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Pricing Strategies for Diagnostic and Treatment Services

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Billing, Coding, and Reimbursement Bootcamp

- This course is part of a series of recorded and text courses by Dr. Cavitt
- This series is designed to provide **all you need to know** about billing, coding, reimbursement, and legal/ethical compliance issues for audiology practices
- Other courses in the series can be found in the AudiologyOnline course library, under the topic Billing/Coding Bootcamp

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Pricing Strategies

- Most pricing strategies I see in this industry typically are based on NOTHING
- You CANNOT be afraid to charge for your time and services

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Pricing Strategies

- All prices should reflect:
 - An understanding of your personal breakeven analysis
 - An understanding of your third-party payer fee schedules
 - An understanding of the prevailing rates in the area

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Breakeven Analysis

- Breakeven analysis is what does your practice need to bring in per hour per full-time equivalent provider to cover your expenses (salary, overhead, calibration, fixed costs, benefits, annual fees, etc.)
 - Hearing aid procurement costs are not here as they are variable
- You want to add a "profit" amount to this
- This is the minimum you can charge
- You base your fees for items and services where no fee schedule exists
 - Based upon the time required to complete the procedure
 - \$144 gross per professional per hour (http://www.hearingreview.com/issues/articles/2011-06_03.asp)

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Third-Party Fee Schedules

- Be aware of the third-party fee schedule amounts
- You do not want to charge less than you could have collected
- Must have a standard fee schedule for all patients
 - If you charge one you must charge all

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Prevailing Rates

- Least important aspect as you must charge what you need to cover your overhead and you do not want to charge less than you could have collected
- May need to “shop” your competitors

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Pricing Diagnostic/Treatment Services

- Compare break-even rate plus profit to that of your highest third-party payer for each code
- Consider how much time you schedule each procedure for as well as the Medicare rate for your area
 - Want to at least be 120% of Medicare rate but try to avoid being more than 300% of Medicare
 - Most insurances base their reimbursement on Medicare
 - NEVER charge what you expect to receive!!

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Pricing Hearing Aid Services

- What is your breakeven plus profit amount?
- How much time do you schedule for each hearing aid procedure?
- What is the prevailing third-party reimbursement rate?

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Bundling

- You “bundle” all of our hearing aid product and service costs, as well as our professional fees, under one, singular price (and code)
- Typically, bundlers do not charge separately for the hearing aid evaluation/consultation and, as a result, receive no payment if a patient does not proceed with amplification.

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Bundling

- Pros
 - Easy
 - What everyone else does
- Cons
 - Not how insurance pays for items
 - Prices are not transparent
 - Increases patient costs for many
 - Does not reflect your professional time

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Bundling

- ❑ Single hearing aid price (billed under one code) includes:
 - ❑ Hearing aid evaluation
 - ❑ Hearing aid(s)
 - ❑ Hearing aid fitting and orientation
 - ❑ Electroacoustic evaluation of hearing aid(s), if performed
 - ❑ Verification, if performed
 - ❑ Dispensing fee
 - ❑ One year to lifetime follow-up, service and cleaning
 - ❑ Batteries (sometimes unlimited)
 - ❑ Domes or accessories
 - ❑ Counseling, if provided

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Unbundling

- Charging separately for each item or service as it occurs
- Breaking the “bundled” cost into each individual piece or aspect of service

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Unbundling: Pros

- ❑ Collecting the amount you need to cover your costs and make a profit (price based on something tangible)
- ❑ Potential for increased revenues long-term
- ❑ Allows for increased reimbursement with most managed care situations
- ❑ Makes you price competitive
- ❑ Allows for some potential marketing advantages
- ❑ Allows for pricing for internet or EBay purchases
 - ❑ They pay everything but the cost of the hearing aid itself
 - ❑ You care less about where the aid comes from

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Unbundling: Cons

- ❑ Potential short-term reduction in revenues
- ❑ Does not work as well with managed care plans where you have to take a large, provider discount (i.e. UnitedHealthCare) or plans with defined warranty/coverage terms (i.e. EPIC or HearPO)
- ❑ Will need to change office policies and procedures
- ❑ Have to collect money from patient can be comfortable with that
- ❑ Will need to change marketing program

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Unbundled Pricing Model: HAE

- ❑ On the date of the hearing aid evaluation, you bill the hearing aid evaluation (92590/1 or V5010; whichever pays more for your average third-party hearing aid contract) to the third-party payer or patient, even if they do not proceed with amplification.
 - ❑ BUT, for private pay patients to be willing to pay this, you are going to need to do more than sell them a product (i.e. go over makes and models)
 - ❑ Going to need to really evaluate hearing aid needs via use of things such as inventories, QuickSin, etc.
- ❑ Most third-party payers who cover hearing aids cover hearing aid evaluations

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Unbundled Pricing Model: Hearing Aid Fitting

- ❑ On the date of fit, you would bill the following codes to the patient or the third-party payer (can require whatever you like in this fitting period):
 - ❑ V52--: The code for the hearing aid itself
 - ❑ V5---: Dispensing fee
 - ❑ 92594/5: Electroacoustic analysis (if performed)
 - ❑ V5011: Fitting and orientation
 - ❑ V5020: Conformity evaluation (if you perform real-ear and/or functional gain testing)
 - ❑ V5275: Earmold impression (if applicable)
 - ❑ V5264: Earmold (custom) or V5265 Dome (disposable earmold)
 - ❑ V5266: Batteries (per battery) for the trial period
 - ❑ 92592/3: Hearing aid follow-up appointments during trial period
 - ❑ V5267: Accessories
 - ❑ 92633: Aural Rehabilitation/Counseling

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Unbundled Pricing Model: End of Trial

☐ On this date, the patient has four choices:

- ☐ Exchange the hearing aid
- ☐ Return the hearing aid for credit
- ☐ Keep the hearing aid and "pay as you go" for service
- ☐ Keep the hearing aid and purchase a service package

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Unbundled Pricing Model: Exchange

- What was the reason for the exchange?
- Can charge a patient a second fitting fee

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Unbundled Pricing Model: Return for Credit

☐ As allowed by State law, you would refund the patient only the cost of the hearing aid itself (you would retain all other monies as the services were provided)

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**Unbundled Pricing Model:
Pay As You Go for Service**

- ☐ Have a fee established for every item or service and charge a patient or their third-party payer (if their benefits have not been exhausted) every time the item is provided or the service is performed
- ☐ Fees based upon breakeven analysis and/or cost of goods
- ☐ Nothing is free or no charge, unless associated with a targeted marketing event

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**Unbundled Pricing Model:
Service Package**

- ☐ This is the service you are currently providing at no charge once the aids are fit and accepted
- ☐ Think of it as the difference between your current bundled fees and the unbundled package cost
- ☐ A patient pays you a fixed rate per aid (based upon the breakeven analysis) for managing their hearing aids, accessories and services for a given period of time
- ☐ Can include whatever you like in the plan

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Disclaimer

- ☐ Prices listed are for illustrative purposes only and should not be construed as a recommendation of any given price. Price must be established individually by each clinic.

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Example of Bundled Price

- ▣ V5261 (Hearing aid, digital, behind-the-ear, binaural): \$5000
- ▣ V5264 (Earmold, not disposable, each): \$50 x 2

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Example of Unbundled Price

▣ V5261: The code for the hearing aid itself	\$2400 (two aids)
▣ V5160: Dispensing fee, binaural	\$200 (1 hour of total time)
▣ 92595: Electroacoustic analysis, binaural	\$33 (10 minutes)
▣ V5011: Fitting and orientation	\$200 (1 hour)
▣ V5020: Conformity evaluation	\$66 (20 minutes)
▣ 92593: Hearing aid check/follow-up appointment	\$100 x 2
▣ V5267: Dry and Store	\$150
▣ 92633: Lace	\$125
▣ V5266: Batteries (per battery)	\$1.50 x 8
▣ V5275: Earmold impression	\$33 x 2
▣ V5264: Earmold (custom)	\$40 x 2
▣ Assume example of \$200 per hour fee (breakeven plus profit)	
▣ Hearing aid evaluation of \$200 paid on the date of the service	

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Unbundled Pricing Model Example: After the Fitting

- ▣ Pay as You Go
 - ▣ \$100 for every 30 minute hearing aid check
 - ▣ \$50 for every 15 minute reprogramming
 - ▣ Does not matter if one or two aids; it is all about the time scheduled (as you cannot see anyone else)
- ▣ Three-year Service Plan
 - ▣ \$875 for one aid (three hearing aid checks, three re-programmings, three in-house repairs, 75 batteries, two, 30 minute counseling sessions) or \$1300 for two aids (five hearing aid checks, three re-programmings, six in-house repairs, 150 batteries, and two, 30 minute counseling sessions)

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**Price Comparison:
Bundled versus Unbundled (Private Pay)**

- ▣ Bundled = \$5100
- ▣ Unbundled
 - ▣ Pay as You Go = \$3502
 - ▣ With Service Package (binaural) = \$4802

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**Wanna Dispense an Better Aid than a
Retailer at a Better Cost....**

- Patient pays \$1698 (\$849 each) at retailer for PSAP with tax, no service, no evaluation, no verification, no batteries, no follow-up, no loss and damage coverage and no manufacturer warranty
 - With tax in Chicago: \$1881 total
- Unbundled: \$1857 total - \$857 in professional fees plus two hearing aids with a single-unit price of \$500 each, with no tax, no service, evaluation, verification, two follow-up appointments, a three-year manufacturer warranty, loss and damage and initial supply of batteries

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Patient Buys Their Aids Elsewhere...

- WHO CARES!!!!!!
 - They are still NOW your patient
- Can charge them:
 - \$465 for electroacoustic analysis, fitting, programming, verification and one hearing aid check(no follow-up, no batteries, no accessories)
 - Sell them a service package
 - Allow them to pay as they go for service

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Hearing Aids and a Third-Party Payer

- **Bundled:**
 - Bill \$5000 for aids and \$100 for earmolds or bill \$4500 (Get \$1700) for aids, \$100 (Get \$40) for earmolds, \$100 (Get \$70) for hearing aid evaluation, \$100 (Get \$70) for hearing aid fitting, \$200 (Get \$70) for dispensing fee, and \$100 (Get \$50) for verification
 - Receive allowable amount from payer (estimated at \$2000 for a traditional third-party payer and cannot balance bill)
 - You will need to manage these aids, at this price, for the terms of the warranty for all of your private pay patients

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Hearing Aids and a Third-Party Payer

- **Bundled:**
 - Bill \$2400 (Get \$1700) for aids, \$66 (Get \$30) for earmold impression, \$80 (Get \$40) for earmolds, \$200 (Get \$70) for hearing aid evaluation, \$200 (Get \$70) for hearing aid fitting, \$200 (Get \$70) for dispensing fee, \$66 (Get \$50) for verification, and \$200 for hearing aid checks (\$50)
 - Receive allowable amount from payer (estimated at \$2080 for a traditional third-party payer and cannot balance bill)
 - Patient can be billed privately for service or they can purchase a service plan

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