How should we charge for OR supplies?

Experts respond to frequently asked questions. The experts are identified on page 14.

Q We use codes for surgical supplies that stand for a range of products. For example, all supplies costing between $5 and $10 have the same charge code. Exceptions are made for items that require tracking or special pricing. Is this a good approach?

Egusquiza: Using general categories can create problems. At any time, you should be able to pick up the OR record and compare it with the itemized bill and the UB92 that goes to the payor. If the itemized bill says “miscellaneous OR supplies,” and the nurse charted the supplies actually used, there is an audit variance—we can’t tie the itemized statement to the record. So hospitals need to take the time to build the narrative for their charges in the chargemaster.

Christman: For orthopedic equipment, such as screws, it’s not uncommon to see price ranges. The caveat is to make sure you don’t use that as a quick solution. It also needs to be maintained. You need to go back and double-check that the right items are included in the $5-to-$10 range. If you have misplaced items into that category, you might be overcharging or undercharging. But it’s workable. Anything that prevents you from using that “miscellaneous” code is a good thing.

Polte: It can be effective. But we strongly suggest that when you use price ranges, you also associate the price ranges with a functional description. For example, you wouldn’t want just a general bucket of items in the range of $5 to $10. But you might have sutures in the range of $5 to $10.

When our company, Inobis, sets up charging systems, rather than linking charge codes to particular items, we associate charge codes with functional classifications we have developed. This is a more efficient process, both to set up and maintain. Once a new item is classified, assuming the classification is already matched to a charge code, the item is automatically mapped to the charge code. (See example.)

Q What is the best way to organize the chargemaster for surgical supplies and implants? Is it better to have specific charges for items (eg, a Zimmer hip implant stem of X size) or to have categories (eg, stem, cup, and liner) with an average charge for each category?

Christman: From a cost accounting standpoint, the more differentiation you can have in the chargemaster and still keep it manageable, the better off you are.

Mitchell: The number of implants hospitals have to deal with is mind boggling. For plates and screws, you might want to have categories because that makes the chargemaster more manageable. For major implants, you might want a general description that can be manipulated for specific patients.

Polte: The majority of hospitals have a miscellaneous charge code that has to be overridden by a data entry person to enter the actual or estimated price for the device and calculate a manual charge.

Now that more hospitals are implementing OR information systems, they’re using their systems to capture and execute charges through an interface with the financial system. Because implants have to be tracked, most OR systems have a device-tracking function that requires information about the implant system to be entered into the computer. That supports more detailed charging. You can actually set up charge codes associated with all of the components of an implant system. I definitely see that as the direction most hospitals are going if they use their OR sys-
## Examples of functional categories for supplies

<table>
<thead>
<tr>
<th>Hospital item description</th>
<th>Functional category</th>
<th>Charge code no.</th>
<th>CDM description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cutter, Aggressive Plus 4.0 mm angled</td>
<td>Cutting, Bone:Endoscopic shaver:Arthroscopic:Aggressive Plus:Angled:4 mm</td>
<td>127899567</td>
<td>Cutting, Bone:Endoscopic shaver</td>
</tr>
<tr>
<td>Burr, Pear Aggressive:6-flute 5.0 mm</td>
<td>Cutting, Bone:Endoscopic shaver:Arthroscopic:Aggressive:Pear bur:6 flute:5 mm</td>
<td>127899567</td>
<td>Cutting, Bone:Endoscopic shaver</td>
</tr>
<tr>
<td>Burr, Round 6-flute 5.5 mm hollow</td>
<td>Cutting, Bone:Endoscopic shaver:Arthroscopic:Aggressive:Round bur:6 flute:hollow:5.5 mm</td>
<td>127899567</td>
<td>Cutting, Bone:Endoscopic shaver</td>
</tr>
<tr>
<td>Cutter sm pint 2.5 Stryker</td>
<td>Cutting, Bone:Endoscopic shaver:Arthroscopic:Aggressive:Small joint:2.5 mm</td>
<td>127899567</td>
<td>Cutting, Bone:Endoscopic shaver</td>
</tr>
<tr>
<td>Transducer kit sing w/o safest</td>
<td>Fluid administration &amp; monitoring:Accessory:Transducer:Single Intraflo</td>
<td>127877653</td>
<td>Fluid admin:Accessory:Transducer</td>
</tr>
</tbody>
</table>

*Source: Inobis.*
tems to capture charges.

We map the different components based on their functional categories to a single charge code, such as a hip implant stem. Within that might be 4 to 7 different specific charge codes based on the price ranges of the different stems, such as $1,000 to $2,000, $2001 to $3,000, etc.

When these items are added to the item file, they are mapped to these charge codes. When the nurse is documenting during the case on the computer, she selects the particular item used. If it’s chargeable, it is linked with a charge code and passed through to the charging system.

**How do you maintain C-codes in the chargemaster?**

C-codes are device-specific codes used in Medicare’s outpatient prospective payment system to provide reimbursement for technology that isn’t included in the APC reimbursement.

**Mitchell:** Updates on C-codes come out yearly from Medicare. Someone in the organization needs to be current on the new rules because they change frequently. We recommend that hospitals review their chargemaster once a year or every 6 months to see which codes are being utilized, which are not, whether codes have been added for new items that are used frequently, and whether any of these need a C-code. For C-code information, you can subscribe to websites that provide updates, use a consultant, or do the research yourself on the government’s websites.

**Polte:** C-codes are coming back, and it looks like they’re back to stay. It’s important to keep up with these because for certain APC claims to be valid, the C-code needs to be on the claim. Every fall, CMS comes out with a bulletin with the new codes that are effective in January, and every quarter, or more often, there is an update.

If your charge codes are detailed enough, you can assign the C-codes at the charge code level. If your charges aren’t that detailed, someone has to enter the C-code with the claim in a manual step. So if you have the right amount of detail in your charges, it makes your life easier. You can use the power of the computer to keep up with the C-code assignments. (See example.)

**Can you charge for a C-arm that is used in a surgical procedure?**

**Christman:** This is a reusable piece of equipment, so under Medicare rules, there would not be a separate charge for it. You could capture the cost in your OR time charges. If you use levels for your OR time charges, and you use additional personnel in procedures with C-arms, you could assign those procedures to a higher level to reflect the additional cost. You also need to look at who owns the C-arm: the OR or radiology. If it’s radiology, you would need to find out if radiology is charging for it.

**Is there a good practice for entering descriptions in the chargemaster so they provide enough detail for payer review but aren’t too confusing for patients and families?**

**Mitchell:** That comes back to use of a standard nomenclature. Your hospital should adopt a standard naming system for charges. Usually, this consists of a generic “last name” followed by the vendor and size. There should be a policy and procedure for using the naming system in setting up charges.

**Polte:** This touches on other things we’ve talked about. The fewer people you have building charge codes, the more consistency you will have. There also is the issue of the level of detail you have in your charge codes. The more you limit the number of different items you associate with the same charge codes, the easier it is to create a charge code description that actually describes the item. We have been through different approaches. We’ve found the most effective way to build a description is to characterize the functional category the item falls into.