



Payer Contracting — Get it Right Through a Team Approach

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Objectives

- Learn how to team up the clinical and finance team to negotiate and manage contracts.
- Understand the power of monitoring and reporting contract activity and compliance to appropriate committees.

Hospital Contracting is Vast

- Government Payers
- Commercial Payers
- Managed Medicare
- Risk Arrangements
- Many Variations

Contracting Department

- Most hospitals have staff dedicated to payer contracting
- Larger hospitals typically have contracting departments
- Smaller hospitals may have contracting staff that have other duties
- Large systems may contract from corporate office team

Contracting Department

- Once a contract is signed the contracting team has limited contact with the payer
- Hospital staff is typically the point of communication on the front end and in appeals
- Finance is point of communication for the middle job of billing

Staff Implementation

- From a staff and provider point of view contracting is a black box
- Many hospitals do not provide terms to the key stakeholders responsible for utilization
- Without contract information revenue cycle and utilization management is just guessing
- Once a payer contract is in effect, there is very little recourse
- Disputes are lost before they begin based on contract language

**SO, HOW DO YOU MANAGE
CONTRACTING AND PAYERS?**

Manage the Process

- Contract department must spend time:
 - Getting input from stakeholders
 - Studying the payer
 - Clarifying and negotiating contract terms prior to signing
- Develop a glossary of terms for accountability
 - Define device
 - Define inpatient stay
 - Included/Excluded
- Pay off is big on the back-end with fewer denials, clean claims and improved margins

Manage the Process

- Effective hospitals tackle these real problems with a systems approach
- Develop a permanent multi-disciplinary team for ongoing contract review and input
- Include members of revenue cycle and not just finance and contracting, but CM, the physician advisor and clinical staff

Know the Stats on Payers

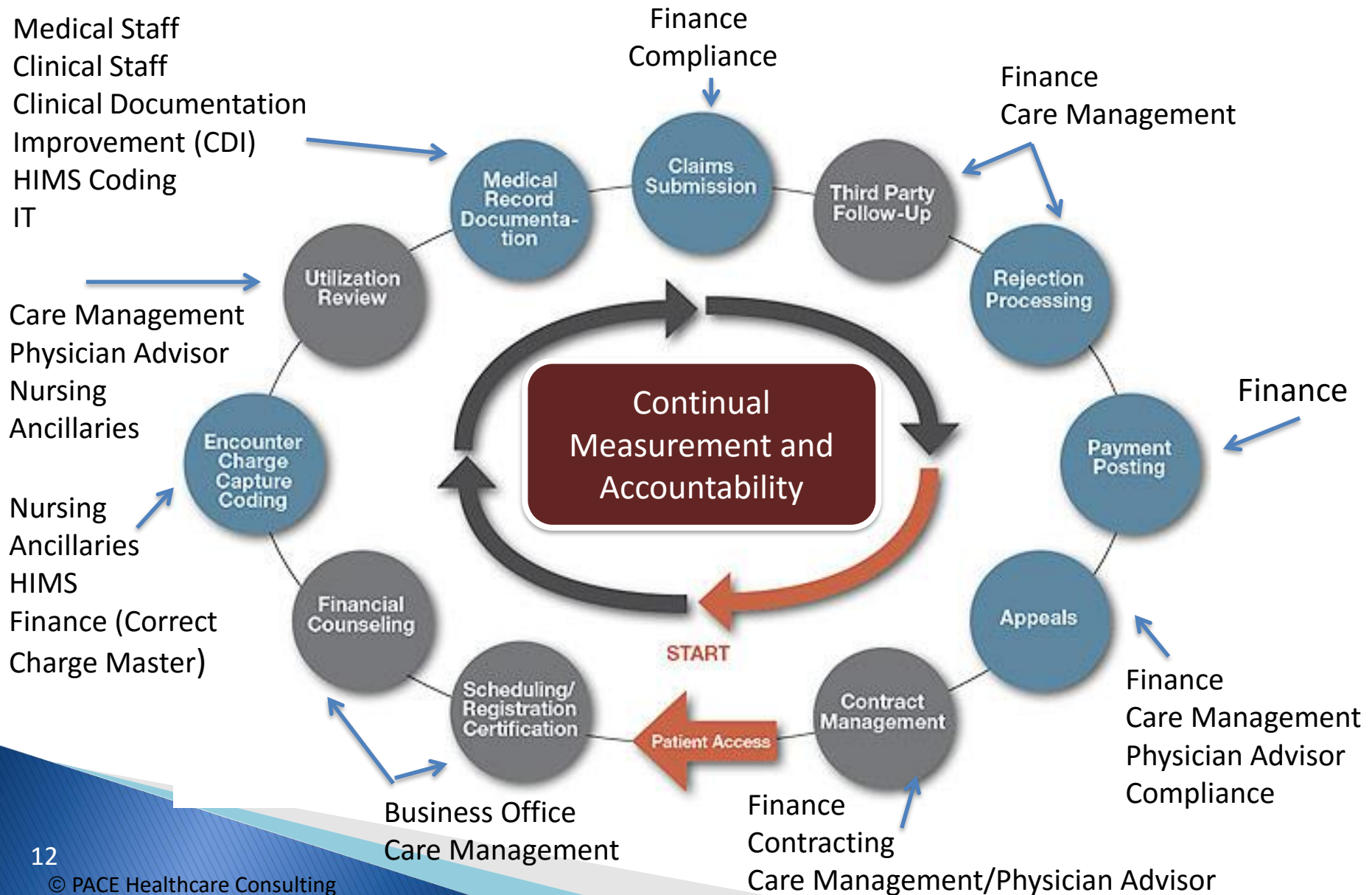
- Treat payers like other vendors
- Collect data on key performance indicators (KPIs)
- Use scorecards to track and trend KPIs for the team to review and suggest changes
- Scorecards are available from sources such as Healthcare Financial Management Association
- Add KPIs for your revenue cycle needs

Example Payer Scorecards

Not All Inclusive

- Payer Market Share
- Payer Percent of Hospital Revenue
- Actual Payment Vs. Contracted Amount
- Utilization by Product Line
- (Low margin vs. high margin)
- Number of Claims Resolution by Level
- Cost of Appeals
- Overall Profitability
- Denial Rate
 - Prospective
 - Retrospective
- Dollars at Risk in Denials
- Time Spent on Authorizations
- Accuracy of Payer Verification Database
- Bad Debt
- Hospital Aging Report (Indicates Slow Payer)
- Days in AR
- Late Payments
- Deviation from Standard Coding
 - Managed Medicare
 - Commercial
- Number of Special Edits
- Billing Efficiency
- Device Payments or Carve Outs
- Staff Satisfaction with Payer
 - Survey Part of Quarterly Contracting Process
- Payer Publically Reported Quality Indicators

Survey Revenue Cycle Stakeholders



Payer Scorecards

- Most of the data required for scorecards is readily available
- Start with what you can reasonably gather and report
- Do not get into analysis paralysis
- Even with no data get the key players in a room to talk-it will pay off
- Require the payers to provide information on performance

And Remember

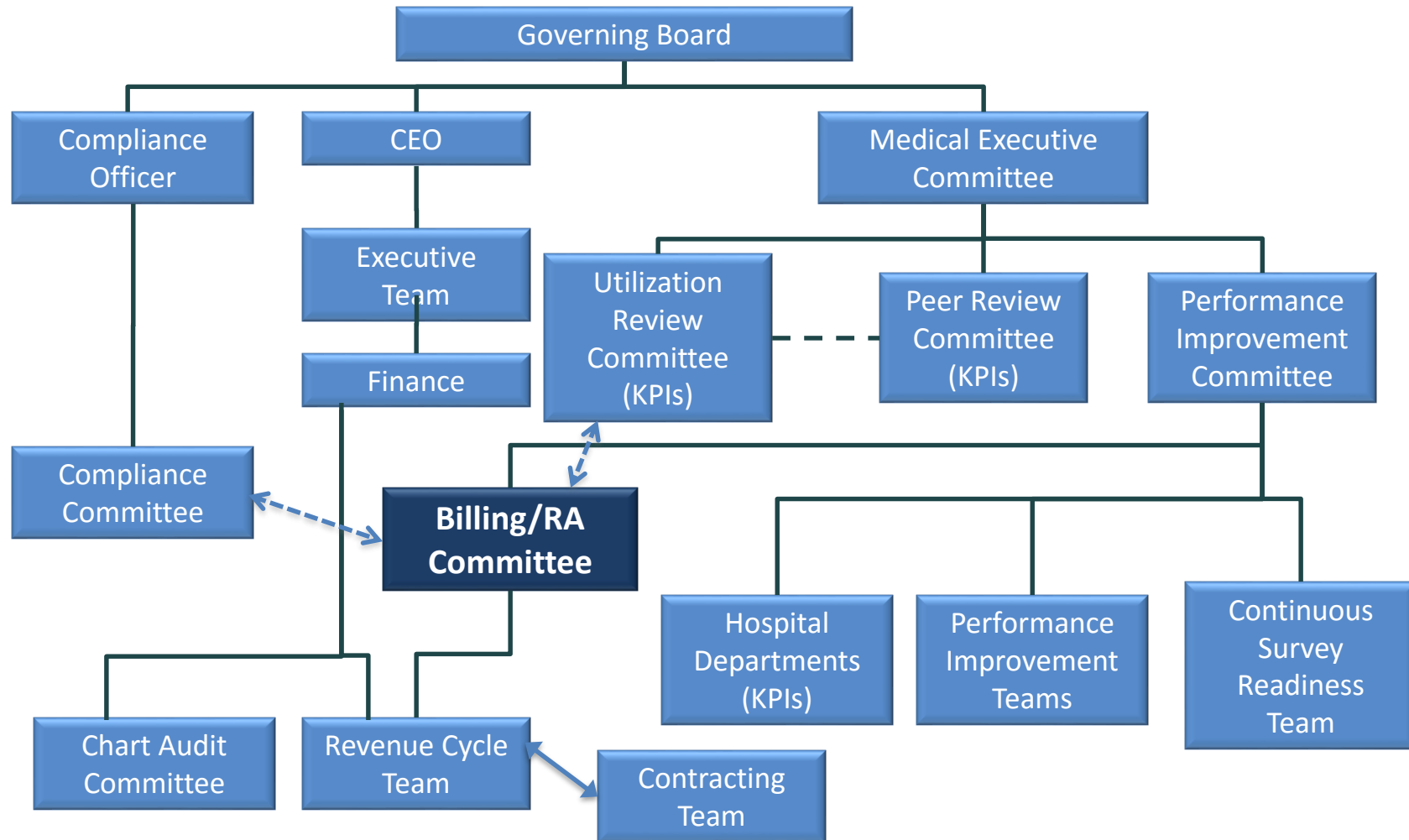
The Payer World Has Changed

- ACA changed the way payers see clients
- No longer just a payer to provider relationship
- Healthcare exchanges & mandated coverage
 - Payer to individual
 - Longer contractual relationships
 - Customer service key
- Medicare Advantage & risk based contracting
 - Cannot exclude pre-existing conditions
- Subject to government audits that may affect you

USE YOUR INFORMATION HIGHWAY TO INFORM ALL STAKEHOLDERS

Report Scorecards in Committee Structure

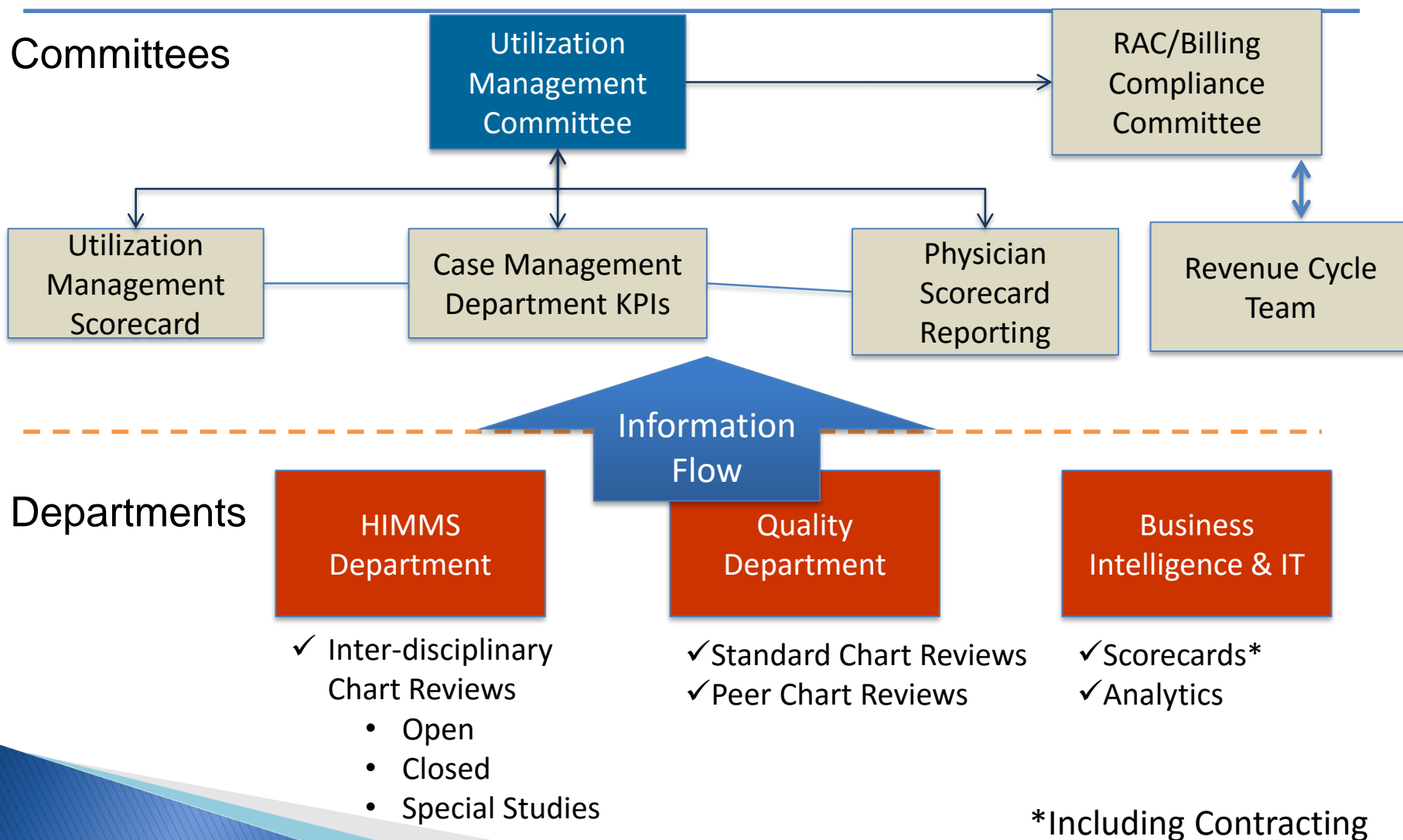
Quality Department and Reporting Support Structure, Process, and People



— Formal reporting structure

- - - Lines of team collaboration, e.g. information sharing, cross-functional teams, etc.

Physician Utilization Management Committee



Operationalize Contracts

- List and organize contracts
- Maintain a database of contracts
 - Renewal dates
 - Payment Terms
 - Carve outs
 - Key Contacts including Medical Director
 - Appeals process
 - Glossary
 - Terms
 - Agreed upon quality measures

Give Staff the Tools for Their Job

- Use a secure shared drive to house the contract database
- Grant access to the database for staff managing the day-to-day utilization and billing
- Without an understanding of contract terms utilization and billing is guessing

Customize the Process

- Small Hospitals may have to use a spreadsheet
 - Make sure there is one source of truth for all stakeholders
- System hospitals may require the CEO to negotiate access
 - Or hospital may have to produce a “work around” as long as no rules are broken

A Word About IT

- Hospital processes are becoming so complex and matrix driven hospitals must invest in IT support
- Project management software may already be available in planning and strategy
- Or, consider a software tool that can house data bases, report and manage a team

Finally

- An Effective interdisciplinary contracting team will arm the contracting staff with information
- Scorecards are data driven and make negotiation easier
- The contracting staff know the payers best but data takes relationships and human error out of the equation
- Revenue cycle will perform far better as a team armed with the facts

THANK YOU