The Power of Preparation

Contract Negotiations and CBO Formation

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Major Shift in Reimbursement Methodologies

Multi-Faceted Changes Stressing the Bottom Line

Coding/Grouping Changes:
- Shift to APR-DRG
- Transition to ICD-10

Clinical Transformation
Eroding Margins:
- IP to Observation swings
- Decrease in Readmissions

Regulatory/Audit Scrutiny:
- Value-Based Purchasing
- Two-Midnight Rule
- Dramatic RAC increase

Rate Cuts:
- $262B Medicare Cuts in the next decade
- DSH payment cuts of $18B+

Payers Demanding More Value:
- Incentive payments based on Quality performance
- Narrow Networks, Steerage
- Price Transparency Tools
Origin of the Modeling Playbook

Merging Leading Technology with Member Expertise

**Healthcare Market Leaders**
- 26 health systems actively leveraging PIC for negotiating payer reimbursement contracts
- Drawing from and sharing evidence-based strategies to execute progressive agreements

**Robust Technology Solution**
- Current patient data updated daily
- Calculation engine generates accurate expected reimbursement
- Flexible reporting to capture necessary data points

**Cohort Know-How**
**Product Functionality**

Within an ever-changing reimbursement world, we need the right tools and strategies to **prepare**, **execute**, and **succeed**
Preparing for Success in an Upcoming Negotiation: Best Practice Tactics

Real Life Examples

Questions & Answers
Aligning your Organization for Success

Four key Areas Help Drive the Bottom Line

**Regular Payer Communication**
Payer communication should not end with an executed contract. Recurring quarterly or monthly meetings with your top payers can pay dividends.

**Broadcasting Contract Changes**
Staff knowledge of agreed-upon contract terms is crucial to identifying trends in inaccurate payer reimbursement. Empower staff to address payer performance issues.

**Laying Groundwork Early**
Ensuring all negotiations preparation work begins with enough time to avoid as many surprises at the negotiation table.

**Managed Care & Recovery Team Alignment**
Ensuring that managed care and revenue recovery staff do not operate in silos is crucial to identifying contract issues before.

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Organizational Coordination Fuels Success

Learning From the Past While Preparing For the Future

Active Participation from Key Stakeholders

- Financial Leadership
- Patient Accounting Experts
- Physician Representation

Actionable Strategic Direction

- Established net revenue targets
- Corrective measures for past Internal / payer contract issues
- Anticipated response to proposed payer changes
Laying Groundwork Early

Maintaining Good Understanding of Contract Yield

Monitor Reimbursement Monthly

**Compare Expected Yield to Actual Yield**
- Is Actual to Expected in acceptable tolerance range?
- Is Actual Yield in line with budget?
- How does Exp. And Actual compare to similar payer contracts?

**Review Numbers by Service Line**
- Understand which service lines are not performing well under the contract.
- Compare service line performance across similar contracts and patient populations
- Meet with service lines as appropriate

**Review Financial Numbers**
- Review contract performance on a regular basis with leadership: Finance, PFS, Managed Care and services lines as appropriate

Understanding the Numbers
Using Data to Formalize Negotiation Approach

Extract Areas of Improvement and Contract Weaknesses

Gauge Past Performance

- Were last year’s revenue targets realized?
- Did overall patient utilization match our expectations?
- Was there an unexpected increase or decrease in services rendered?

Identify Vulnerabilities

- Were specific service more susceptible to variances than others?
- Are there market pressures to alter current methodologies? (i.e. APR-DRGs, EAPGs, APCs, etc.)

Confirm Overall Negotiation Strategy

- Is our strategy aligned with organizational objectives?
- How will we respond to anticipated payer proposals?
- What are the areas we can compromise and where will be hold firm?
Laying Groundwork Early

Additional Metrics To Dive Deeper

Late Payments
Understand the average time it takes a payer to respond initially. This query counts the days from bill date (or discharge date if claim not available) until the first payment by a payer.

Stoploss/Outlier Impact
Measure the changes in reimbursement due to outlier provisions at the account and service line levels.

Late Rate Increases
Target specific points in time to gauge contract performance for late contract updates (i.e. fee schedule) and consider installing penalties for repeat occurrences.

Patient/Population Demographics
Couple patient details with reimbursement (active and model) to better understand utilization volumes and trends.
Get Ahead of the First Proposal

Anticipate Potential Changes and Establish Success Criteria

Internal negotiation preparations should begin at least 3-6 months prior to the payer negotiation. Be prepared with the following three objectives.

1. Clearly Established and Measurable Objectives
   - Specific net yield percentage increases
   - Increased reimbursement for a service line
   - Greater payer accountability for late or inaccurate payments

2. Defined Baseline Population
   - To be used in proposal iterations with specific date range, payers, and services
   - Will also be used in forecasted model rate schedules

3. Anticipated Changes
   - Complete or minor methodology changes suggested by payers
   - Contract language around charge master increases proposed by payer
   - Price Index adjustments
Aligning your Organization for Success

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Managed Care & Recovery Team Alignment
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For strategies for “Broadcasting Contract Changes” and “Managed Care & Recovery Team Alignment” listen to our archived recording, “Tackling Payer Performance With Team Efficiency” presentation: http://www.advisory.com/Technology/Payment-Integrity-Compass/Events/Complimentary-On-Demand-Webconferences/tackling-payer-performance-with-team-efficiency
Establish Regular Payer Meetings

**Participate in Recurring Meetings with Payers**
- Quarterly or monthly meetings with top payers save staff time
- Combats the problem of communication ending after a negotiation

**Review Issues Upfront and Regularly**
- Allows for the possibility of an initial review or negotiation
- Review items such as payer performance, payer response times, and complex or ambiguous contract language
- Schedule a pull up to review new contracts once initial results are available

**Complete Payer Negotiations**
- Final negotiations can take place after open channels of communication have been established

Maintain a Healthy Relationship with Payers
Regular Payer Communications

Identify Trends And Areas To Dive Deeper

Questions To Ask Yourself

Aspects of Reports for Negotiations with Payers

**Appeals Submitted**
Are there areas of the contract suddenly being paid less than we expect?

**Appeals Paid**
Are payers paying appeals for the same reasons they are rejecting them?

**Rejected Appeals**
Are payers paying appeals for the same reasons they are rejecting them?

**Non-Responsive Appeals**
Are payers delaying payment or decision on certain types of accounts?
Be Properly Equipped For Payer Conversations

Come Prepared With The Right Tools

Proactively review account trends where payers are not paying as expected. Revenue Recovery will be tackling one off accounts, but getting ahead of trends can be the difference between hitting revenue targets or not.

Reporting Metrics With End User Intervention

- Appeal Success Rate
- Activities Per Appeal
- Payer Appeal Response Time
- Internal Process Errors

Reporting Metrics Without End User Intervention

- Expected Monthly Yield
- Specific Service Line Review
- Time Until First Payer Payment/AR aging
- Net Revenue

Regular and Frequent Monitoring Is Critical to Contract Success
Not Realizing the Importance of Quality Measures…

…to Detrimental Effect

Common Contractual Missteps

1. **Widely-Varying Measures Contract to Contract**
   - Sizeable variation in number, type of measures and targets makes tracking, achieving performance goals difficult.

2. **Quality Bonuses Paid Retrospectively**
   - Bonuses paid after the fact require providers to fund clinical/quality investments upfront, as opposed to “as-you-go”.

3. **Measures Not Aligned With Other Clinical Goals**
   - Contracts include quality targets that are not the current focus of clinicians, diminishing likelihood of success.

Source: Financial Leadership Council interviews and analysis.
### Avoiding Pitfalls in Value Based Contracting

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<th></th>
<th>1 Imprecise Attribution of Patients</th>
<th>2 Detrimental Structure of Incentive Payments</th>
<th>3 Negligible Focus on Quality</th>
<th>4 Ambiguous Breakdown of Responsibility</th>
<th>5 Unequal Risk Distribution Across Provider Network</th>
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<tr>
<td></td>
<td>Seek contracts with attribution based on patient choice of product</td>
<td>Understand how contracts impact overall revenue goals</td>
<td>Standardize quality measures, targets across contracts</td>
<td>Create infrastructure for collaboration</td>
<td>Structure physician compensation models to incent focus on quality and cost of care</td>
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<td>Advocate for prospective assignment of open access network patients</td>
<td>Make cost incentive payments contingent upon quality performance</td>
<td>Ensure quality measures are applicable and actionable</td>
<td>Optimize existing data sources</td>
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<td>Create separate cost targets according to service type</td>
<td>Collaborate with clinical leadership to ensure alignment of cost and quality initiatives</td>
<td>Request data support from payers</td>
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<td>Request use of medical loss ratio as cost target</td>
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<td>Determine responsibility for care management programs</td>
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<td>Prospectively agree upon cost and quality targets</td>
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<td>Advocate for pre-payment of quality incentives</td>
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Source: Financial Leadership Council interviews and analysis.
Extend Risk Contract Rewards, Responsibilities

Compiling The Data Set Most Effectively

Running Each Scenario Separately

MS-DRGs Report

- Gauge risks and overall potential net reimbursement
- Drill in to account level information to confirm existing terms

APR-DRGs Report

- Gauge risks and overall potential net reimbursement
- Drill in to account level information to get more acquainted new terms

Consolidating Accurate Projects

MS-DRG

- Showcase overall contract-to-contract performance
- Adjust base rates either through rate schedule adjustments or MS Excel once data is present

APR-DRG

Source: Financial Leadership Council interviews and analysis.
Preparing for Success in an Upcoming Negotiation: Best Practice Tactics

Questions & Answers

Real Life Examples
Get to Know Kalispell Regional Medical Center

273-bed medical center located in Kalispell, Montana

The Challenge

- Two Kalispell facilities, which were technically one entity, functioned as two separate businesses with separate leadership and operations.
- This made it difficult to manage billing, improve A/R, and leverage existing resources to the greatest extent possible.
Overhauling a Split Operation

Two Separate Business Practices Come Together

Knowing that a reorganization of functions would impact A/R, Kalispell brought in a consulting team to help with A/R management during the transition.

Kalispell realized they were using many technologies for purposes other than intended use-case. They were able to refine the use of tools to gain the most benefit.

KPI monitoring occurs monthly. Top metrics that are tracked are A/R days and underpayment and denials volumes.

Reorganization brought all employees under one roof. Managers reviewed employee skills and motivations to place individuals into best fit roles. They created new positions for underpayment and denial appeals.
A Better Business Office

Reorganizations Leads to Increased Recoveries

Dollars Recovered on Payer Payments After Appeal
January to December 2013 vs. 2015

Impact Highlights

$5.42M
Recoveries on underpayments and denials Q1-Q3 2015

$1.51M
Increase in recoveries from 2013-2015 after creation of underpayment and denials recovery position

3 days
Reduction in AR days

*Sep 2015 Projected
Get to Know UPMC

5,100-bed medical center located in Pittsburgh, Pennsylvania

About

• More than 20 hospitals, including Children’s Hospital of Pittsburgh and UPMC Western Psychiatric Institute and Clinic

• Nearly 3,600 UPMC physicians and 5,700 affiliated physicians.

• Uses PIC to support hospital negotiations via modeling contract proposals and performing payer comparatives

• Currently finalizing PIC physician implementation
UPMC often needs to renegotiate large, multiple year contracts that affect most, if not all of the hospitals and physicians in the system.

Renegotiations can include various products, multiple rates and numerous exchanges of proposals.

For one payer, each UPMC hospital has different rates and often different payment terms.

For one hospital, one payer, one product annual hospital claims can exceed 7000 IP and 100,000 OP.
Leveraging PIC for Negotiations Success

Lessons Learned From PIC Modeling

1. With all of the possible differences between the hospitals, sometimes it is better to focus on the similarities.

2. Create base models and use sub-terms to project the proposals through the contract term.

3. Use naming conventions that allow you to easily report on the project.

4. When the project calls for a new add-on structure to a base fee schedule, the ability to report on service lines is key.
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Questions & Answers

Real Life Examples
The Payment Integrity Compass Suite

A Comprehensive and Automated Approach

Patient Accounting Systems & Practice Management Data
- Patient accounts and charges
- Diagnoses and procedures
- Payer and reimbursement

Best-in-class Calculation Engine
Unified Data Source
Flexible Collections Workflow
Extensive Custom Reporting
Robust Contract Modeling
Unconventional Scenario Models

Payment Integrity Compass
- Pinpoint payment defects and reverse underpayments, denials
- Maximize yield from all payers, contracts

Payment Integrity Compass – Professional
- Improved Professional variance identification, adjudication, collections workflow
- Future-proof architecture investment for scalability, extensibility
- Professional contract modeling