Payer Contracting — Get it Right Through a Team Approach

Elizabeth Lamkin, MHA
PACE Healthcare Consulting, LLC
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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

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Survey Revenue Cycle Stakeholders

- Medical Staff
- Clinical Staff
- Clinical Documentation Improvement (CDI)
- HIMS Coding
- IT
- Care Management
- Physician Advisor
- Nursing Ancillaries
- Nursing Ancillaries
- HIMS
- Finance (Correct Charge Master)

Continual Measurement and Accountability

START

- Patient Access
- Business Office Care Management
- Finance Contracting
- Care Management/Physician Advisor Compliance
- Finance Care Management
- Physician Advisor

Finance

- Payment Posting
- Appeals
- Rejection Processing
- Third Party Follow-Up
- Claims Submission
- Medical Record Documentation
- Utilization Review
- Encounter Charge Capture Coding
- Financial Counseling
- Scheduling/Registration Certification
- Medical Staff
- Clinical Staff
- Clinical Documentation Improvement (CDI)
- HIMS Coding
- IT
- Care Management
- Physician Advisor
- Nursing Ancillaries
- Nursing Ancillaries
- HIMS
- Finance (Correct Charge Master)
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

- **Governing Board**
  - Compliance Officer
  - CEO
  - Executive Team
  - Finance
  - Utilization Review Committee (KPIs)
  - Performance Improvement Committee
  - Peer Review Committee (KPIs)
  - Performance Improvement Committee

- **Quality Department and Reporting Support Structure, Process, and People**
  - Compliance Committee
  - Chart Audit Committee
  - Revenue Cycle Team
  - Contracting Team
  - Billing/RA Committee
  - Hospital Departments (KPIs)
  - Performance Improvement Teams
  - Continuous Survey Readiness Team

**Formal reporting structure**
- **Lines of team collaboration**, e.g. information sharing, cross-functional teams, etc.

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Physician Utilization Management Committee

Committees

Utilization Management Committee
- Utilization Management Scorecard
- Case Management Department KPIs
- Physician Scorecard Reporting
- RAC/Billing Compliance Committee

Information Flow

Departments

HIMMS Department
- Inter-disciplinary Chart Reviews
  - Open
  - Closed
  - Special Studies

Quality Department
- Standard Chart Reviews
- Peer Chart Reviews

Business Intelligence & IT
- Scorecards*
- Analytics

*Including Contracting

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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