



What Every Hospital Should Know About Contract Negotiations

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Few companies would go into a critical negotiation process without a plan of action, yet hospitals across the country do that in payor negotiations. Below are five steps to negotiating contracts to maximize revenue capture and maintain profitability by product lines:

Embrace Modeling Technology – “What if ...?” scenarios before the negotiations process help providers create your own game plan – before the first payor proposal. Negotiators can view current net revenue per day against cost information and quickly determine current utilization of services from a given payor. Negotiators can also compare the current contract to the proposal to understand the overall financial impact for their book of business, leveling the playing field with payors.

Invest in Training Employees – Data is only as good as the claims available within the system. Employees must select the proper set of claims and corresponding data and then interpret that data – a difficult process without proper training. Empower employees to ask why are we not getting reimbursed and why are payors reimbursing this way? Give them tools to collect underpayments and fight for revenue. Educate and train employees on your contract management solution and create individual procedures to enable a repeatable process for recovering revenue and promoting better financial forecasting.

Examine Your Source – If you have a problem with one, you likely have that same problem with other payors, and it might be on your end. Improper billing, coding, charging patterns and incorrectly loaded contract terms are often culprits, and services affected include cardiac care, high cost drugs and implants. Look for root causes and prepare to implement true cultural changes to resolve the challenges. Train internal auditors and incentivize them to get to the root of issues to truly maximize returns. Today’s solutions have analysis capabilities to help.

Have Plans A, B and C – Successful projects address crucial issues, such as how to handle “what if” scenarios and how to make enterprise-wide cultural changes, not just departmental changes, around negotiations. Start with a key goal in mind – net revenue growth. Identify specific volume and growth expectations, using the prior year as the basis. To ensure the total net revenue goal is met, revisit prior payor behavior for trends in areas such as underpayments, overpayments, denials and patient liability shifts. This helps forecast how much administrative time will be spent on a particular negotiation and identify prospective views of what might roll to bad debt.

Know Where You Net Out – Contract modeling calculates utilization, net revenue per day per contract, average Length of Visit by service line type and Total Patient Days IP/OP. Net revenue per day serves as a benchmark of how much money a hospital must bring in per patient per day to ensure profitability, which comes up during contract negotiations. Armed with information, all internal parties involved can see the causes of any reimbursement or pricing issues and work together to resolve them in advance of negotiation sessions.

Source: MedAssets