



Ready....Set....NEGOTIATE

Strategy and Preparation for Contracting with Health Plans

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Negotiating Contracts: Is it worth the time and effort?

Negotiating a contract with a health plan is often time-consuming and labor intensive.

Hospitals and their staff are at a distinct disadvantage

Health Plans have large staffs, trained analysts, sophisticated legal departments and advanced software systems all dedicated to ensuring their success in the negotiation.

As a result, organizations and their staff must be willing to invest significant time and effort trying to ensure a successful negotiation.



Negotiating Contracts: Is it worth the time and effort?

Commercial plan contracts = the **ONLY** source of negotiable revenue for Hospitals

Commercial volume typically accounts for about 20% to 30% of organization's payer mix.....but generates between 25% to 45% of the total revenue.

Commercial volume represents the only segment with negotiable revenue, as opposed to Medicare and Medicaid's fixed reimbursements.



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Poll Question

What % of your organization's payer mix is comprised of commercial volume?

0-20%

20-40%

40-60%

60+%

Negotiating Contracts: Is it worth the time and effort?

Even a small negotiated increase can result in significant incremental revenue - - which compounds annually for the life of the contract

Yes!

Organizations **CAN & SHOULD**
Optimize Negotiable Contracts

Everything is negotiable. Whether or not the negotiation is easy is another thing.

~ Carrie Fisher

With new policies being implemented by Health Plans, they are squeezing Rural Hospitals who already have small margins to begin with...
~ CEO of Rural NE Hospital

'If we arrive at the bargaining table with financial and demographic data, often we can control the negotiations rather than be subject to them'

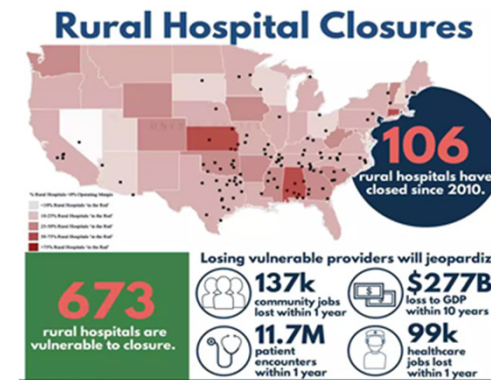
~ Richard E. Horowitz, MD
St. Joseph Medical Center, CA

Providers and payer face intense negotiations after the pandemic

~ David Wild
Modern Health

Because rural hospitals are not reimbursed for much of the care they deliver, many of them cannot generate the revenue needed to serve their communities. Nearly four in 10 rural hospitals are unprofitable...Hospitals are cutting services and closing.

~The Hill



Negotiating with Health Plans

- ❖ **Preparation**
- ❖ **Identify Your Leverage**
- ❖ **Contracting Standards**
- ❖ **Tactics and Methods**



Preparation: Gather Information

Gather information about the Health Plan

- ❖ Market assessment (new or existing)
- ❖ The key to analyzing an existing payer's performance starts with Patient Registration
- ❖ Capture the data and evaluate the contract's performance



The more information you gather about the health plan, the better equipped you'll be

Preparation:

Market Assessment of Health Plan

What products do they offer?

Who and what is their provider network?

What is the payer reputation & history?

Are they new or significant?

What's their competition?

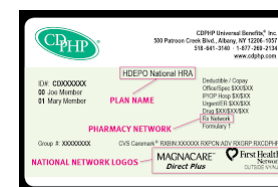
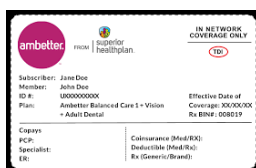


Preparation: Payer's Performance

Recognize the payer ID cards

Know the multiple products from each plan

Understand the products in the same classification



If the ID cards are not in the right buckets, you cannot accurately analyze the data, gauge contract performance, or model a renewal proposal.

Preparation:

Capture the Data and Evaluate Performance

Know the data, because the plans know it!

- What is a plan's total allowed by product type?
- How does allowed compare to your billed charge?
- Is the denial rate within industry-standard range?
- Volume of inpatient cases and outpatient visits? DRG/Rev/CPT code.
- What does each payer represent to overall revenue?
- Know your expected to actual reimbursement – this is key 'ammunition' for negotiating renewals!



Identify Your Leverage: Competitive Assessment

What sets you apart?

Know your strength and services.

What do you offer that no one else does?

How are you viewed in the market?

How do your competitors view you?

Do you know how your rates stack up to others? *Price Transparency rule might assist here*

Are you FFS/Value based?

LOCATION, LOCATION, LOCATION

Know the access requirements by product.



Poll Question

Does your organization have an updated SWOT analysis?

Yes

No

I don't know

Identify Your Leverage: SWOT

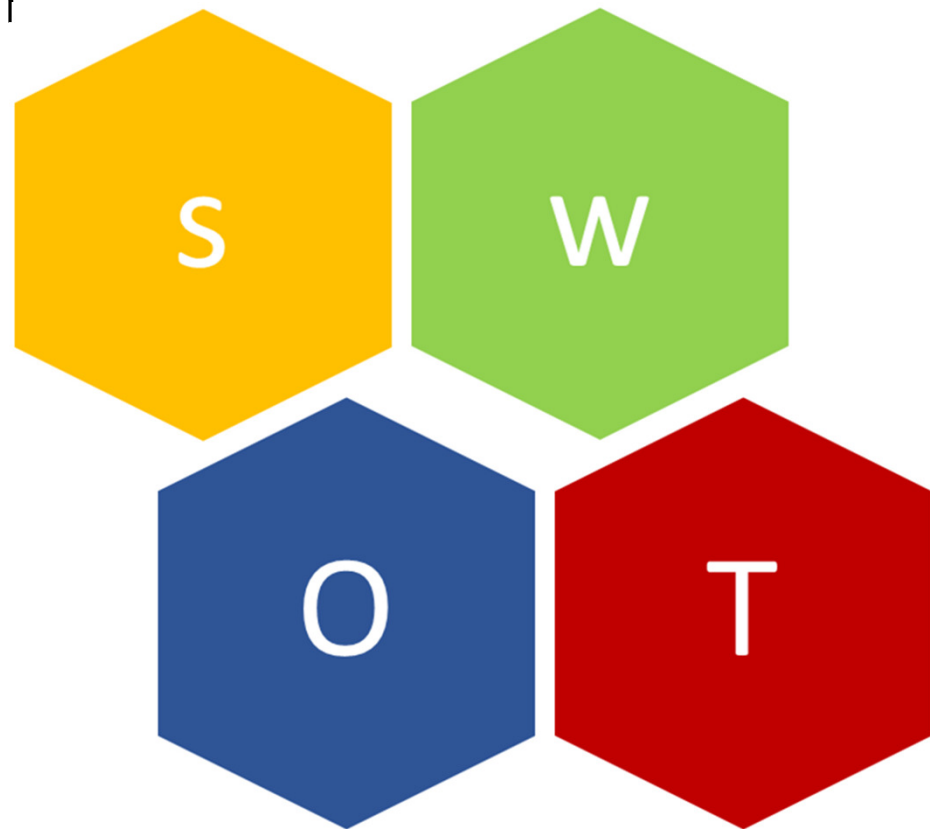
Comprehensive self-evaluation

Strengths

Weaknesses

Opportunities

Threats



Identify Your Leverage: Data/Metrics

Capture YOUR Data & Evaluate YOUR Performance

Know your data, because the plans know it!

- What are YOUR billed charges by service line?
- Frequency of services/margins on services
- Volume of inpatient cases and outpatient visits? DRG/Rev/CPT code.
- What does each plan represent to overall revenue?
- Target rates
- Know your cost to charge ratio.
- Compare plan allowed to cost to charge? What does each yield?
- How do plans compare on volumes and discounts?



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Poll Question

Does your organization prefer to...?

Negotiate language first?

Negotiate rates first?

Do both simultaneously?

Discussion

Language vs. Rates



Poll Question

Does your organization have written standards or business requirements for contract language and/or rate-setting?

Yes

No

I don't know

Contracting Standards

Most providers have **NO** written contracting strategy or standards



- Should we just sign it.....?
- What's our minimum volume threshold to enter into or keep a contract?
- Do we have standard requirements/preferred contract language/rates/terms?
- Current industry-standard language checklist?
- What are our 'deal breakers' before the negotiations start?

Contracting Standards: Language

Basic contract outline:

Recitals

Definitions

Obligations of plan

Obligations of Provider

Medical Records

Attachments

Billing and Payment

Term and Termination

Confidentiality

General Provisions

Dispute Resolution

Exhibits



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Contracting Standards: Basic Language Concerns

Top 10 Language Concerns

Termination

Amendments

Definitions

Notices

Right of Recovery / Offset

Dispute Resolution

Assignment

Product Participation

Prompt Payment

Timely Filing

MUST HAVE & REVIEW

Provider Manual/Administrative Requirements

Remember:

Contract language determines ***whether*** and ***how*** rates are paid!

Poll Question

What is most important in a contract for your organization?

- Term and Termination**
- Billing and Payment**
- Dispute Resolution**
- Exhibits/Rates**
- All of the above**

Contracting Standards: Top Deal Breakers



1. Without cause termination at any time no more than 90 day
2. Cannot amend contract without mutual agreement (and signature)
3. Ambiguous definition of the entities that can access the contract and discounts
4. Offset without notice which affect future payments; cannot offset while in dispute
5. Unacceptable risk levels or risk for services you cannot manage
6. Cumbersome or nonstandard coding/billing requirements
7. Billing of members for non-covered services
8. Labor intensive referral or prior authorization requirements.
9. Timely filing requirements shorter than 90 days.
10. Retroactive termination of member eligibility
11. Governing law
12. All Products Clause

Contracting Standards: Low hanging fruit to negotiate

- Interest payments for clean claims not paid within 30 days.
- Multiyear contracts with predefined fee schedule escalators.
- Ability to opt out of specific benefit plans.
- Payment for Medical records
- Financial incentive programs that reward sound medical management.
- Reduced or minimized referral and prior authorization requirements.
- Advance written notification of changes to policies and procedures.
- Online access to eligibility, benefit and claim information.
- Utilization of standardized credentialing/recredentialing applications
- Add 'Upon Plan's written request' every administrative request for information Plan makes of Hospital
- Add '...use best efforts to...' or '...commercially reasonable efforts to...'
- Reciprocity: if the organization has to do it, so should the Plan



Contracting Standards:

Rate requirements and rate methodology preferences

It's a whole different discussion ...

Keep in mind rate methodologies matter!



Don't be afraid to push back if a plan proposes a rate methodology that your organization is not comfortable with.

Start high



Move down slowly

Know your BATNA (Best Alternative to a Negotiated Agreement)

Tactics and Methods:

- Ask questions...Don't make statements (questions generate information and buy time)
- Open-ended questions are a great way to learn more about the other party's interests and methods, and to clarify their intent.
- Silence is your loudest response.
- Consider making the first offer.. (anchoring)
- Ask for their alternative language – don't give them yours
- A good negotiator rarely makes a decision 'on the spot'

"Let us give that some thought..."

or

"We will give that some consideration and get back with you"

- Others...

Tactics and Methods:

Remember:

- Know your strengths and what you bring to the plan
- No price is EVER fixed. EVER!
- Clarify, clarify, and then clarify again
- Keep it in writing
- Use your poker face
- Don't bargain over positions
- Pause before responding
- Never, ever start at or near your real position



Today's plan negotiations are a marathon....not a sprint

organizations **CAN** and **SHOULD**

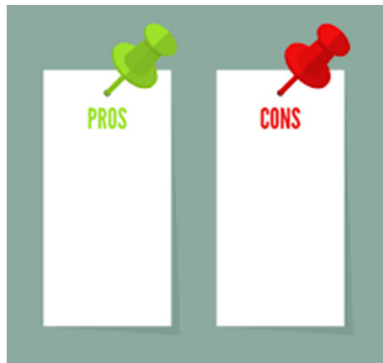
Optimize Negotiable Contracts

Despite the Health Plan's inherent advantage, you CAN make the playing field more level.

The more information you gather about the health plan, the better equipped you'll be ...

Know your data, because the plans know it!

Don't be afraid to push back....



Negotiations are a marathon....not a sprint

**Rates are important....
But contract language determines
whether and how rates are applied !**



QUESTIONS?



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