



**PACE** *Healthcare*  
CONSULTING

# **Payer Contracting — Get it Right Through a Team Approach**

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**July 20, 2017**

# Objectives

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- 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

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

# Contracting Department

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- 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

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- 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

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- 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 frustrating staff
- Disputes are lost before they begin based on contract language

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

# Manage the Process

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- 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

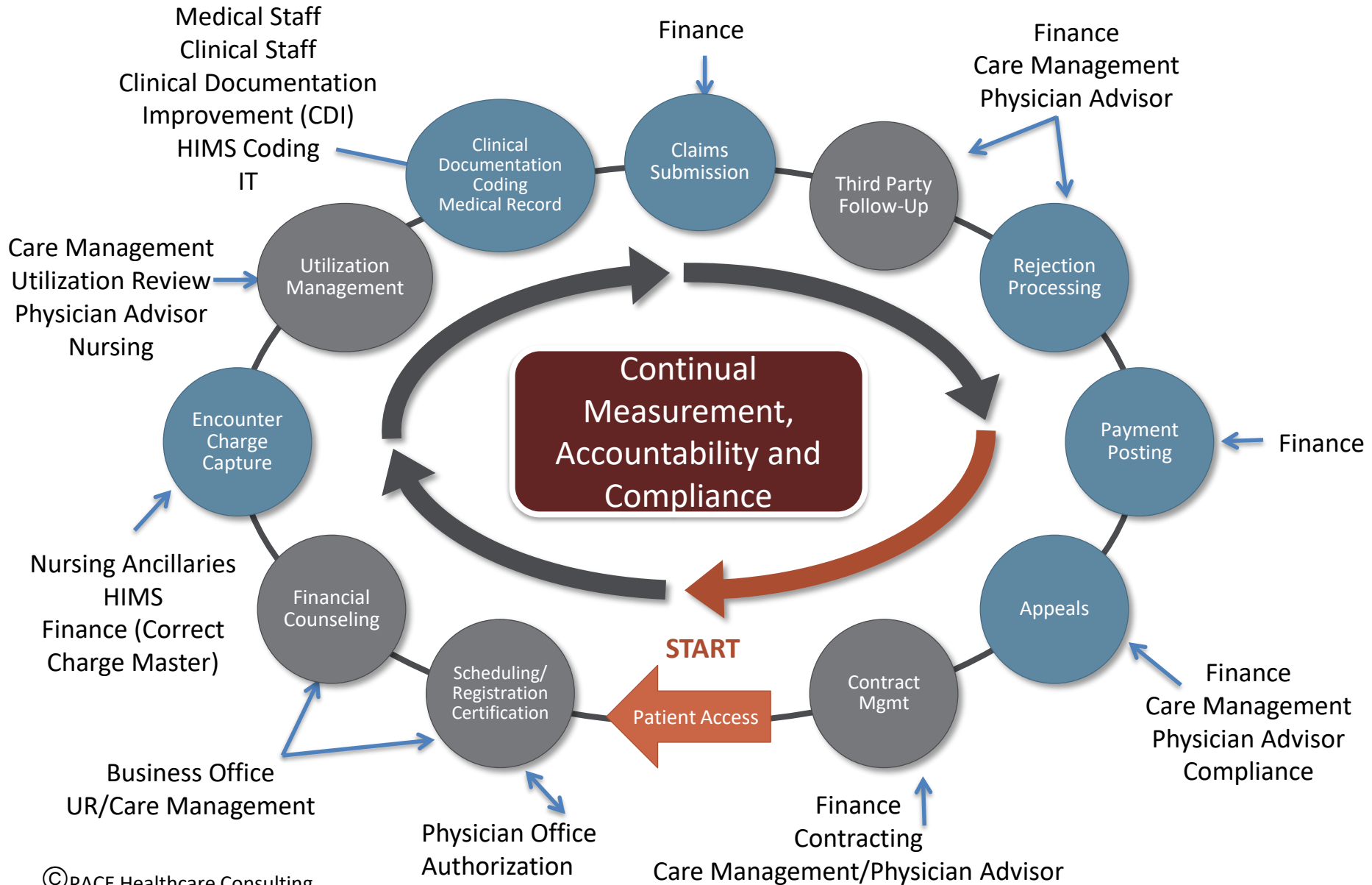


# How to Manage the Process

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

# Components for Revenue Integrity



# Know the Stats on Payers

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

# 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
  - Make Internal Survey Part of Quarterly Contracting Process
- Payer Publically Reported Quality Indicators

# Payer Scorecards

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- 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

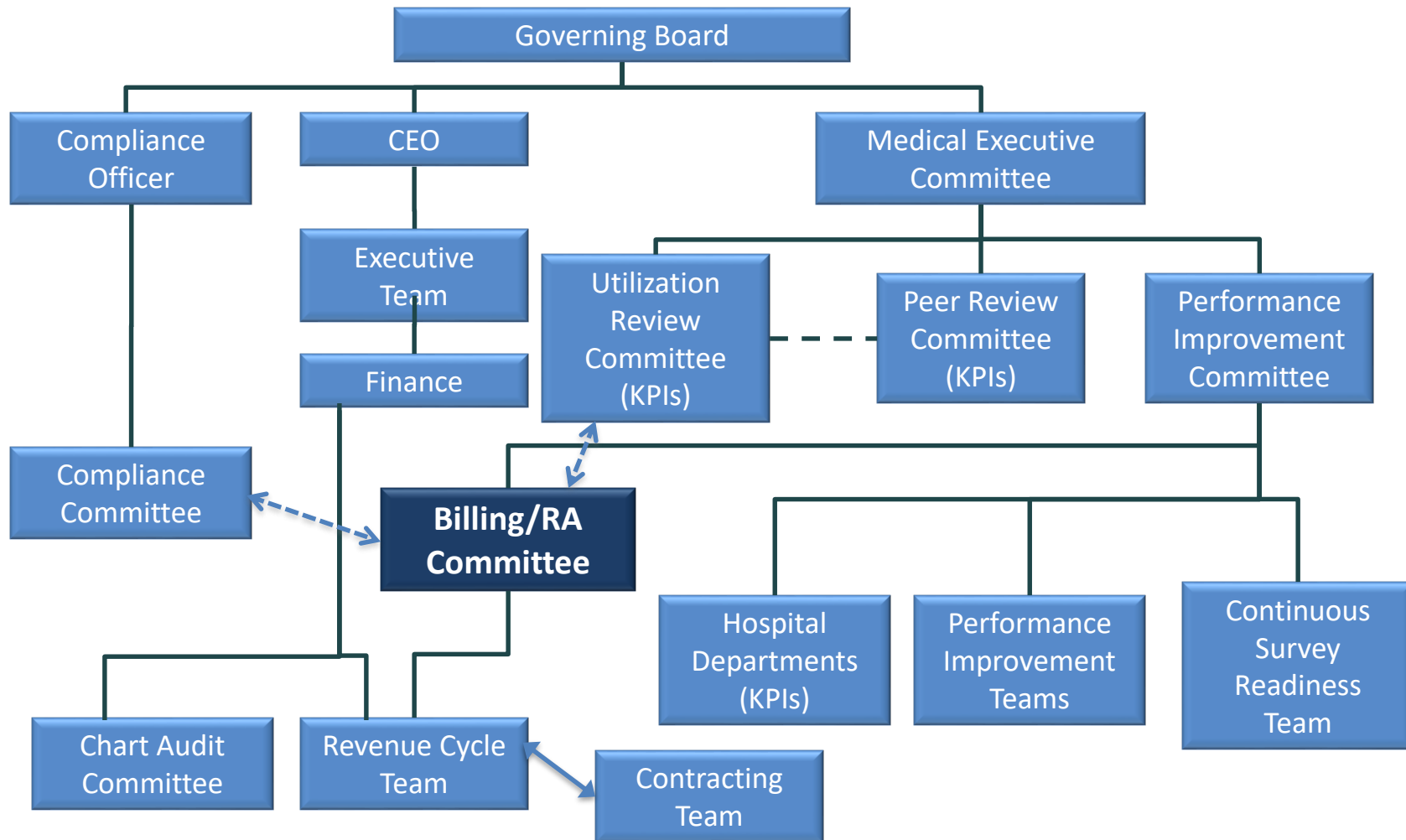
## The Payer World Has Changed

- 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**

# Communicate in Committee Structure

Quality Department and Reporting Support  
Structure, Process, and People

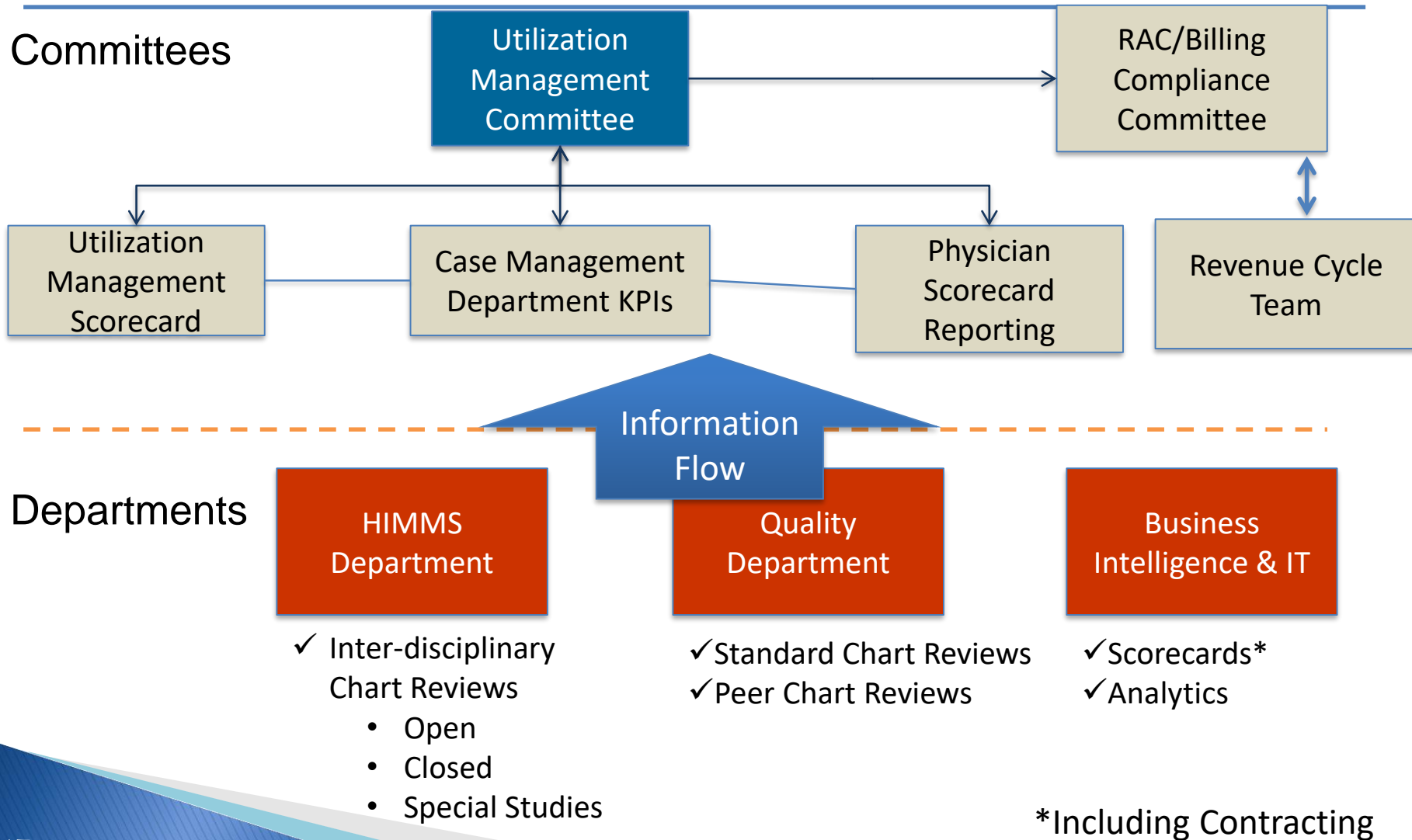


———— Formal reporting structure

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



# Physician Utilization Management Committee



# Operationalize Contracts

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- 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

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- 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

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- 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

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- 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

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- 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

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