Prosthetic Xpert Consultation

Pricing Prosthetics for a Life Care Plan

Prosthetic Life Care Plan

The adage "it costs an arm and a leg" takes a very literal meaning when it comes to producing a life care plan for an individual that has undergone amputation of an arm or a leg.

For a Life Care Planner that is not experienced or familiar with prosthetic technology, researching and validating the fair market value of a prosthesis can be a confusing, frustrating and very often be an exceedingly time-consuming task. The most common approach used by most Life Care Planners is to utilize the pricing in the patient's current prosthetic records, or contact a local prosthetic provider and ask, "how much does this prosthesis cost?" Unfortunately, both these approaches, although seemingly logical, can unwittingly produce misleading and inaccurate answers.

The key to obtaining the current fair market value of a prosthesis is to gain an appreciation of how the value of a prosthetic device is determined and to also recognize that all prosthetic pricing starts with Medicare. With an understanding of the industry billing and pricing structure, it will empower the Life Care Planner to access the optimum resource and ask the right questions to secure accurate information to produce a life care plan for an individual in need of prosthetic care.

Medicare and L-Codes

The underlying influence that ultimately determines the price of a prosthesis is the industry standardization of the "L-Code" system[i]. Introduced in 1983, the Medicare and Medicaid Services Healthcare Common Procedure Coding System (HCPCS) is a method of identifying each piece, part and element of a prosthesis with a specific 4-digit L-Code. This system has since been adopted by all government and commercial payers and providers in the nation with each entity establishing a specific reimbursement for each L-Code.

In addition to allocating a specific L-Code to each prosthetic device and component, the Medicare system also allocates reimbursement for each L-Code. Although Medicare does not set pricing for non-Medicare patients, Medicare pricing does indirectly serve as the foundation for which all prosthetic pricing is ultimately based.

Another important point is that a typical prosthesis can be comprised of as little as one L-code up to as many as 10-20 L-codes depending upon the complexity of the prosthesis. Each part of the prosthesis will have a separate L-code to identify the specific component, feature and function, and in some instances, a single component may have a collection of codes to identify each feature and function that a component may provide.

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Pricing Profiles

Within the prosthetic industry there are 3 major pricing profiles or rates:

1. **Medicare:** The baseline for product pricing within the prosthetic industry has indirectly been established by the Medicare Reimbursement rate. Each L-Code has a reimbursement value which is published yearly with full public access at www.CMS.gov. Within the Medicare system, each L-Code can have up to twelve (12) different reimbursement levels depending upon the location the services are being provided with the lowest reimbursement level referred to as Medicare Floor, and the highest level is referred to as the Medicare Ceiling

   As one example, the 2019 Medicare reimbursement for the microprocessor L5973 foot has a floor to ceiling variance of $2,317.53 based solely upon where the patient receives the care:

Location	Medicare Reimbursement	L5973 Microprocessor Foot
New Jersey	$16,898.67	
Delaware	$16,999.17	
Maine	$17,035.47	
Alaska	$17,051.77	
Arizona	$17,069.18	
New Mexico	$17,206.77	
Florida	$17,208.35	
Iowa	$17,402.53	
Colorado	$17,540.94	
Minnesota	$17,563.51	
Virgin Islands	$18,634.42	
Puerto Rico	$19,216.19	

2. **Usual & Customary (U&C)**: Each prosthetic provider/company is owned and operated by either a private or public corporation. Within a free market economy, each provider/company establishes a price for each code which is commonly referred to as the "Usual and Customary" price. Antitrust regulations prevent companies from setting or fixing price levels as a group or industry, and thus, each prosthetic provider/company must establish line item pricing based upon personal preference, experience and competitive market conditions. The U&C Price range is most commonly between 20% to 30% above the Medicare pricing depending upon the specific geographical location and business circumstances.

3. **Commercial Contract Discounted Rate:** Within the prosthetic industry, it is customary for prosthetic providers to obtain in-network contracts with commercial insurance providers. In order to secure such contracts, the prosthetic provider/company will negotiate a contract rate, which is based upon a discount from the U&C Pricing. Typical discount rates can range from 10% up to 65% off the U&C., which in turn can make the discounted rates below the Medicare level of reimbursement.

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These three pricing profiles create a situation where an identical prosthesis can have a significant variance in pricing based upon the geographic location and insurance coverage for the patient. Below are 5 identical prosthesis for an individual with an amputation below the knee. The prostheses are fabricated with the same socket design, identical suspension, the exact same prosthetic foot. However, depending upon where the patient lives and what type of insurance coverage the patient has, the pricing of the exact style and model of prosthesis would vary over $8,200.

				
Private Insurance	Medicare Floor	Medicare Average	Medicare Ceiling	Usual & Customary
$15,354	$16,069	$18,747	$21,425	$23,621

Life Care Planning Dilemma

For a life care plan, utilizing the patient's current prosthetic provider and billing records as a resource to obtain pricing can, and often will create an inaccurate and misleading total related to life-time prosthetic costs. Although the prosthetic industry utilizes the term "Usual and Customary", in reality, the majority of patients have insurance coverage of some form. The insurance or contracted pricing on past invoices is typically discounted, therefore the invoice history is rarely the "usual" cost nor is it "customary".

In addition, when referring with the patient's current provider and utilizing current billing history, depending upon the geographic location, the pricing profile could be well below the national industry average. This could create a significant challenge if the patient were to move to later a different state where the pricing profiles are much higher.

Determining Present Fair Market Value

The patient's current prosthetic billing records contain the L-Codes which establish the style and type of prosthesis the patient is currently wearing. Thus, the billing records and list of L-Codes are a valuable key to create a Prosthetic Life Care Plan, however, the pricing contained in the patient's past and current records should not be relied upon to provide an accurate Life Care Plan.

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Determining the current Fair Market Value of a prosthesis is based upon national pricing and reimbursement profiles combined with detailed calculations and consideration related to discount contracting, Manufacture Suggested Retail Price (MSRP), Usual & Customary (U&C) price, regulatory standards of medical necessity, geographic considerations and L-Code application.

With a Life Care Plan for an individual that has undergone an amputation, the cost of prosthetic care will often be a significant, if not the costliest, portion of the plan. It is therefore imperative that the Life Care Planner validate the current Fair Market Value of each medically necessary L-Code to ensure accurate valuation of the client's prosthesis.

About the Author

Dale Berry, CP, FAAOP, LP is a licensed and certified prosthetist with over 40-years of clinical experience. Dale has authored 28 articles including peer reviewed studies, technical/clinical reviews and editorials and has been an invited guest lecturer at over 100 national and international scientific symposiums. Dale recently retired after 20-years as VP Clinical Operations for the largest provider of prosthesis in the USA and is now director of PXConsultation, a company dedicated to supporting and assisting Life Care Planners.

If you have questions about prosthetics, you can contact Dale directly at Dale.Berry@PXConsultation.com

References

[i] In 1983, Centers for Medicare and Medicaid Services adopted the Healthcare Common Procedure Coding System (HCPCS). At that time CMS mandated that CPT codes be used to report services for Part B of the Medicare Program and in 1986 required state Medicaid programs to also use the CPT codes. As part of the Health Insurance Portability and Accountability Act (HIPAA) of 1996, the Department of Health and Human Services designated CPT and HCPCS as the national standards for electronic transaction of healthcare information.

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