

The 4 Best Practices for Managed Care

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The only constant in life is **change**...

Healthcare Today

- High-deductible health plans are now commonplace.
- Hospitals are now required to post their charges publicly online.
 - Putting added pressure on hospital executives to set charges, negotiate payer contract allowables, and provide accurate cost estimates.

The result? Patients are left to assume
greater financial responsibility than
ever before.

“ ”

To facilitate bending the cost-growth curve, the underlying premise is that consumers must **become more engaged** with their healthcare expenses, which will translate to a higher level of **price shopping**.



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CMS strongly encourages providers to help ensure that patients are well-informed of the costs associated with:

1. Different payers
2. Health plans
3. Contractual reimbursement

“ ”

This will be the new normal, and it's going to require **new processes, new technologies, and new components** when monitoring payer activity; for example, utilizing **scorecards** to improve negotiating payer contracts.



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Best practices for addressing the 4 aspects of payer contract negotiations to achieve accurate allowables:

1. **Contract Composition**
2. **Performance**
3. **Expectations for Negotiations**
4. **Strategy**

1. Identify provisions for initiating negotiations.

“Is there a notice window prior to an auto-renewal?”

2. Assess all contract terms of the current agreement and related amendments.

“Generic language and changes prior negotiators made do not necessarily dictate future contract terms”

3. Isolate what is important but is not a current contract provision.

“What is non-standard or burdensome to you with the current contract?”

Performance: Tip 1 of 4

Benchmark against original projections.

Compare your actual performance against what was projected when negotiated.

Benchmark against current/projected high-value services.

Mine your claims data and assess the current revenue value per service, particularly those that are growing in volume.

Performance: Tip 3 of 4

Understand the projected financial impact.

Model all contract product lines to ensure a clear understanding of the financial impact of each scenario.

Performance: Tip 4 of 4



Understand your payer's overall performance.

Expectation: Tip 1 of 2

If you begin comparing one contract scenario to another, one of the first benchmarks that we recommend is **benchmarking the contract against the original projection**. To have a true win-win contractual arrangement with the payer, you have to model *everything*.

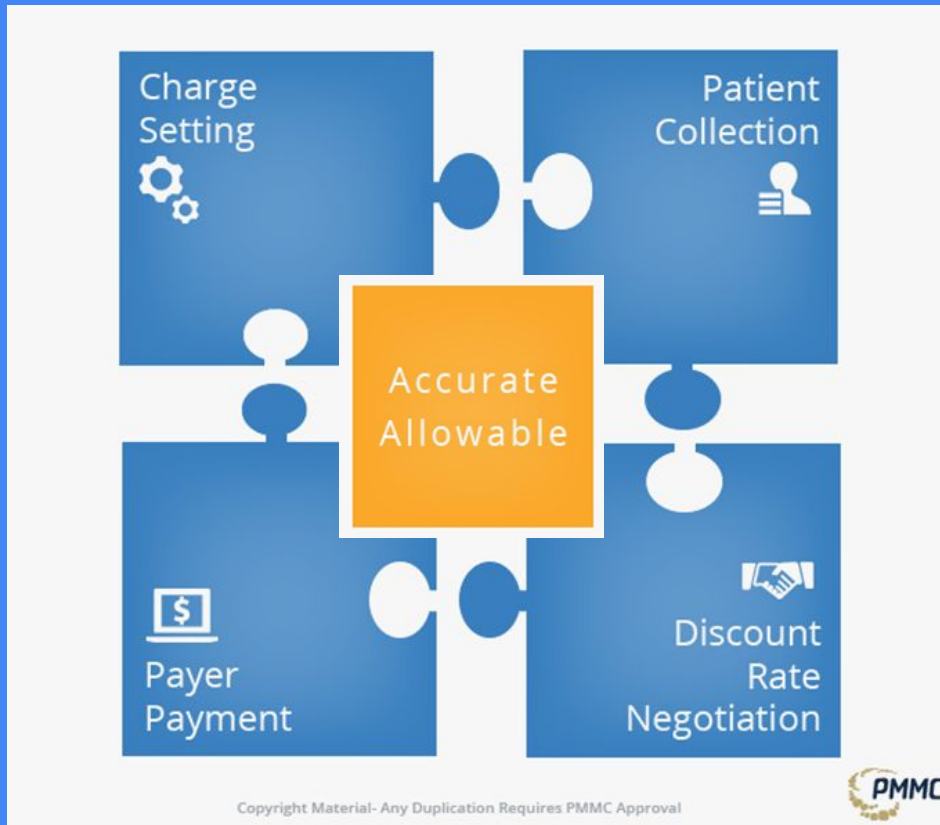


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Expectation: Tip 2 of 2

The **accuracy of the allowable** is becoming especially important as patients become a more substantial portion of a hospital's revenue cycle.

(Diagram on next page)



The accurate allowable connects operational silos in the revenue cycle that will need to work together in a more integrated way going forward.

Strategy: Tip 1 of 4

Be sure and explore opportunities through the **value-based components** of the contract to incorporate upside **bonus payments** for meeting certain defined quality measurements.



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Strategy: Tip 2 of 4

With the shift to value-based payment system, healthcare organizations are incentivized to promote **care coordination** and achieve **shared savings** for patients and providers.

The Solution

- Incorporate as much risk as you can manage within your healthcare organization.

Strategy: Tip 4 of 4

Regardless of the methodology, using your historical billing data will provide the ability to understand the net revenue impact...this allows a side-by-side comparison of one proposed contractual arrangement to another.



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Ultimately, providers need to confirm they have the necessary modeling tools for future contracts and a reliable team to approach **grading performance** and **negotiating positions**.

Curious to improve payer negotiations?

[Learn More](#)



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