TOP STRATEGIES FOR NEGOTIATING PAYER CONTRACTS AND EVALUATING PERFORMANCE

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SSI: At A Glance

- Founded in 1988
- Based in Mobile, AL
- 400 employees and growing
- Serving leading healthcare providers and payers
- Providing a complete revenue cycle solution
SSI: By the Numbers

- **2,400** Healthcare providers rely on SSI
- **$1.5T** Total claim charges processed in 2017
- **50%** Percentage of client partnerships at 10+ years
Key SSI Partnerships
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Director, Product Management

Will plays a pivotal role at SSI where he champions the adoption of Performance Management solutions to drive organization and revenue growth for our clients. He has over 10 years experience in healthcare and, more importantly, analytics. Prior to joining SSI, Will worked for CareFusion on the clinical side.
THE SOURCE OF THE PROBLEM
Scope of the Problem: Payers

- Problem is two-fold
  - Issue 1:
    - Payers are working to lower the ceiling
      - The target is 3 - 5% contract improvements (read revenue cut per year)
  - Issue 2:
    - Payers aren’t paying the negotiated rate
      - Some payers pay better (or pay worse) than others, but 1/10 incorrect is a good ballpark
Information Asymmetry

• In contract theory and economics, information asymmetry deals with the study of decisions in transactions where one party has more or better information than the other.

• This asymmetry creates an imbalance of power in transactions, which can sometimes cause the transactions to go awry, a kind of market failure in the worst case.

• What the “worst case” is for the providers is unbalanced contracts that greatly favor the payer from a value standpoint.
The Scales are Imbalanced...

- The Golden Rule (of Finance)
  - Payers have the data and the funding to make Providers accept terms most favorable to the payer.

- David Versus Goliath
  - With the information asymmetry between payers and providers, decisions are made without understanding the impact.
...but There are Ways to Evaluate

• At the core, to understand what is going on, the data has to be collected beforehand and available.

• We can turn it into information if we know what we are evaluating against.

• So how do we do that?
CONTRACT MANAGEMENT KPIS
Thinking about KPIs

• So how do we understand in practice how KPIs are affected by business practices?

• Before we do that, let’s look at something analogous in our daily lives.
  – This KPI affects us in major ways and it’s something that many of us “know about” but don’t really understand end to end...

• Credit Scores
Credit Score View

FICO score
/'fikoˌskɔr/ noun
FINANCE
a person’s credit score calculated with software from Fair Isaac Corporation (FICO).

- What can my credit score impact?
- Prospective Lenders
  - And Rates!
- Landlords
- Jobs
- Security Clearance
- (Maybe) Relationships
Credit Score: The “Guts”

YOUR FREE CREDIT SCORE FOR MAY 2017

803

Your credit score is Excellent.

About your score
Lenders love you! Based on your score, lenders may see you as a very low risk. This can qualify you for financial products with the best interest rates.

35% Payment history
30% Amount owed
15% Length of credit history
10% Credit mix
10% New credit

Courtesy: Mint

Courtesy: USA Today

Credit score analysis

Factors making up FICO score:

6th Annual Gulf Coast Conference | 2018
Drilling down
Key Performance Indicator

• It is critical to establish a baseline to evaluate different payers on the same playing field.

• We can use a number of Key Performance Indicators (KPIs) to understand the holistic value of a payer.

• Our fundamental question stems from the relationship value.

• How hard is it for us to get our agreed upon rates?
Contract Management Quantitative KPIs

- Claims
  - Number of Claims
  - Value of Claims
- Yield %
- Variance
  - Payment Variance %
  - Payment Variance Count
  - Payment Variance Amount
- Days to Pay
- Initial Denial Rate
- Overall Denial Rate
- Appeal
  - Success %
  - Number of Accounts
- Patient Responsibility %
- Contractual Allowance
- Paper %
- Maintenance Effort
  - Number of Plans
  - Number of Service Types
Holistic Payer Analysis

- Presenting easy views by payer to understand where an organization is winning and where there can be opportunity for improvement is critical in contract negotiation.
Contract Management Subjective KPIs

- How easy is your payer representative to work with?
- How complex is the contract?
- How fast are they to fix issues?
- How often do they update the contract?
- Do they have unpublished rules for claims?
- Have you had any lawsuits with the payer?
- How do you feel about this payer versus other similar payers?
- Do they fundamentally change the contract on each negotiation?
- Are they the hospital employee insurance payer?
HOW SHOULD WE THINK ABOUT CONTRACT MANAGEMENT?
Negotiation  

Mitigation  

Contract Management
Contract Management Worldview

* Claims, Remits, Transaction Files, PR Files, Mnemonics, Groupings
** Fee Schedules, Terms, Provider Specific Variables

* Creation

Data*
Contract Information**

Adjudication Engine

Allowed Amount

Payer Scorecard
Contract Term
Frequency Use
Process Improvement
Contractual Net Down AR

Variance
What If
Scenarios

Under/Over
Pay Followup

Consumption
WHAT ARE THE TOP 5 NEGOTIATING TIPS?
Tip Requirement 1

• Read your contract.
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• READ YOUR CONTRACT!

• If you don’t know what’s actually in your contract, how can you plan to address any issues?

• Your contract is often “root cause” for variance.
Tip Requirement 2

• Don’t sign anything until you understand the impact!
• If you don’t model the proposed contract changes, you won’t know how your revenue cycle is affected.
  • Before accepting new rate proposals, establish a grace period to allow your staff to forecast the proposed rates to the current rates over a past time period to determine if you are taking a loss and, if so, how much.
• Use your previous year as a model if you don’t expect significant changes in your patient population. If you do expect changes, your model needs to incorporate the changes using estimated populations.
Top 5 Negotiation Tips for CM

01 Avoid Legalese
02 Eliminate Gray Language
03 Ensure Continuity
04 Prevent DRG Downgrading
05 No Overly Complex Calculations
Tip 1: Avoid Legalese

• Ask your payers to make the contract easy to read.

  - Request that your payers remove unnecessary legal jargon from your contract. It is not always possible, but the clearer the contract, the easier it is to understand the rules within.
Tip 2: Eliminate Gray Language

- Specific terms make understanding payments easy.
  - If payment terms are vague, each side will always assume the best case for themselves at the expense of the other.
  - This ambiguity leads to variance in payment and frustration in the appeals process. It’s easier and faster to handle upstream.
Tip 3: Ensure Continuity

• Make sure there is continuity between your contract and your facility.
  – Be aware of how your contract service types are identified by the payer within the contract.
    • Ex: They may identify implants as revenue code 274, while your facility identifies implants as revenue code 274 and 278, which could lead to denials.
    • Radiology is another example. Make sure an MRI is categorized the same way at the payer and the provider.
  - Don’t let the payer determine what is on the surgical fee schedule and what is not.
Tip 4: Prevent DRG Downgrading

- Prevent DRGs from being downgraded easily.
  - Force payers to go through a requirements checklist before they change the billed claim’s DRG code to a lesser paying DRG code and make sure you get this in writing within the contract.
Tip 5: Steer Clear of Overly Complex Calculations

• High math is opaque. Try to steer clear of complex mathematical formulas when pertaining to projecting payment reimbursement for a particular service.
  – If you can’t measure it, you can’t manage it.
Summary

• Payers’ goals are to always lower the ceiling on reimbursements and then, whether a goal or not, to avoid paying contracted rates.

• If you aren’t critically reviewing your payer contracts, you are leaving mission critical revenue on the table.

• No money, no mission.
Questions?

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Thank you for your time and interest.