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Pricing Strategies and Delivery Models for Audiology Items and Services

AudiologyOnline 2015

Learning Objectives

After this course, participants will be able to:

- Describe the pros and cons of the different hearing aid pricing models.
- Define the differences between bundled and unbundled pricing.
- List what constitutes a current bundled hearing aid price.

Pricing Strategies

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

3

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.

4

Breakeven Analysis

- Breakeven analysis is what does your practice needs 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.
 - http://www.audiology.org/sites/default/files/20141001_AAA_Guide21temizingUrProfeServices.pdf
- 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.

5

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.

6

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.

7

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.
- Want to at least be 120% of Medicare rate but try to avoid being more than 400% of Medicare.
 - Consider the charges for services such as audiograms, canalith repositioning, aural rehab that are often patient responsibility
- NEVER charge what you expect to receive!!

8

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?

9

What is Bundling?

Billing all items and services associated with the evaluation, fitting, and management of a hearing aid, as well as its related goods, under one code on the date of fitting.

10

Why do the Majority of Practices Bundle Their Hearing Aid Pricing?

Honestly, because that is how hearing aid pricing has always been; long before audiologists began dispensing hearing aids in 1978

Why Bundle???

Despite changes in medical and retail sales, the influx of audiologists into the delivery paradigm, and changes in technology, hearing aids are delivered in essentially the same manner as they were 50 years ago

Do You Buy
“Commodities” the
Same Way Today as
You Did in 1970?

The Answer....

Has to be “No” for Most of
Us...but we are forcing our
patients into the same
delivery and pricing model we
have always had.

What is this Bundled Pricing Strategy Actually Based On?

- Typically, nothing tangible.
- Rather it is typically a rudimentary calculation of invoice times X

15

Pricing

- Bundling
 - You “bundle” all of your hearing aid product and service costs, as well as our professional fees, under one, singular price (and code).
 - You 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.

Why Keep Bundling???

- Pros:
 - Easy.
 - What everyone else does.
 - Good for cash flow.

17

Why Keep Bundling???

- Cons:
 - Price often based upon nothing meaningful.
 - Not how insurance pays for items and services.
 - No patient choice.
 - Prices are not transparent.
 - Increases patient costs for many.
 - Does not reflect your professional time.
 - May be collecting less than you need to receive to cover the “average” patient.

18

Bundled Package Includes:

- Hearing aid evaluation
- Earmold impression, if required
- Electroacoustic evaluation, if done
- Hearing aid itself
- Fitting and orientation
- Dispensing fee
- Verification, if performed
- Dome or custom earmold, if required
- Batteries
- Accessories, if provided
- Manufacturer warranty
- Loss and damage coverage
- One year to lifetime of follow-up hearing aid office visits, checks, in-house repairs, and cleanings

19

What is Unbundling?

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

20

Why Unbundle?

♦Pros:

- ♦ Collecting the amount you need to cover your costs and make a profit (price based on something tangible).
 - ♦ Price better reflects actual financial needs.
- ♦ Potential for increased revenues long-term.
- ♦ Allows for increased reimbursement with most managed care situations.
- ♦ Makes you price competitive.

21

Why Unbundle?

♦Pros:

- ♦ Allows for patient choice on how their hearing aids are delivered.
- ♦ Forces a higher standard of care.
- ♦ Allows for some potential marketing advantages.
- ♦ Allows for pricing for online or e-bay purchases.
 - ♦ They pay everything but the cost of the hearing aid itself.
 - ♦ You care less about where the aid comes from.

22

Why Not?

✦ 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 or plans with defined warranty/coverage terms (e.g. TruHearing, EPIC or HearPO).
- ✦ Will need to change office policies and procedures.
- ✦ Have to collect money from patient and be comfortable with that.
- ✦ Will need to change marketing program.

23

Hardest Parts of Taking the Leap to Itemization

- Analyzing financial needs
 - - What are the risks versus the rewards?
- Overcoming fear of the unknown
 - The “unknown” should be reduced if you have a strong knowledge of your financial needs

Hardest Parts of Taking the Leap to Itemization

- Overcoming fear of change
- Valuing yourselves, your skills, and your time
- Being forced to practice audiology.

Hardest Parts of Unbundling

- Charging for testing and hearing aid evaluations in a world of “free”
 - - Is it really “free” and what are they really getting?
- Practicing a “doctor” mentality and “prescribing” solutions rather than “selling” a product

Hardest Parts of Unbundling

- Letting patients make decisions
 - A letting them live with the consequences of those decisions
- Raising the bar on the standard of care you provide
 - Patients are not willing to pay for the privilege of you selling them something

Unbundled Pricing Model: HAE/Communication Needs Assessment

- ✦ 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.
 - ✦ Most third-party payers who cover hearing aids cover hearing aid evaluations.
 - ✦ You would also bill for the earmold impression (V5275), if a custom earmold is warranted.

28

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:
 - ✦ V52--: The code for the hearing aid itself
 - ✦ V5---: Dispensing fee
 - ✦ 92594/5: Electroacoustic analysis (if performed) with date service is performed
 - ✦ V5011: Fitting and orientation
 - ✦ V5020: Conformity evaluation (if you perform real-ear and/or functional gain testing)
 - ✦ V5264: Earmold (custom) or V5265 Dome (disposable earmold)
 - ✦ V5266: Batteries (per battery)
 - ✦ V5267: Accessories

29

Evaluation and Adjustment Period

- Bill 92592/3 or V5011 on the date of each follow-up visit (if billing third party payer).
- If private pay patient, you may opt to bill these visits on the date of the fitting.

30

Unbundling: End of Evaluation and Adjustment Period

- ✦ 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.

31

Unbundling: Exchange

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

32

Unbundling: 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).

33

Unbundling: Pay As You Go

- ♦ 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.

34

Unbundling: 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 and services for a given period of time.
- ✦ Base this on your “average” patient.

35

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.

36

Example of Bundled Price

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

37

Example of Unbundled Price

- | | |
|--|----------------------------------|
| ✦ V5261: The code for the hearing aid itself | ✦ \$66 (20 minutes) |
| ✦ \$2400 (single unit two aids) | ✦ V5266: Batteries (per battery) |
| ✦ V5160: Dispensing fee, binaural | ✦ \$1.50 x 8 |
| ✦ \$200 | ✦ V5264: Earmold (custom) |
| ✦ 92595: Electroacoustic analysis, binaural | ✦ \$40 x 2 |
| ✦ \$33 (10 minutes) | |
| ✦ V5011: Fitting and orientation | |
| ✦ \$200 (1 hour) | |
| ✦ V5020: Conformity evaluation | |

38

Example of Unbundled Price

- Assume example of \$200 per hour fee (breakeven plus profit)
- Hearing aid evaluation of \$200 and \$33 x 2 earmold impression paid on the date of that service
- Each \$100 hearing aid checks can be billed on the date of service (if insurance case) or at fitting (for private pay patient)

39

Unbundled Package

- \$266 paid on date of hearing aid evaluation
- \$2991 paid on date of fitting
- \$200 paid on each date of service for two, 30 minute follow-up visits within evaluation and adjustment period

Collected \$3457 by date of acceptance

40

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; \$862 rounded up) or \$1575 for two aids (six hearing aid checks, three re-programmings, six in-house repairs, and 150 batteries).

41

Price Comparison: Bundled versus Unbundled (Private Pay)

- ✦ Bundled = \$5100
- ✦ Unbundled
 - ✦ Pay as You Go = \$3457
 - ✦ With Service Package (binaural) = \$5032

42

Want to Dispense an Better Aid than a Retailer at a Better Cost?

- Patient pays \$1620 (\$810 each) at an online, health insurance backed retailer for a hearing aid with no tax, no service, no evaluation, no verification, 30 batteries, package of wax guards, no extra domes or earmolds, no follow-up, no loss and damage coverage, and no manufacturer warranty for repairs due to moisture or wax (one year otherwise).
- Unbundled: \$1657 total - \$857 in professional fees plus two hearing aids with a price of \$400 each, with no tax, no service, evaluation, verification, two follow-up appointments, custom earmolds, a three-year manufacturer warranty for any repair issue, loss and damage, and 8 batteries

43

How it Helps with An Insurance Case

- Bundled: You bill an insurance carrier for \$4000 for binaural, digital, behind the ear hearing aids using V5261. Insurance pays \$1800 (\$900 each). The patient cannot be balance billed. You have manage that aid for the same number of years as you would a private pay patient.
- Unbundled: \$2175 total – You bill an insurance carrier in an unbundled manner and receive \$1800 for the hearing aids, \$50 for the HAE, \$40 for the EMI, \$80 for the HAF, \$80 for the dispensing fee, \$25 for the EAA, \$60 for the REM, \$40 for the EM. This patient can pay as they go for service or purchase a service plan, just like their private pay counterparts.

Patient Buys Their Aids Elsewhere...

- WHO CARES?!!
 - They are still NOW your patient.
- Can charge them:
 - \$450 for electroacoustic analysis, fitting, programming, verification, and one follow-up appointment (no follow-up, no batteries, no accessories).
 - Sell them a service package.
 - Allow them to pay as they go for service.

45