



## **Managed Care Contracting Strategies**

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## **Keys To Successfully Negotiating A Managed Care Contract**

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## **Foundation Points**

- What is the definition of a successful negotiation?
- There is no guarantee of success, no matter how big or small your medical practice is

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## Keys to Negotiation

- Analyze the contracts (Where are they?)
- Define your leverage
- Decide what you want to negotiate
- Remember that negotiation is a give and take situation
- Understand the meaning of “partnership” with the payer

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## Keys to Negotiation

- Try to find out what the payer is interested in
- Determine what services are important to you up front
- Make sure everyone is on the same page
- Remember that the payer is not your enemy

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## The Negotiation Process

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## Before Negotiating

- Prepare payer assessment worksheet (see example)
- Analyze reimbursement rates
  - Compare discounts to current practice fee schedule
  - Compare rates to Medicare rates (what % Medicare)
  - Compare rates to other payer rates
  - Perform a cost accounting analysis
- Review legal provisions

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## Starting the Process

- Identify your leverage
  - Point: If you cannot find leverage, go get it! Do not start a negotiation without it
- Decide on what to negotiate financially
- Identify non-financial issues to negotiate
- Contact the payer and begin the negotiation
  - Start with practice's payer rep first then move up the chain of command if you have to

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## Financial Negotiation

- Increase reimbursement over all CPT codes/
- Increase reimbursement for only targeted codes?
- Important: Prepare revenue impact worksheet

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## Non-Financial Negotiation

- Think of those non-financial “things” that would:
  - Make your practice life much easier
  - Protect your practice
  - Drive patients to your practice

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## Examples of Non-Financial Issues to Negotiate in to Your Contract

- Coding edit guidelines (CMS/CCI)
- Quick payment with interest or revert to billed charges.
- Auto - Timely filing of extension in the case they lose claim
- Auto credentialing when adding new doctor to practice
- Delegated credentialing/group contract
- Reduce referrals needed for everything (no re-auth)
- No paper attachment requirements
- Audit rights

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## Examples of Non-Financial Issues to Negotiate in to Your Contract

- Assignment of contract
- Print out of unpaid claims every 30 days
- No binding arbitration – If strong case, better in front of jury
- No silent PPO's (cannot sell your name)
- No hold harmless clause
- Favored nations – pay you the best rate they pay
- Appeals Process – detailed contract
- Clean claim definition
- Unbundling

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### Examples of Non-Financial Issues to Negotiate in to Your Contract

- Fee Schedule changes – Certified letter for switch
- Termination clause – usually 60 – 90 days
  - If you have leverage in area, you can go to 30 days
  - If they have leverage it should be longer – 91-180 days
  - Note: (Does your group have to vote to terminate a contract?)
- Closing panels (stop seeing patients by group, by product, by doctor)

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### Examples of Non-Financial Issues to Negotiate in to Your Contract

- No all products clause
- Overpayments time limit – check your state's laws
- Exclusions – service carve-outs
- Tie mandatory annual rate increase to medical CPI
- Provide marketing assistance

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**Tip: Leverage is the key to managed care negotiation success**

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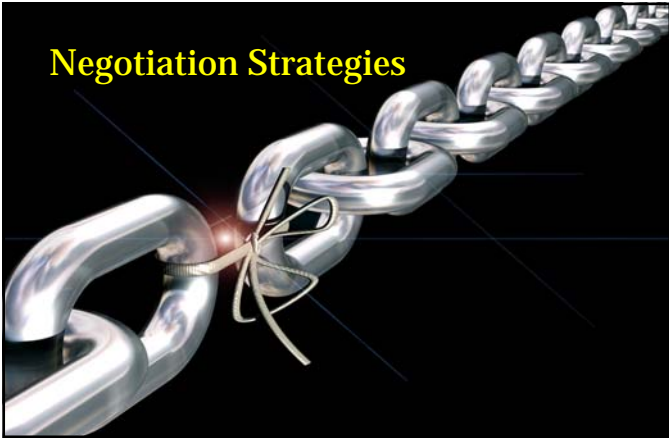
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## Negotiation Strategies

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### Strategies

- **Find Leverage in Numbers**
  - IPAs
  - Group practices
  - Integrated delivery systems
  - Antitrust considerations
- **Find Leverage in Geography**
  - Create a mapping of locations

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### Strategies

- Tip: Remember that each service area will be different geographically, which might dilute this leverage. If so, look for other leverage opportunities
- **Find Leverage in the Lack of Competition**
  - Tip: Never burn bridges with a payer just because your practice has no competition
- **Do You Bring Something “Special” to the Network?**
  - Trying to define “special”

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## Strategies

- **Find Leverage in Quality**
  - The RBRVS dilemma
  - Financial outcomes
  - Clinical outcomes
    - Tip: Find out what the payer wants and deliver it (i.e. what are the cost drivers for the practice's specialty)
    - Tip: Get a utilization report card from the payer if you can

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## Strategies

- **Find Leverage in Patient Volume**
  - Apply 20% rule
  - Count new patient visits
  - Use patient survey results
  - Use "beg and plead strategy"
  - Use cost accounting numbers in the negotiation
  - Provide Comparative Utilization Information

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## Strategies

- **They Continue to Talk to You as You Move up the Chain of Command**
  - Might this show that you have some leverage?
- **Find Leverage by Threatening Termination**
  - Don't go there unless you have to!
  - Consider antitrust implications
  - Don't burn bridges unless you have to!
    - If the contract is terminated, what is the likelihood the practice can ever get back into the network or health plan in the future?

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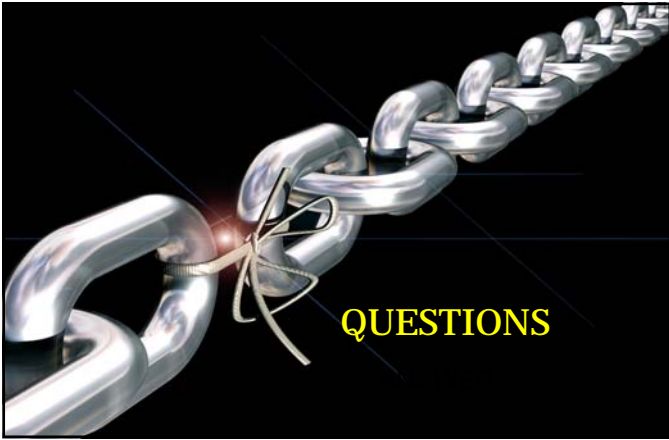
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**PAYER REIMBURSEMENT COMPARATIVE WORKSHEET**

CODE	DESCRIPTION	Medicare Allowable	Cigna Allowable	% Medicare	Blue Cross Allowable	% Medicare	Humana Allowable	% Medicare	United Allowable	% Medicare
11100	Biopsy, skin lesion	84.58	88.04	104.09%	92.87	109.80%	76.67	90.65%	80.5	95.18%
11101	Biopsy, skin add-on	28.24	30.12	106.66%	60.98	215.93%	27.98	99.08%	26.25	92.95%
11401	Exc tr-ext b9+marg 0.6-1 cm	117.08	0.00	0.00%	0	0.00%	0	0.00%	125.4	107.11%
11440	Exc face-mm b9+marg 0.5 < cm	104.85	0.00	0.00%	0	0.00%	0	0.00%	142.54	135.95%
11600	Exc tr-ext mlg+marg 0.5 < cm	146.11	0.00	0.00%	0	0.00%	0	0.00%	159.21	108.97%
11621	Exc h-f-nk-sp mlg+marg 0.6-1	182.44	0.00	0.00%	0	0.00%	0	0.00%	87.67	48.05%
11900	Injection into skin lesions	46.47	49.13	105.72%	49.13	105.72%	43.68	94.00%	47.88	103.03%
13132	Repair of wound or lesion	518.26	0.00	0.00%	0	0.00%	0	0.00%		0.00%
17000	Destruct premalg lesion	64.41	67.83	105.31%	71.56	111.10%	58.76	91.23%	67.26	104.42%
17003	Destruct premalg les, 2-14	6.40	1.48	23.13%	7.38	115.31%	25	390.63%	6.84	106.88%
99202	Office/outpatient visit, new	59.97	61.73	102.93%	66.82	111.42%	60.03	100.10%	57.05	95.13%
99203	Office/outpatient visit, new	87.29	91.62	104.96%	98.43	112.76%	89.5	102.53%	83.65	95.83%
99213	Office/outpatient visit, est	58.11	58.92	101.39%	90	154.88%	76.67	131.94%	54.95	94.56%
99214	Office/outpatient visit, est	87.68	0.00	0.00%	0	0.00%	0	0.00%	82.6	94.21%
99242	Office consultation	86.41	89.10	103.11%	95.62	110.66%	0	0.00%	82.6	95.59%
<b>REPLACE CODES ABOVE WITH YOUR TOP 20-25 BILLED CPT CODES</b>										
<b>REPLACE MANAGED CARE PAYERS ABOVE WITH YOUR TOP 5-8 MANAGED CARE PAYERS</b>										
<b>INSERT MEDICARE ALLOWABLE IN COLUMN D</b>										
<b>INSERT ALLOWABLES FOR EACH CPT FOR EACH RESPECTIVE PAYER</b>										
<b>COMPARE CURRENT REIMBURSEMENT TO MEDICARE RATES</b>										

**Exhibit 1  
Spreadsheet Sample  
Downtown Medical Group  
Health Plan Assessment**

<b>Health Plan</b>	<b>Gross Charges</b>	<b>Actual Payments</b>	<b>Collection Rate</b>	<b>Total A/R</b>	<b>Days in A/R</b>	<b>Eligibility info</b>	<b>Prior Authorizations</b>	<b>Referral Approval</b>	<b>Down Coding</b>	<b>Timely Payment</b>	<b>Hassle Scale</b>
<b>ACE</b>	\$236,18	\$115,728	49.00%	\$57,077	87	2.5	1.3	2.1	2.1	3.2	2.24
<b>PEAK</b>	\$148,96	\$75,970	51.00%	\$40,964	99	1.5	2.9	3	4	1.3	2.54
<b>FOGGY</b>	\$91,140	\$50,036	54.90%	\$29,621	117	4	4	3.2	4	2	3.44
<b>MUDDY</b>	\$57,820	\$30,818	53.30%	\$21,201	132	2	2.8	3	3	1	2.36
<b>ACUTE</b>	\$41,160	\$22,885	55.60%	\$9,913	87	4	2.3	2.1	3	4	3.08
<b>ROCKY</b>	\$32,340	\$15,297	47.30%	\$8,894	99	2	2.2	2	1	2.5	1.94

\*NOTE: Service issues are rated on a five point scale, with 5 being the best.

## **Steps for Managed Care Contract Negotiation/Renegotiation**

- Obtain copy of payor's existing contract.
- Obtain payor's existing reimbursement schedule for the related contract.
- Assess antitrust concerns; consult legal counsel if necessary.
- If reimbursement schedule is not based on RBRVS, then compare to current Medicare rates and determine percent of Medicare being reimbursed.
- Obtain CPT frequency report.
- Draft contracting questionnaire and submit to client for completion. (Purpose: Determine and assess practice leverage position with payor)
- Obtain contact information (phone number, physical address, email address) for the provider representative and the manager for the provider representative that handles contract issues for practice. Also, obtain same information for the executive director.
- Develop contracting strategy.
- Decide most favorable way to initially contact the payor. (i.e. letter, meeting, telephone, email)
- Contact payor and make contract proposal. Negotiate!
- Maintain strict follow-up schedule.
- Obtain payor's response to the proposal.
- Review and analyze payor's response and decide whether to accept or counterpropose.

### **Acceptance**

- If decision is made to accept, submit to physician for review and acceptance.
- If physician accepts, notify payor and document.
- Obtain written contract change and execute.
- Make sure future reimbursement agrees with new contracted rates.

## **Counterproposal**

- If decision is to counter-propose, adjust counterproposal appropriately (Counterproposal maybe our original proposal). Submit to payor.
- Maintain strict follow-up schedule.
- If necessary communicate with payor contact's superiors.
- Obtain payor's final response to counterproposal.
- Review and analyze payor's response and decide whether to accept or reject. Discuss proposal with physician.
- If physician accepts, notify payor and document.
- Obtain written contract change and execute.
- Make sure future reimbursement agrees with new contracted rates.
- If physician rejects, decide whether or not to terminate payor contract.
- Analyze potential financial impact as a result of termination.
- If physician decides not to terminate, negotiation ends.
- If physician decides to terminate, assess anti-trust issues. Confer with legal counsel if necessary.
- Have physician submit termination notice to payor.
- Re-contact payor and determine if they are willing to reconsider their position.
- Assist physician with patient notification.