not working," said Kirschenbaum, "and the crisis of the moment is Medicare's slashing of 340B reimbursement pricing by 30 percent for some Part B drugs used in hospital outpatient settings paid under the Outpatient Prospective Payment System."

The 340B program provides deep discounts on drugs used for indigent patients in outpatient clinics. To be fully compliant, said Kirschenbaum, 340B-acquired drugs only may be used for 340B-eligible patients. Further, 340B acquisitions must be reported to Medicaid so that agencies can collect only the rebates still available from manufacturers and avoid the duplicate discounts prohibited by the program.

The January 2018 reimbursement change has left many facilities with a dilemma.

"Having a mechanism to verify outpatient and ambulatory patient eligibility is key and each hospital does that differently," said Kirschenbaum. "This has nothing to do with drug files or drug purchasing." Automated solutions, however, do provide consistent, current coding information that supports transparency, which is vital to remain compliant.

More broadly, Craneware's tools can evaluate the implications of 340B pricing, wholesale acquisition cost and group purchasing organization pricing. "Our technology helps to bridge the gaps between pharmacy and finance," said Schwartz. "The technology audits and identifies where exceptions exist and provides the corrective information. It enables cross disciplines to better manage margins and compliance."