Are you Maximizing the Value of your Managed Care Contracts?
Goals for today’s discussion

- Explore ways you might:
  - Improve efficiency of revenue collection from payers
  - Reduce Administrative Friction (and frustration)
  - Increase patient satisfaction
  - Improve competitive position in market
1. Understand the Payers (a little bit)
2. Understand your Strategies to compete in your Market
3. Understand (some of) the Challenges in Payer Contracts
4. Develop Solutions: Discuss Proactive Strategies
Understanding your payers

Preparation is the Key to Success

“To defeat your enemy - you must know him”

Sun Tsu, The Art of War

Understanding a little bit about the payers can be an advantage for you
Understanding your payers

- **Payer Vulnerabilities**

- **Many of the larger national payer are locked in FFS Mentality**
  - Existing subscriber contracts (Benefit Plan) Payer & your Patient
  - Existing Staff
  - Current Sales Channels/Relationships – Brokers, etc.

- **FFS adjudication systems**
  - To change from FFS to VBP = change staff training ($/unit > total cost)
  - Need new systems & tools
  - Have to change contracts w Subscribers (Currently sell discounts)
Understanding your payers

- Realize that government program plans are NOT the government agencies they have contracted with (though some may tell you that)
  - Gov’t k’s do put government obligations on the payer
  - Doesn’t mean they can pass them on (w/o a price)
  - Do you measure the cost of the contract to you? FTE’s, admin, research

- MCA’s are NOT CMS (& MA plans don’t pay what CMS does)

- Medicaid payers are NOT the state!
Understanding your payers

- Realize these contracts are built by payers to:
  - decrease their risk by moving it to you and
  - to work best in their system

- Also realize that Payers need you to deliver the Patient Care they have contracted with subscribers for

- So if approached in a professional business manner they WILL negotiate
Understanding your payers

- Government program Payers are capitated by CMS or states
  - They have to make money by retaining part of the PMPM
  - Have limits on what they can charge patients (subscribers)

- Commercial Payers
  - They adjust premiums and benefit designs to compete in the market
    - The market they are competing in sets the limits.
  - What will your “market” buy?
    - PPO, HMO, POS, NN, Xchg
KNOW YOUR MARKET(S)

KNOW YOUR HOSPITAL / HEALTH SYSTEM
Strategic Perspectives

- Do you understand your Health Systems goals?
- What are your System’s respective advantages and limitations in the market?
- Do you include the operational, clinical, & financial departments in your negotiations to leverage their expertise across the contract requirements?
- Might learn that some of your team members know things that you weren’t aware of
- and you will produce a better contract proposal
Strategic Perspectives

- Do you include all system assets?
  - (Hospital, Physicians, Ancillary)
  - Creates a “system view” of the payer relationship revenues
  - Gives you more options to consider
  - Decreases the payers ability to pit one asset against another
    - Payer’s internal structure may work against them

- Do you incorporate your system’s strategic goals when developing your proposal?
  
  Your Competitive Advantage

  Result: you will produce a better contract proposal that you can negotiate to produce revenues aligned with your targets more efficiently
Contract Challenges

• Do you understand the essential elements of each payer’s contract? If you don’t - how can you win?
  - Standard clause issues v Payer specific requirements
  - Payers may change some of their specific clauses based on market experience and your market position

- What does your **Current** Contract cover?
  - Products (PPO, HMO, MCA, HIX)
  - Language Issues
  - Rate Structures / Conflicting mechanics
  - Revenue yield

- What does their new **Proposed** Contract cover?
  - Products (PPO, HMO, MCA, HIX, NN, Medicaid)
  - Language changes
  - Rate Structure changes; new fee schedules
  - Revenue yield
Contract Challenges

Payer’s use Definitions as Tools

- Used as **levers** throughout the contract

- Take time to understand how each payer uses them

- Understand how they impact you and add
  - clinical,
  - operational and
  - financial requirements that impact the contract yield$
Contract Challenges

- Let’s review some *sample* Problem Areas
  * (not an exhaustive list)

- Payer Contracts frequently have unilateral conditions
  - Timely filing
  - Time to audit
  - Assignment

- We work to balance those throughout the contract
Contract Challenges

Problem Areas

• General
  - Administrative Guidelines; notice required for changes
  - Policy and Procedure Manual;
    - What notice required for changes? Routine v Material
    - How is materiality measured?
  - Utilization Management – Guidelines, follow CMS?
Problem Areas

- Payer(s) responsibility for payment
  - Definition of who is the “payer” (fully insured vs ASO)
  - Benefit Plan Design
    - how do you know at the time the patient needs care?
    - HDHP = patient responsibility?
  - Coverage Exclusions; usually sole discretion of payer/plan;
    - Patients often don’t know – until you tell them.
  - Benefit Limitations; benefits exhausted, loss of eligibility (retro)
Contract Challenges

Problem Areas

- Benefit Design
  - Typically - you have no idea what the agreement between the payer and your patient looks like
  - Payers Limitation of Responsibility for Payment
  - Coverage Exclusions by product
  - PPO v HMO or narrow network services; redirection
  - Continuation of Coverage Responsibilities post Contract Termination
Contract Challenges

Problem Areas

- Policy and Procedures & Changes
  - Admission criteria / NMN, IP only
  - Non Covered Services
  - Do services require **authorization** or **notice** (know the difference!)
  - Carved out – redirected services
    - (esp for commoditized procedures, imaging, lab, scopes)
    - **SmartShopper is a GAME CHANGER.** (LA payer site)
      - When your doctor recommends a procedure or test, go online or call to quickly and easily shop inpatient and outpatient healthcare services in your area.
Problem Areas

- Operational deadlines; are they balanced?
  - Timely Filing deadlines (60-90 days) v Payer right to Audit (unlimited)
  - Under/over payment responsibilities
  - Recoupment – any time limitations, any notice required?
Problem Areas

- Payer changes to P&Ps
  - benefit plans, medical coverage policies, fee schedules:
    - Notice Requirements for **Material** contract changes
    - What are Hospitals rights with respect to these changes? What did you negotiate?
    - Dispute Resolution Process -> Binding Arbitration;
      - are you willing to give up your rights?
    - Appeal Process; results v time spent?
We have discussed the challenges

Now what do we do about it?

How do we improve the relationship so it works better for us?
1. Identify and Organize Issues

2. Measure Magnitude & Velocity
   1. Measure Materiality
   2. Prioritize

3. Gather right Resources to address
   1. (Clinical, Financial, Operational) so you develop a comprehensive solution

4. Plan Measured Response that Achieves your Goals
• Identify and Organize Issues
  ○ Involve Ops, Clinical, and Financial in team approach

  ○ Investigate to determine that you have identified the real cause(s)

  ○ Document evidence; fact v emotion

  ○ Validate from several sources
    ▪ Ask the payer for their data
    ▪ Compare reports
• **Measure Magnitude & Velocity**
  ○ Volume of claims affected & dollar amount impacted?

• **Prioritize**
  ○ Targeted area(s) that will give you the greatest ROI?

• **Materialize**
  ○ What will have the biggest impact on revenue, workflow?
Proactive Solutions

- Develop a Measured Response
  - Quantify the negative impact with fact based data and share that with the payer
  - Develop proposals for a measurable solutions that resolves the problem(s)
    - Deal breakers v Like to have v Nice to have – you wont get all, but you must get some
  - Create a comprehensive, prioritized proposal that if accepted will achieve the systems goals
1. If you have accurately identified the problem(s)
2. Researched it with the right departmental leaders
3. Measured the system wide impact
4. Calculated the benefits of a comprehensive solution

➢ You should have the basis for a rational, fact-based business conversation with the payer.

➢ This will ensure the solution that is developed solves (most of) the issues
Remember your Objective

• GOAL = get paid correctly the first time every time according to the agreement your hospital signed.

• Not to wipe them off the face of the earth!
Proactive Solutions

Questions?

Discussion?

Feedback?

Was this helpful?
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