

Sample Hospital FREE Risk/Opportunity Analysis Report

Diagnostic Review of Hospital Pricing



	Your Hospital	Local Peer Group	Variance	Percentage Variance	Comments
Room & Board Rates	\$ 1,630.00	\$ 1,518.00	\$ 112.00	7%	Rates are somewhat competitive for local peers but are in the top 25% Statewide
Medical Supply Mark-up	1.7	2.3	(0.62)	-27%	Medical Supplies are far below local peers and rank even lower statewide at bottom 20 percentile.
Pharmacy Mark-up	3.6	4.2	(0.58)	-14%	Lower than local peers but in highest 25% statewide
Ancillary Departments:	Your Hospital	Local Peer Group	Variance	Percentage Variance	Comments
Case-mix Adjusted Overall Comparison - Ancillary Depts	\$ 410.00	\$ 386.00	\$ 24.00	6.2%	Ancillary prices are somewhat reasonable overall.
Percentage of Ancillary Prices 100% or more Above Peer				11.8%	Approximately 40 % of these are 200 % plus
Percentage of Ancillary Prices 50% or more Above Peer				21.8%	
Percentage of Ancillary Prices 50% or more Below Peer				11.0%	

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Ancillary Dept. Peer Group Comprised of:
 Hospital 1
 Hospital 2
 Hospital 3
 Hospital 4

Comments: Your Hospital Room & Board rates are in line with its peers but rank high statewide at approximately 75th percentile. Ancillary Prices on a weighted average and case-mix adjusted basis are 6.2 % higher than its peers. It appears as though Your Hospital is keeping up with the price increases of its peer hospitals. Although, based on separate Comparative Pricing analysis attached, ancillary prices overall seem in line with its peers, we note large variations from the norm on a line item basis. As seen above, 21.8 % of ancillary prices are more than 50% above the peer group. More than 1/2 of these are 100 % or higher while 11% of ancillary prices are 50% Above the peer group.

Recommendation: The extraordinary variation in prices at the ancillary line item level could be difficult for Your Hospital to explain in this era of transparency. The most defensible price would be one based on the cost of the line item as adjusted upward to adequately account for overhead and a profit margin. Accordingly, we suggest that Your Hospital consider taking a Zero-Base approach to restructuring its prices by first establishing cost based prices, then modifying those amounts to ensure that no prices are below contractually agreed rates or fee schedules, that prices are within reasonable market corridors, and that current net revenue levels are maintained or increased. By accomplishing the aforementioned objective Your Hospital will be able to maintain or increase net revenue in this era of transparency, heightened consumer awareness, federal investigations and media attention to hospital pricing by having a complete and detailed audit trail demonstrating how prices are based primarily on unit costs but with adequate consideration to the market, fee schedules, payer contracts and operating or profit margin requirements. Market-Based price restructuring provided fee schedules, contract terms, net revenue modeling, etc would be a second alternative to a simple across-the-board increase and the aforementioned cost or zero-base approach.

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 Period of Data: 2007

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