Chargemaster Fact Sheet

What is it?

- The “chargemaster” is a list of charges (prices) for all services, tests, procedures, products, medications, and supplies provided by the facility (e.g., hospital, ambulatory surgical center). It is integral to a facility’s billing and contracting process.
- The chargemaster listed prices are a key reference for facilities when negotiating contracts and payment rates with private payers and to support the preparation of an itemized bill and claim form.

Why is it important to ensure the chargemaster is updated routinely with charges and codes?

- The chargemaster is the link between services provided and charges on the insurance claim form and the patient bill. It ensures that product costs that are “packaged” (not individually paid as a “line” item) are captured.
- It is common for payers to use payment methodologies that package individual procedures and services into a global payment. Those systems may include Medicaid Ambulatory Patient Groups (APGs), Medicare Ambulatory Payment Classifications (APCs), State Enhanced Ambulatory Patient Groups (EAPGs), and Diagnosis Related Groups (DRGs). Even though the payment may not specifically itemize the procedures or codes, the payment is derived by the individual charges for the services performed based on CPT, HCPCS, and Revenue codes. This ensures all costs are captured for billing, annual payment updates, and contracting.
- Without reporting codes and charges, claims data will not accurately reflect procedure costs to public and commercial health plans.
- Charges are typically finalized by the finance/materials management department with input from various departments.

How does it “work”?

- Services and products are listed by the relevant code sets (e.g., CPT outpatient procedure/service codes, HCPCS product codes, and inpatient ICD-10-PCS procedure codes). Facilities assign these codes to revenue codes that correspond to facility cost centers/departments.
- The chargemaster pricing data and corresponding codes align with the electronic medical record to create the payer claim for billing the patient episode of care. Line items on the chargemaster are selected by the provider and in turn coding and/or billing staff translate the information onto the claim form.

Who is responsible for the chargemaster?

- While roles and responsibilities vary between facilities, materials management (purchasing) and finance departments such as revenue integrity are typically responsible for chargemaster maintenance and establishing pricing.

Myth

If payment for a service is packaged, only the primary procedure should be reported.

Fact

- A packaged payment is all-inclusive of services and products used in a patient’s episode of care.
- Even if a service is not separately paid, it is “captured” in the global payment.
- Failure to fully code and represent charges on the claim will misrepresent the charges (e.g., costs) to the payer. This affects future payment rates/contracting.

Myth

Hospital charges may vary by health plan.

Fact

- Hospital charges are set based on the facility rate setting methodology.
- Hospitals do not have differing charges for different payers. What payers pay for services will differ based on the payer type, and for commercial health plans, based on the payer contract terms.