

Standardized Pricing

PurpleLab has developed a standardized pricing model that simulates the total amount providers can expect to receive from both payers and patients. This transparent and verifiable methodology ensures consistent calculations across all data sources. Accurate pricing information is crucial for our customers to understand the true costs of care. Billing data for claims can vary significantly in format and content, with some sources providing actual charges, others providing allowed or paid amounts, and some using their own calculated pricing. This inconsistency makes it challenging to capture costs comprehensively.

We reprice all claims in our ten-year dataset using the current CMS fee schedules, and each year, making several adjustments each year to ensure our standardized pricing remains up to date. We first calculate an allowed amount, then apply geographic adjustments, and finally a line of business adjustment factor for Medicaid and commercial pricing. We provide three amounts: the unadjusted amount, the geographically adjusted amount, and the fully adjusted amount, along with our methodology. Since CMS fee schedules are publicly documented, it allows us to verify pricing against traditional Medicare claims, and clearly delineate the differences between Medicare, Medicaid, and commercial payer reimbursements.

Deep Dive into the [Methodology]

Line of Business: Pricing Medicaid and Commercial Claims

Using CMS fee schedules to reprice commercial and Medicaid claims presents specific challenges. Firstly, some procedures commonly covered by commercial payers are not covered by Medicare. Secondly, this approach requires the development of adjusted factors for each pricing model and line of business. To address these challenges, we leverage our remittance data, which helps identify procedures frequently covered by commercial payers but not by Medicare. This data also provides insights into appropriate commercial and Medicaid prices for procedures, allowing us to expand the Medicare fee schedule where necessary and calculate line of business adjustment factors.

Dealing with Adjustments and Denials

PurpleLab employs a methodology to identify duplicate and resubmitted claims, ensuring only the most recent submission is priced. Denied claims are still given a standardized price, reflecting the service provided and aiding in understanding the total cost of services rendered and resource utilization.

Mitigating Data Errors

Data issues, such as missing service codes, misclassified claims, and invalid unit amounts, can lead to pricing errors. We mitigate these through three primary methods:

- Using Medicare data to identify reasonable trim points for units, capping units that exceed the 97.5th percentile for pricing purposes.
- Capping assigned prices to the provider's charged amount when it is supplied.
- Ensuring all claims and services are priced accurately without exceeding the charged amounts.

Pricing Model

All discussed pricing models are detailed by MedPAC, a government organization advising Congress on Medicare policy. MedPAC provides policy briefs on each pricing model, including information on conversion rates, policy adjustments, and risk adjustment factors.