Medicare now posts every pathologist's prices

Medicare Data Makes Pathology Prices Public

CEO SUMMARY: Each year since 2015, Medicare officials have posted the prices charged by every physician. That now makes it possible for pathology group practices to conduct a price study of their region and state to learn how their group's prices compare with other pathology providers. A national pathology consultant points out that one way to use this data is to identify which services a pathology group has underpriced and overpriced.

FOR ANATOMIC PATHOLOGISTS, the time approaches when patients, payers, and referring physicians can easily discover what each pathology group charges. Already, most hospital administrators know what pathologists charge, as do health insurers.

Soon, pricing data will be readily available to patients as well. When that happens, pathologists may want to publish their fees online and start competing more fiercely on price.

To help pathologists navigate the potential pitfalls of fee transparency, Robert Tessier, a Senior Reimbursement Consultant with **HBP Services** in Woodbridge, Conn., developed a pricelist based on Medicare data that offers significant insights.

"Medicare knows what pathologists are charging and is making that data available to the public," Tessier said in an interview with THE DARK REPORT. "Soon, patients will also know what pathologists are charging and will start comparing prices.

"However, that is not today's reality," added Tessier. "I have yet to see any pathology group that publishes what it charges. That day is coming, but it is not here yet."

To prepare, Tessier recommends that pathology practice administrators do two things. First, become familiar with the Medicare physician price data available on the national **Centers for Medicare and Medicaid Services** (CMS) website that shows what every pathologist in the country charges by CPT code.

Second, use the data to compare pathology group fees within each state or local community.

"Pathology groups unaware of this data will be at a competitive disadvantage going forward, noted Tessier. "This Medicare data is easy to access and download from the CMS website. It can be sorted by state or address. Using this information, a practice administrator can find what other pathology groups charge.

"The reports we produce are limited to Medicare data provided by pathologists, not from laboratories," he explained. "Therefore, companies such as Quest Diagnostics, Inc. and Laboratory Corporation of America were not included.

"Also, the data we examined relate specifically to Medicare code 88305," stated Tessier. "This code represents a gross and microscopic examination of a specimen. In the Medicare database, there are six million records showing pathology payments for the professional component of 88305 and about 4.5 million records showing payments for in-office or facility billing for 88305s.

➤ Alarming Discrepancies

"There is a good reason why it is time for pathologists to determine their ideal price point when dealing with hospital administrators, patients, and third-party payers," he added. "Thirty years ago, Medicare defined the prevailing rate for pathologists and other healthcare providers as being at the 75th percentile of what everyone charged. Since then, Medicare has moved away from having a single prevailing rate.

"For pathology clients, we have begun to use the Medicare data to assess their region and state and help them develop a smart pricing strategy that keeps their prices competitive, while at the same time helping them identify services they have underpriced and raise those up to current market levels," said Tessier.

"We now have statistical models showing charges at the 25th, 50th, 75th, and 90th percentiles," he added. "Using these numbers, pathologists can determine the prevailing rates in their areas. *(See chart on page 13.)*

"As the chart shows, rates vary widely from one state to another," he said. "A more granular look at these numbers shows that rates vary even among cities and towns.

"Another factor to consider is that the Medicare database includes both facility and non-facility fees," Tessier said. "The

facility fee is what pathologists charge for the professional component only. The non-facility fee is mostly identified as what they bill globally, meaning for both the professional component (PC) and the technical component (TC).

"Sometimes, practices will further complicate their charges for non-facility fees, which is why it's not often as simple as looking at a table to determine pricing," he added.

National Average for 88305

"At the top of the chart is the national average—meaning all the data on six million units of 88305, regardless of the state," said Tessier. "Once you know the percentile, it's possible to compare that with the individual charges in each state. So, for example, the 50th percentile in Arizona is only $98, but the 50th percentile nationally is $173. That's a significant difference, which pathologists in Arizona need to know.

"To understand how pricing works in different states, we can highlight what pathologists charge in a given state and then compare those figures to what pathologists charge nationally," he said. "CPT code 88305 is, by far, the most common pathology code in the database, representing 45% to 50% of all pathology billing.

90th, 75th, 25th Percentiles

"Nationally, the 90th percentile for an 88305 professional component is $260, while the prevailing rate at the 75th percentile is $213," he noted. "Our review also provides information on what pathologists charge at the 25th and 50th percentiles.

"In my view, the ideal pathology pricing lies between the 50th and 75th percentiles," commented Tessier, who has been advising pathology practices on reimbursement issues for more than 30 years. In addition, he once worked for the **Health Care Financing Administration**, which was the forerunner to the current federal agency that pays healthcare providers, the Centers for Medicare and Medicaid Services.

"Pathologists should not charge at the 90th percentile unless they have a particular reason to do so," he advised. "The only reason to charge at that level is if you already have a high contracted rate—but that would be unusual.

"When pathologists or hospital executives compare fees for pathology practices, they're interested in determining whether the practice is within the norm for its area," he said. "Hospital and health systems want to know what the norm is, and they want to keep their group within that norm.

Ceiling for Pathology Prices

"In recent years, hospital systems have indicated that the 75th percentile is considered the prevailing rate," Tessier noted. "However, if a pathology group is charging a very low rate, such as the 25th percentile, we recommend they raise their rates gradually. We think the 75th percentile is not only a good benchmark, but also a ceiling for what a pathology practice should charge.

"It is a fact that price transparency is a trend in healthcare," he added. "That is why it is timely for all pathology groups to know what other pathologists in their area are charging.

"For example, we recently showed a client what pathologists charged in Miami and in nearby Fort Lauderdale," continued Tessier. "These numbers were then compared to pathologists' fees for the entire state of Florida.

"While the Medicare data show a rate of $213 in Florida for the 88305 professional component at the 75th percentile, the national number for global billing is $224," he said. "This shows how price sensitive global billing is for referred patients.

"In other words, there's not much difference between the professional-only

Medicare Data Show Pathology Prices, Nationally, by State, by Doctor

IT HAS ONLY BEEN THREE YEARS since the Centers for Medicare and Medicaid Services began releasing information about the prices charged by individual physicians to the public. Robert Tessier, Senior Reimbursement Consultant with HBP Services, recommends that pathologists and their practice administrators use this data to understand why other pathologists are charging in their region and state. Below is the table which shows how Tessier presents the price data for CPT 88305, including the national price and state prices for 50th, 75th and 90th percentiles.

2016 Medicare Physician Database – CPT 88305: Charge Range by State

50 States	Facility (F)			Non Facility (O)		
	50th %-tile	75th %-tile	90th %-tile	50th %-tile	75th %-tile	90th %-tile
National Totals	***173***	***213***	***260***	***167***	***224***	***272***
Alabama	144	160	261	123	136	150
Alaska	290	327	327	388	415	415
Arizona	98	189	235	149	255	267
Arkansas	115	128	161	106	169	191
California	170	219	262	150	195	260
Colorado	140	185	213	126	169	310
Connecticut	195	245	250	215	250	280
Delaware	171	181	181	151	171	171
Florida	199	237	260	166	201	270
Georgia	190	208	235	196	243	268
Hawaii	62	133	133	156	193	321
Idaho	124	135	135	80	168	168
Illinois	204	248	275	194	249	400
Indiana	226	242	275	211	262	374
Iowa	146	187	245	180	198	256
Kansas	200	204	260	126	235	238
Kentucky	157	198	232	175	186	200
Louisiana	100	178	200	156	184	310
Maine	147	213	213	213	213	213
Maryland	154	180	242	169	173	233
Massachusetts	147	184	199	203	216	248
Michigan	152	172	231	129	165	274
Minnesota	125	180	233	125	163	208
Mississippi	168	200	221	126	216	241
Missouri	180	193	238	150	262	271
Montana	106	122	150	139	139	206
Nebraska	153	213	213	134	147	194
Nevada	338	358	369	188	240	265
New Hampshire	223	365	366	245	245	245
New Jersey	160	192	284	225	309	432
New Mexico	130	181	261	92	93	93
New York	131	188	204	240	260	335
North Carolina	163	192	220	133	152	197
North Dakota	123	146	147	193	196	202
Ohio	187	226	240	184	211	252
Oklahoma	169	188	227	134	154	182
Oregon	113	150	165	142	184	234
Pennsylvania	142	196	232	157	240	272
Rhode Island	167	186	188	183	200	200
South Carolina	191	214	226	160	198	237
South Dakota	197	197	197	148	195	218
Tennessee	126	188	247	176	229	266
Texas	247	275	301	200	246	279
Utah	125	165	232	133	163	167
Vermont	210	211	214	172	172	213
Virginia	187	206	257	161	200	250
Washington	115	120	192	192	209	250
West Virginia	130	175	260	189	189	189
Wisconsin	254	317	336	316	319	463
Wyoming	221	301	323	401	401	401

($213) and the professional-plus-technical ($224) national rates in the Medicare database," he added.

"Of course, while these numbers are interesting, it is more relevant for pathologists to compare their rates to those of other pathologists in the same state," he said. "It is also an effective business strategy to fine-tune your fees by examining the region served by your pathology group.

"We worked with a client group in Michigan, for example, that charged an extremely low rate—$99 for the professional component of an 88305," Tessier added. "At the time, the 50th percentile in Michigan was $152 and the 75th percentile was $172.

"Our client leveraged this information to ask for higher rates from their payers, he noted. "However, the reaction from the payers, who were reimbursing at $65, was less than positive. Payers said their norm was to reimburse, on average, 50% of what is normally charged in a particular area. Because our client had set its rates so low, they were at a disadvantage when negotiating with their health insurer.

➤Negotiating with Payers

"This is one reason why pathologists need to know what's representative in their communities," advised Tessier. "This information helps them negotiate with third parties from a position of strength. Once this Michigan group understood that, they did not want to leave money on the table.

"With our recommendation, the group increased its fee from $99 to $150," he said. "This put them in line with the 50th percentile in Michigan. The higher rate also brought them closer to the norm compared with what other pathologists were charging in their market.

"Ultimately, it is difficult to achieve a significant rate increase," added Tessier. "The attitude among third-party payers is, 'No matter how low your rates were set, we are not going to compensate for years of neglect.'

"The payers we work with expect pathology practices to challenge their reimbursement rates and request a cost of living adjustment when contracts come up for renewal," he noted. "If groups don't do that on a regular basis, they can't expect to get a raise several years later.

"Now that this Medicare data is readily available," emphasized Tessier, "there is no reason to be unprepared for negotiating. Ideally, we recommend pathology groups set their fees close to the 75th percentile. If you're lower, you may have trouble getting a better reimbursement rate. It's that simple.

"Many factors determine what pathologists charge," Tessier explained. "One anomaly is in New Hampshire. There, the 75th percentile for an 88305 is $365, and the 90th percentile is $366. Now, why is that? This usually happens when one dominant health system charges a particularly high rate.

"In Maine—which borders New Hampshire—the 50th, 75th, and 90th percentile rates are just $147, $213, and $213, respectively," he added. "Even in Massachusetts, which has a reputation for high healthcare rates, the fees for an 88305 are $147, $184, and $199. All of those are neighboring states, yet in New Hampshire the numbers are considerably higher.

"Now look at Montana, where the prices go from $106 at the 50th percentile to $150 at the 90th percentile," he added. "Those are very conservative numbers.

"In this new era of fee transparency, it is wise for pathologists to re-examine their fees in the context of their competitors' rates," advised Tessier. "Not only does this help when negotiating contracts with payers, but it will help the pathology group with those patients who want to know prices in advance of service." TDR

—Joseph Burns

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