ProsperBeYond

Top 10 Payer Negotiation and Contracting Tools: 2021 and Beyond

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Chief Executive Officer

PREPARE TO THRIVE

Learning Objectives

- Develop effective payer proposals
- Design an effective renegotiation strategy
- Construct a plan to position your practice for future payment models

Agenda

Main Title

- Top 10 Tools
- Payer Contracting Steps
  - Develop a value proposition
  - Complete market/payer assessment
  - Complete top code analysis and establish modeling mechanism
  - Engage in negotiation
  - Evaluate contract language
  - Monitor contract performance
- Value-Based Models
- Summary: Best Practices

Top 10 Tools

Payer Contracting Steps

Value-Based Models

Summary: Best Practices

Top 10 Tools

1. Negotiation Preparation Grid
2. Contract Catalogue Template
3. Transparency Grid
4. Hassle Factor Comparison Tool
5. Proposal Determination Matrix
6. Value Proposition Guide
7. Payer Relationship Checklist
8. Value-Based Model Evaluation Matrix
9. Proposal Evaluation Grid
10. Break Up Best Practices Tool

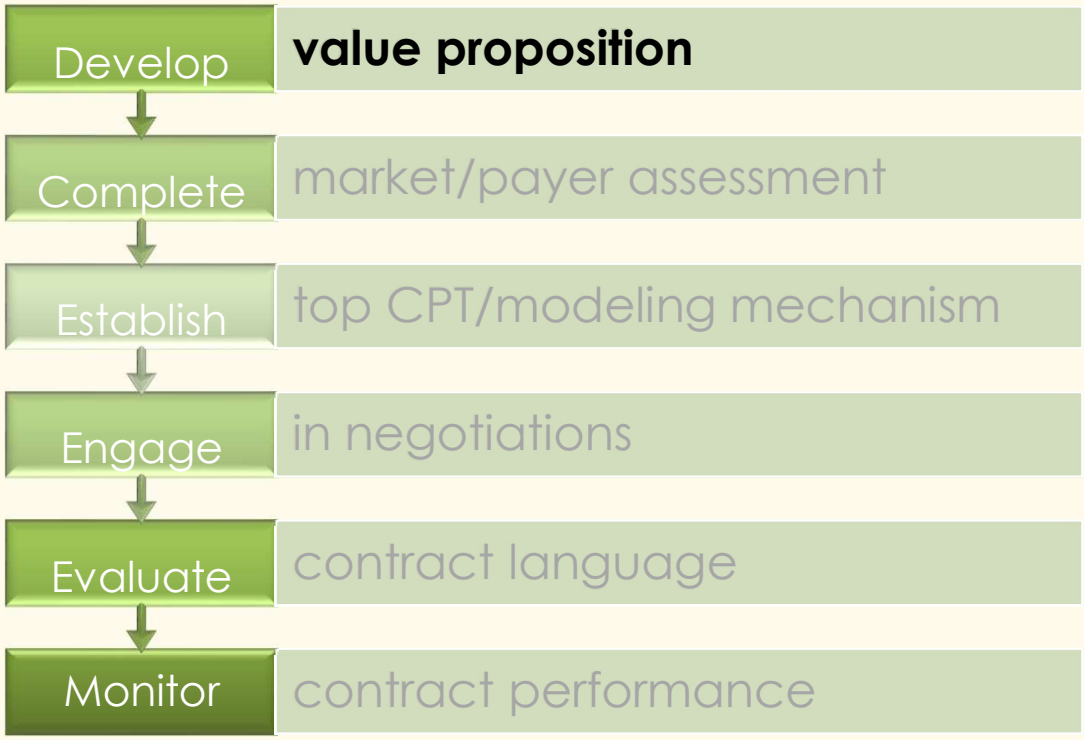
Setting Up to Succeed - Payer Contracting Preparation Grid

Practice:

Date:

Steps	Responsible Party(s)	Target Timeline	Comments
Develop a Value Proposition			
Complete Market/Payer Assessment			
Complete Top Code Analysis & Establish Modeling Mechanism			
Engage in Negotiation			
Evaluate Contract Language			
Monitor Contract Performance			
Value-Based Goals			

PAYER CONTRACTING STEPS



STEP 1: DEVELOP A VALUE PROPOSITION

- Articulate practice's "vital stats"
- Understand how your practice compares to the competition
- Research payer market position/goals
- Tell your story in written format—Make it appealing and simple

VALUE PROPOSITION: STEP 1

Steps

Articulate practice's "vital stats"
Understand how your practice compares to the competition
Research payer market position/goals
Tell your story in written format—Make it appealing and simple

Specifics

Practice's goals/purpose
Clinician information, services, locations
Technology, access affiliations
Alternative payment models
Patient population information (active patients, visits)
Goals for the next 1-2 years

Have stories ready to tell outside stakeholders about how your practice adds value to their network. Make sure it is memorable and easily repeatable!

VALUE PROPOSITION: STEP 2

Steps

- Articulate practice's "vital stats"
- **Understand how your practice compares to the competition**
- Research payer market position/goals
- Tell your story in written format—Make it appealing and simple

Specifics

- What does your practice do differently?
- How do you serve patients better, faster, more efficiently?
- Have you received quality designations from other payers
- Have you earned awards/designations from independent organizations?
- Do you have high social media rankings?
- Do you have low staff turnover?
- What does your practice do to reduce healthcare costs?

Think: Why are we valuable to a network? What do we do that keeps patients healthier and costs minimized?

VALUE PROPOSITION: STEP 3

Steps

- Articulate practice's "vital stats"
- Understand how your practice compares to the competition
- **Research payer market position/goals**
- Tell your story in written format—Make it appealing and simple

Specifics

- Define payer's position in the market
- Understand competitors' network participation
- Appreciate that payer's goals and focus are for the year
- Define products—Anything new?
- Alternative payment models?
- Get to know the people you are talking to—they are human too

"Thank you for being our champion in your internal discussions. What other information can I provide you?"

VALUE PROPOSITION: STEP 4

Steps

Articulate practice's "vital stats"
Understand how your practice compares to the competition
Research payer market position/goals
Tell your story in written format—Make it appealing and simple

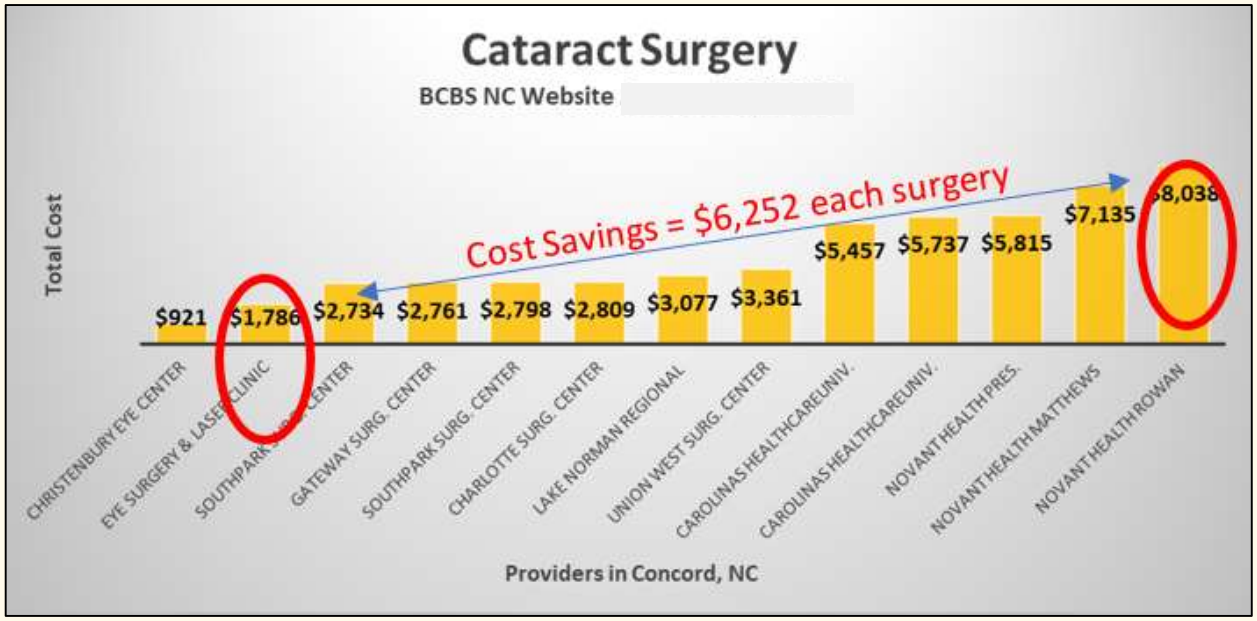
Specifics

Make it clear and easy to follow
Anticipate questions the payer may have about your value proposition
Provide facts, figures and data that demonstrate your value—quantify
Ensure it is visually interesting
Print and email format
Use it as a relationship-building tool

This should be a "sales" piece for your practice. Something you are proud to share.

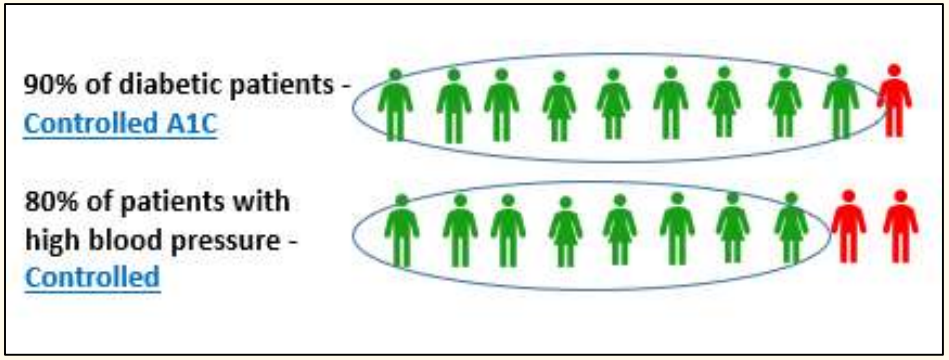
TELL YOUR STORY

Every time a member comes to our practice for cataract surgery, your customer(s) enjoy more than $6,000 in savings.

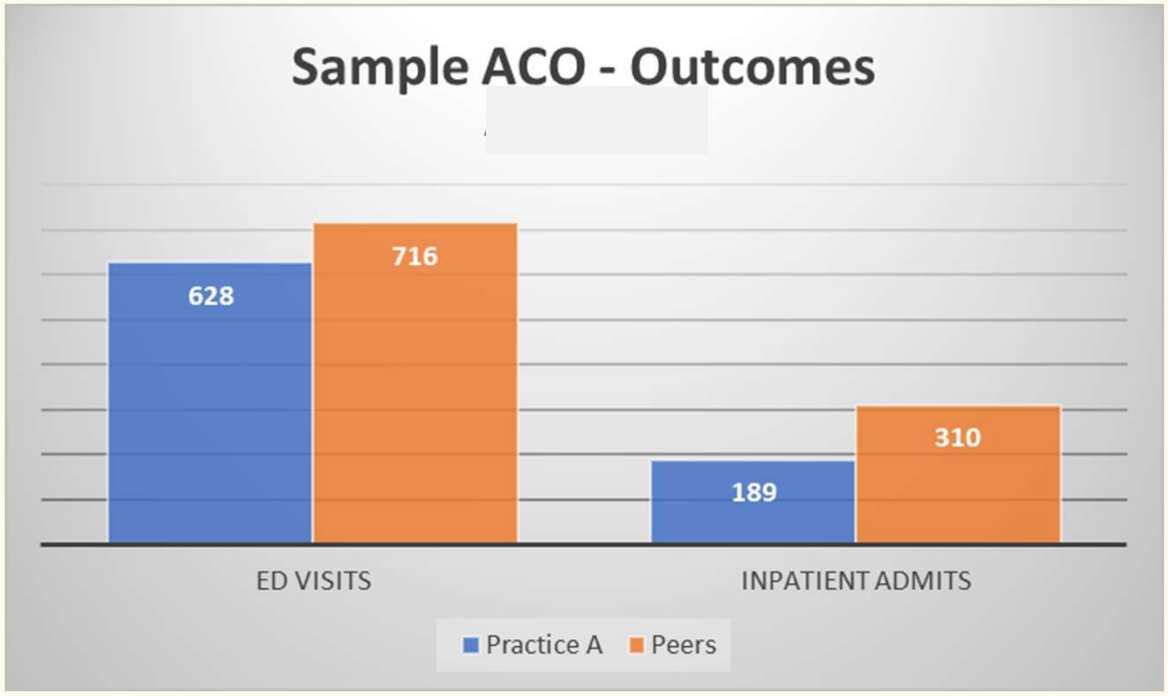


TELL YOUR STORY

We practice concierge-style medicine with excellent results. We really know our patients and can engage them in their care as demonstrated through our ability to manage chronic conditions depicted in this chart. We estimate that we are saving your organization an estimated $1.7 million annually.

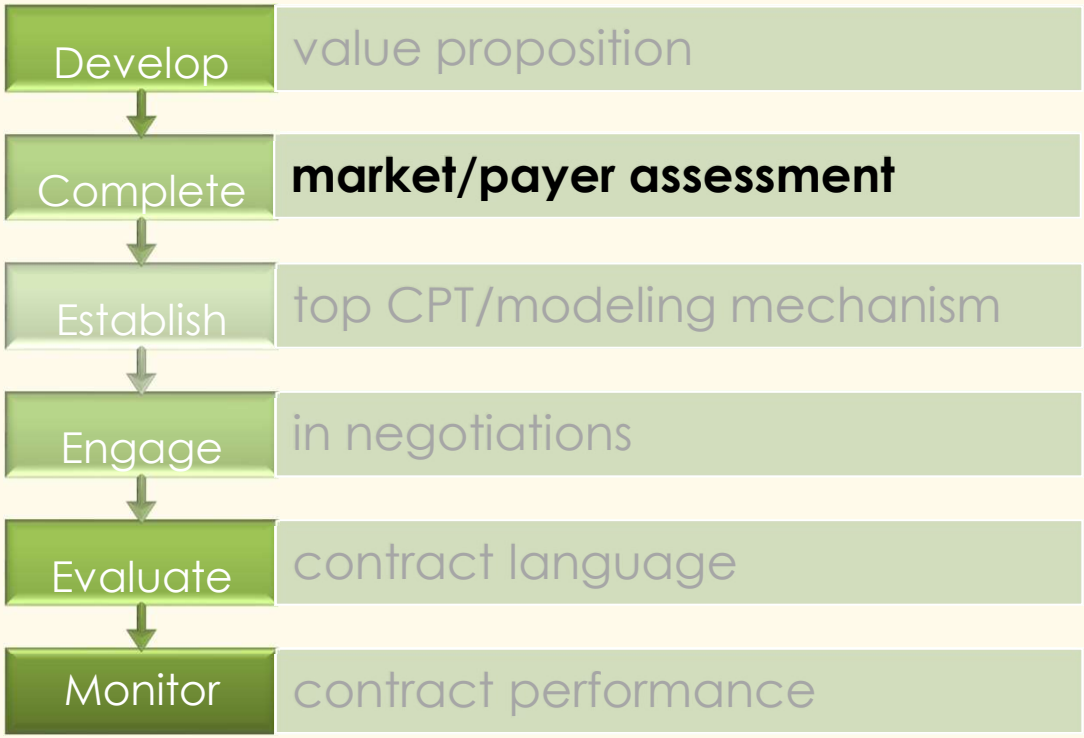


Tell Your Story



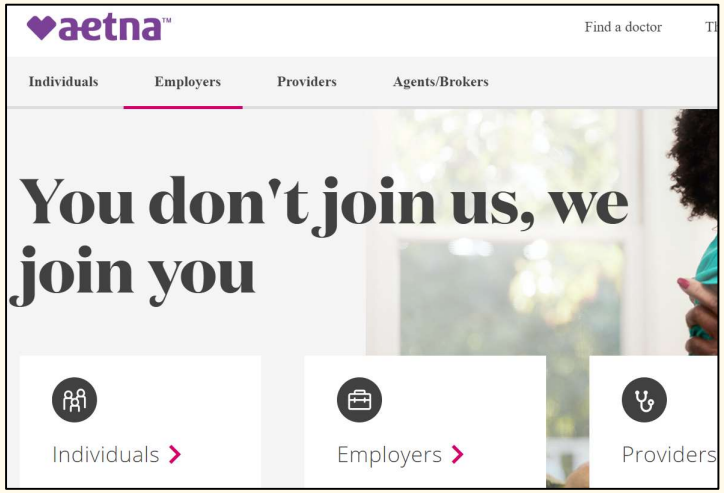
Excellent outcomes including decreasing emergency room use by 12% and inpatient admissions by 39% in 2018. We are a valuable partner.

PAYER CONTRACTING STEPS



STEP 2: COMPLETE MARKET/PAYER ASSESSMENT

- Key questions—payer
  - Any urgent matters in the market?
  - Competition considerations?
  - Payer product initiatives?
  - Alternative payment models?
  - Website review
  - Payer ratings—DOI rate filings
  - https://healthinsuranceratings.ncqa.org/2019/Default.aspx
  - https://interactives.commonwealthfund.org/2018/state-scorecard/



Source: https://www.aetna.com/

STEP 2: COMPLETE MARKET/PAYER ASSESSMENT

- Key questions—provider
  - How do you rate?
  - Competition considerations?
  - Growth strategies?
  - Alternative payment models?
  - Practice goals?
  - Total cost of care?

STEP 2: COMPLETE MARKET/PAYER ASSESSMENT

Transparency Grid

Practice:

Date:

Indicator	Payer 1	Payer 2	Payer 3	Payer 4	Payer 5
Provider 1					
Provider 2					
Provider 3					
Provider 4					
Provider 5					
Provider 6					
Provider 7					

Step 2: Complete Market/Payer Assessment

Key questions—practice

- % payer mix?
- Gross collections?
- Last negotiation?
- Hassle factor?
- APMs?

Payers	Total Charges	% Payer Mix	Total Revenue	Gross % Collections
Payer 1	$ 1,000,000	17%	$ 700,000	70%
Payer 2	$ 500,000	8%	$ 300,000	60%
Payer 3	$ 750,000	13%	$ 590,000	79%
Payer 4	$ 250,000	4%	$ 100,000	40%
Medicare	$ 1,500,000	25%	$ 1,000,000	67%
Medicaid	$ 500,000	8%	$ 300,000	60%
Commercial	$ 750,000	13%	$ 600,000	80%
Self Pay	$ 500,000	8%	$ 400,000	80%
Others	$ 250,000	4%	$ 200,000	80%
Total	$ 6,000,000	100%	$ 4,190,000	70%

Payers 1 and 3 have same base fee schedule, but gross collections tells us payer edits impact bottom line

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

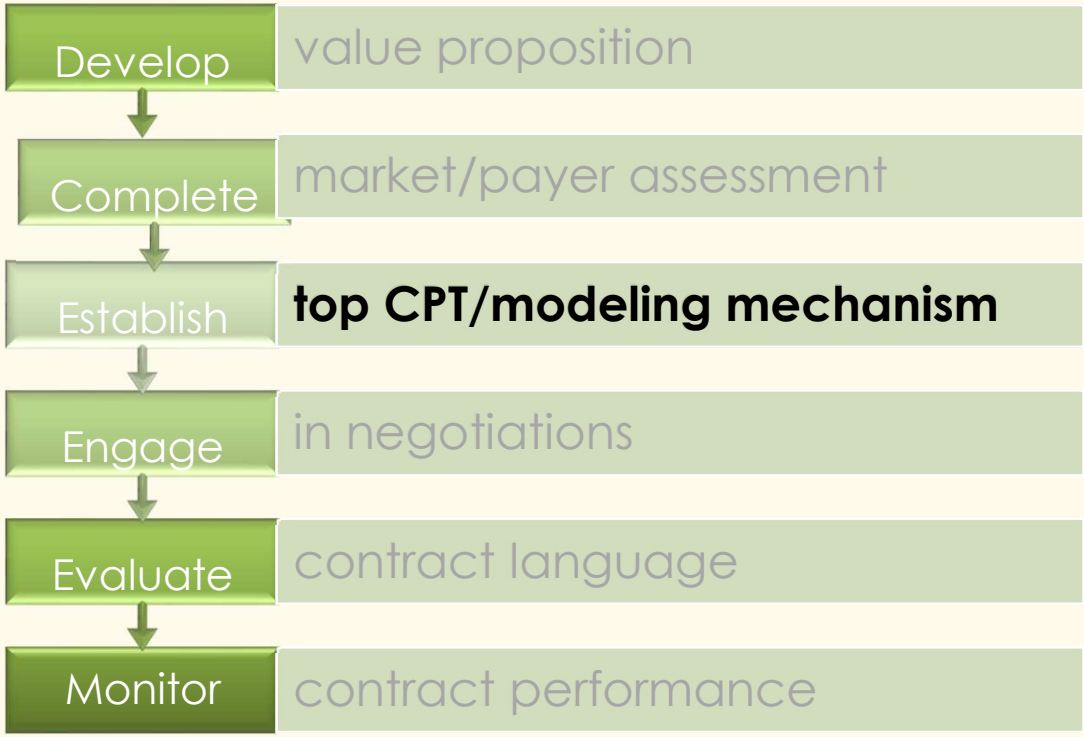
Step 2: Complete Market/Payer Assessment

Hassle Factor Grid

Payer	Gross Collections	Adjusted Collections	AR Days	AR 120+	% Payer Mix Prior Period	P4P Comments	Hassle Factor (A-F)
Payer 1	38%	115%	42	10%	17%	Reporting challenges	C
Payer 2	36%	69%	79	35%	1%	Communication issues	D
Payer 3	29%	97%	56	22%	2%	NA	D
Payer 4	51%	85%	51	18%	13%	No Issues	C
Payer 5	32%	84%	40	9%	3%	NA	C
Payer 6	18%	105%	63	8%	61%	NA	B

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

PAYER CONTRACTING STEPS



STEP 3: PREWORK—COMPLETE A CONTRACT INVENTORY

Contract Catalogue

Practice:

Date:

Payer	Executed Contract Location	Products Covered	Network
Payer 1			
Payer 2			
Payer 3			
Payer 4			
Payer 5			

STEP 3: COMPLETE TOP CODE ANALYSIS AND ESTABLISH MODELING MECHANISM

Top CPT codes:

- What drives at least 80% of your practice revenue?
- New services?
- New CPT code changes to consider?
- Specialty mix?
- Billing issues?
- Modifiers?

CPT	Description	Total Volume	Est Total Payment = Rate*Vol	% of Total Revenue	Top Codes
99213	Office Visit	5,000	$ 375,000	76%	85%
69210	Ear Wax Removal	500	$ 32,500	7%	
90471	Immunization admin.	500	$ 10,000	2%	
83036	Glycosylated hemoglobin test	500	$ 4,000	1%	
Other codes			$ 75,000	15%	
Totals			**$ 496,500**		

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

STEP 4: TOP CODE ANALYSIS AND VOLUME PER PAYER

CPT	Description	Contracted Rate Payer A	Medicare	%Mcare	Total Volume	Est Total Payment = Rate*Vol	Est Total Medicare Payment = Mcare * Vol
99213	Office Visit	$75	$70	107%	5,000	$375,000	$350,000
69210	Ear Wax Removal	$65	$50	130%	500	$32,500	$25,000
90471	Immunization admin	$20	$25	80%	500	$10,000	$12,500
83036	Glycosylated hemoglobin test	$8	$15	53%	500	$4,000	$7,500
Totals						**$421,500**	**$395,000**
Fee for Service Aggregate Equivalency						**107%**	
	Current	**Target**	**Actual**	**% Increase**	**Up**	**Actual**	
Generic Rx	**50%**	**55%**	**55%**	**2%**	$8,430	$8,430	
Lab	**10%**	**7%**	**8%**	**2%**	$-	$-	
Auto Inflator	***1%***					***$4,215***	
Totals						***$434,145***	
Fee for Service Aggregate Equivalency with PB						**110%**	

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

PAYER CONTRACTING STEPS

Develop	value proposition
Complete	market/payer assessment
Establish	top CPT/modeling mechanism
Engage	**in negotiations**
Evaluate	contract language
Monitor	contract performance

STEP 4: ENGAGE IN NEGOTIATIONS

Proposal Determination Matrix

Sample	Payer 1	Payer 2	Payer 3	Payer 4
% Payer Mix	17%	8%	13%	4%
Gross Collection Rate	70%	60%	79%	40%
Avg. Reimb/Visit	$58	$55	$62	$31
% Medicare	115%	105%	130%	91%
Hassle Factor	D	D	C	B
# Yrs Since Last Negotiations	4	8	8	Never
Contract Term	2 Yrs.	3 Yrs.	Evergreen	Evergreen
Last Neg. Increase	2.5%	5%	15%	N/A
Medical CPI	3.2	3.2	3.2	3.2

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

STEP 4: ENGAGE IN NEGOTIATIONS

- Follow your established strategy (priorities)
- Determine when your "negotiation window" occurs
- What should your reimbursement target be?

Proposal Development—Start Here

- Start by raising the bar to your best contract and add a buffer
- Use medical CPI @ 3%
- Consider contract relevance
- Think through long-term goals
- Determine your practice-specific annual expense experience
- Consider hassle factor

Step 4: Engage in Negotiations

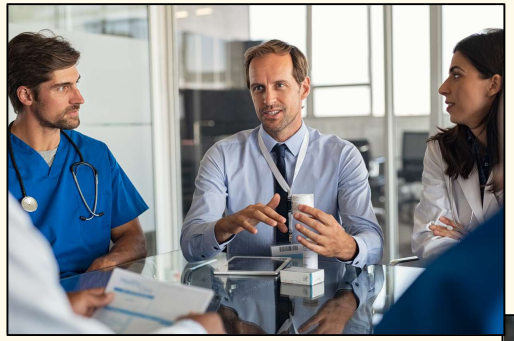
COMMUNICATION

1) Email
2) Phone
3) Face to Face

Step 4: Engage in Negotiations

COMMUNICATION—FACE TO FACE/VIRTUAL

- **The *best* option is always in person**
- Provider role
- Practice
- Location
- Tour
- Roll out the red carpet
- Understand that they need you…
- It's all about building relationships



Step 4: Engage in Negotiations

Proposal Evaluation Grid

Practice:

Date:

Average % Medicare Commercial:

Cost / Visit:

Scale
1 - No
2 - Somewhat
3 - Yes

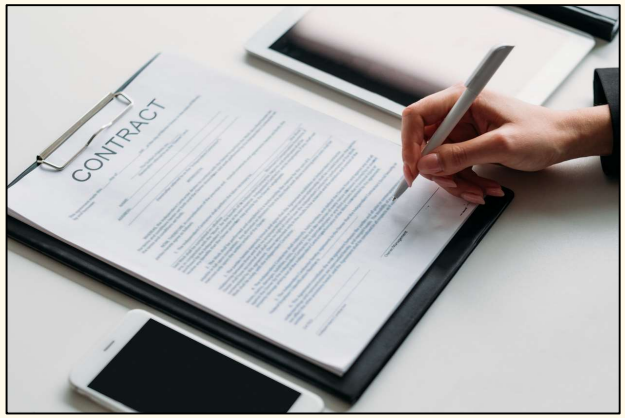
Indicator	Aggregate % Medicare - Pre Negotiation	Aggregate % Medicare - Last Proposal	Reim / Visit	% of Cost	Estimated Annual Impact	Term of Agreement Acceptable?	Termination Possible?	Language Deal Breakers?	Decision?
Payer 1				#VALUE!					
Payer 2				#VALUE!					
Payer 3				#VALUE!					
Payer 4				#VALUE!					
Payer 5				#VALUE!					

Source: Transitioning to Alternative Payment Models: A Next Generation Guide to Managed Care Contracting MGMA 2016

Step 4: Engage in Negotiations

DECISION

- Possible scenarios
  - Proposal response less than request
  - Proposed reimbursement worse than current reimbursement
  - Counter proposal denied
  - Unable to obtain reimbursements in writing
  - Code-by-code proposals
  - If at first, you don't succeed…



Key Questions / Considerations Payer Contracting Termination

	Survey Questions	Scoring Options	Your Score
1	How does aggregate reimbursement compare to other payers?	1 2 3 4 5 POOR — EXCELLENT	
2	When was the last increase?	1 2 3 4 5 OVER 5 YRS — W/IN LAST 2 YRS	
3	What's the percentage of the payer mix?	1 2 3 4 5 NOT SIGNIFICANT — CRITICAL PAYER	
4	If possible, calculate the estimated cost to manage the contract (administrative burden) on an annual basis. How does this compare to other contracts?	1 2 3 4 5 VERY COSTLY — NOT COSTLY	
5	What is the projected financial impact to the practice (potential revenue loss annual basis) if the contract is terminated?	1 2 3 4 5 MINIMAL — SUBSTANTIAL	
6	How will this business be replaced (estimate) if the contract is terminated?	1 2 3 4 5 REVENUE INCREASE — REVENUE DECREASE	
7	Are terms in the contract acceptable?	1 2 3 4 5 VERY UNFAVORABLE — NO HUGE ISSUES	
8	How would termination impact the practice's payer contracting long term strategy?	1 2 3 4 5 POSITIVE IMPACT — NEGATIVE IMPACT	
9	How difficult would it be to terminate the agreement (overall impact)?	1 2 3 4 5 RELATIVELY PAINLESS — SUPER DIFFICULT	
10	What is the impact to the practice's competitive position in the market?	1 2 3 4 5 NEGLIGIBLE — VERY IMPACTFUL	

PAYER CONTRACTING STEPS

Develop	value proposition
Complete	market/payer assessment
Establish	top CPT/modeling mechanism
Engage	in negotiations
Evaluate	**contract language**
Monitor	contract performance

Step 5: Contract Language

APPROACH

- Big rocks: Focus here
- Always hidden “gotchas”
- Outside assistance
  - Consultants
  - Attorneys
- Leverage
- Deal breakers

Step 5: Contract Language

LANGUAGE EVALUATION—HIGH NOTES

- Term and termination
  - Defines the length of the contract and when it may be terminated
  - Is this in your contract?
- Areas to examine
  - What is the length of the contract? When and how does it renew?
  - What are the conditions in which you may terminate the contract? With cause? Without cause?
  - **Without cause: 90 days-out at any time is optimum**

Step 5: Contract Language

LANGUAGE EVALUATION—HIGH NOTES

- Fee schedule language
    - Defines how you are reimbursed
- Areas to examine
    - What is it based on?
    - Lesser-than language?
    - Carve outs? Case rates?
    - How are new codes or unspecified codes reimbursed?
    - Exclusions?
    - Withholds?
    - Maximums?

PAYER CONTRACTING STEPS

Develop	value proposition
Complete	market/payer assessment
Establish	top CPT/modeling mechanism
Engage	in negotiations
Evaluate	contract language
Monitor	**contract performance**

Step 6: Monitor Contract Performance

GO-FORWARD STRATEGY

- Review your experience on an annual basis
- Keep executed agreements
- Compare performance to other payers
- Review fee schedules annually
- Trend your payer mix and collection %s at least annually
- Constantly renegotiate agreements

Step 6: Monitor Contract Performance

GO-FORWARD STRATEGY

- Load allowables
- Monitor payer websites
- Meet your partner
- Share successes
- Constantly renegotiate agreements (worth saying twice!)

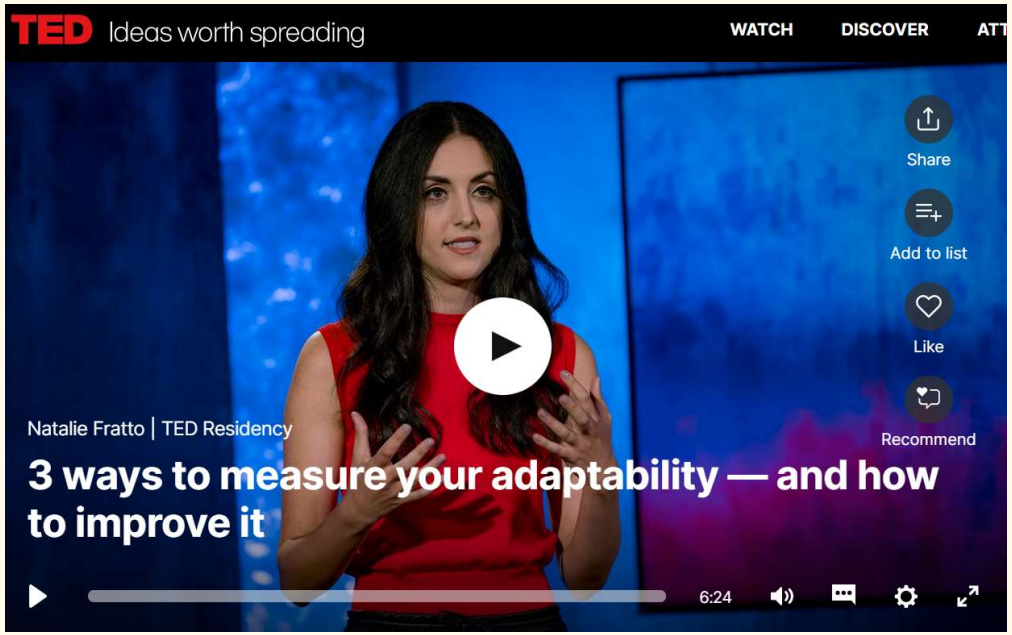
Top 10 Tools

Payer Contracting Steps

Value-Based Models

Summary: Best Practices

Measure Adaptability

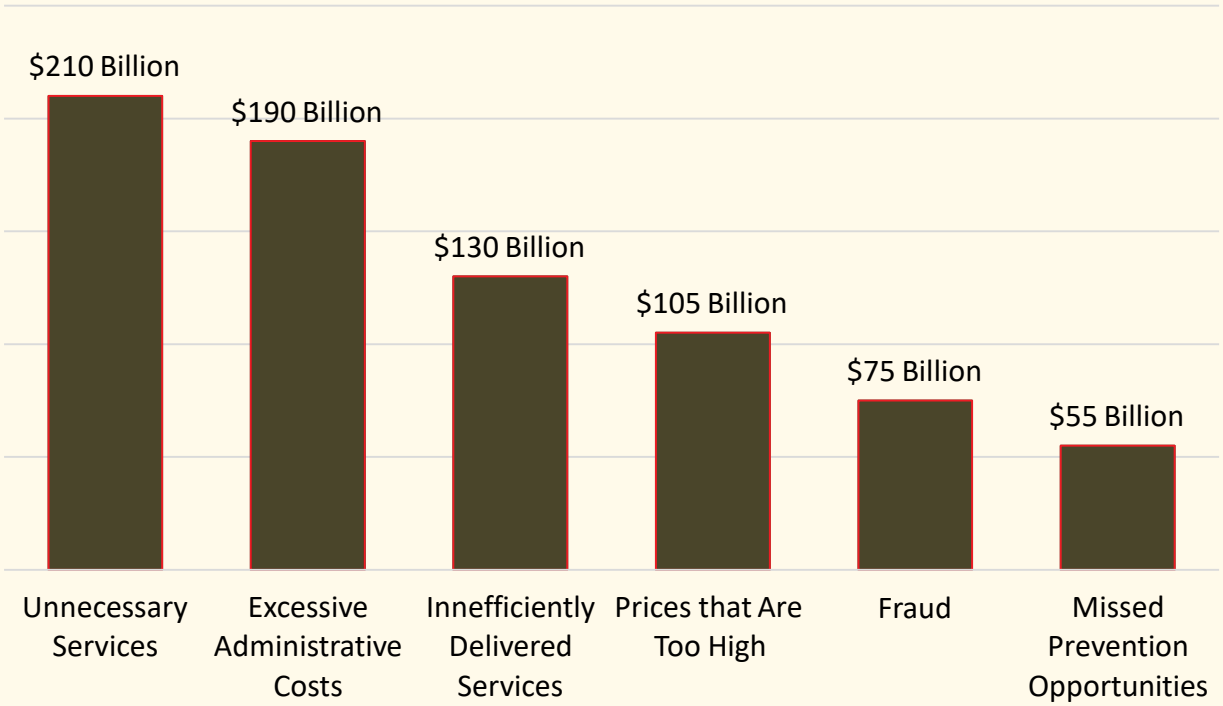


https://www.ted.com/talks/natalie_fratto_3_ways_to_measure_your_adaptability_and_how_to_improve_it?language=en

SOURCES OF WASTE IN AMERICAN HEALTHCARE

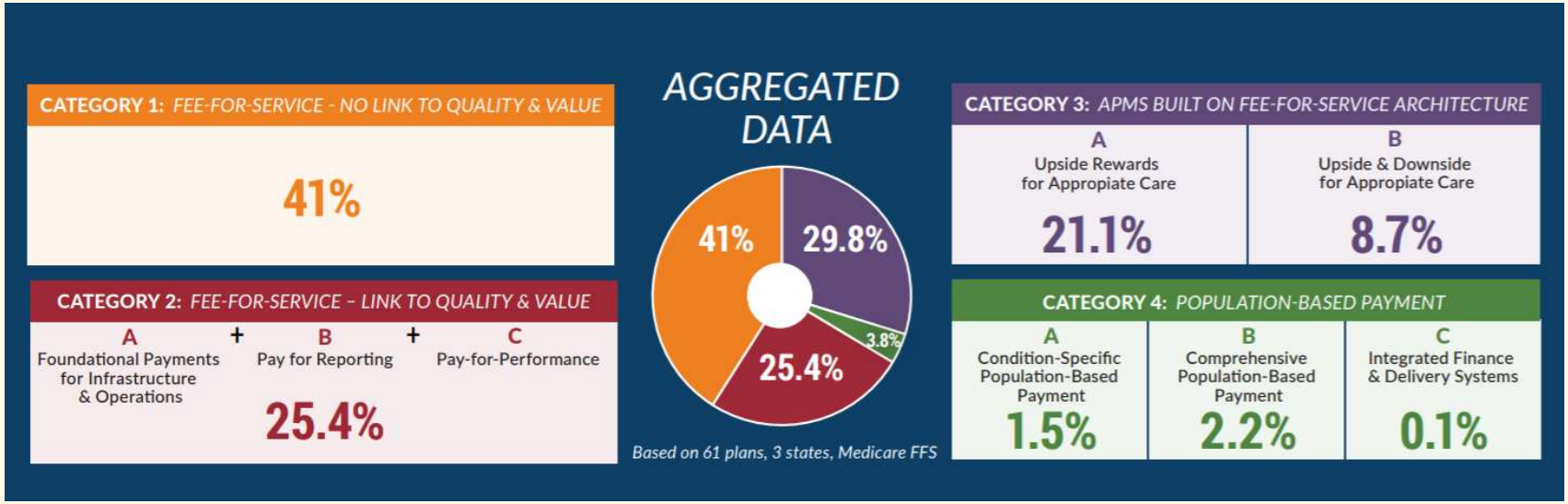
"Millions of people are receiving drugs that aren't helping them, operations that aren't going to make them better, and scans and tests that do nothing beneficial for them, and often cause harm."

Dr. Atul Gawande, professor, Department of Health Policy and Management at the Harvard School of Public Health and the Department of Surgery at Harvard Medical School.



Source: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3999538/

HCPLAN—ALTERNATIVE PAYMENT MODEL FRAMEWORK



Source: http://hcp-lan.org/workproducts/apm-infographic-2018.pdf

VALUE-BASED MODEL ALIGNMENT

VALUE-BASED MODEL EVALUATION MATRIX — IDEAL

PAYMENT MODELS	CAPABILITY				
	Provider Integration Necessary	Technology / Analytics Capabilities	Administrative Complexity	Care Management Capabilities	Provider Engagement Level
Pay for Performance	1	2	2	2	2
Bundle Payments	2	3	3	2	2
Shared Savings	2	2	2	3	3
Shared Risk	3	3	3	3	3
Global Payments	3	3	3	3	3

Scale

1 Not necessary

2 Somewhat necessary

3 Absolutely necessary

Top 10 Tools

Payer Contracting Steps

Value-Based Models

Summary: Best Practices

KEYS TO SUCCESS

- Develop your personal sales pitch—**value proposition**
- Understand that they need you…
- Ask to meet and roll out the red carpet
- Involve the team
- It's all about building relationships
- Draft your communication and include reimbursement goal
- Do it all in writing
- Keep at it
- Quantify success
- You're not ever really done: Conclude by planning next start date

RESOURCES

- Professional associations
- Local medical societies
- American Medical Association
- MGMA resources – books, conferences, articles
- Listservs
- Periodicals
- Contracting group discussions
- Practice peers
- Department of Insurance

“You Don't Get What You Deserve. You Get What You Negotiate.”

Dr Chester Karrass

ProsperBeyond

Thank you.

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