Renegotiating Payer Contracts

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By Kellie Rowden-Racette [2]

Trying to get a better deal from a payer? Hey, don’t laugh: It’s possible. But you’d better know your strengths and watch your language while at the negotiating table.

Why so glum? Is it time to renew your payer contracts? Now, now — while there’s no need to wail and gnash your teeth, there are certainly plenty of reasons to approach this endeavor with an air of caution. First of all, payer contracts are notoriously long and tedious to parse. Second, negotiating an insurance contract can be like making dinner for a mercurial toddler: Even though you both agree macaroni and cheese would be a perfectly fine meal, it might be another story when the plate hits the table. Similarly, once you agree to a payer’s rates, you also agree (and must understand) that they can change their reimbursement policies — medical or administrative — at any given time.

“It’s the only business where you sign a contract and it basically means nothing,” says Susanne Madden of the Verden Group. “They change their policies based on where they do not want to pay out money for care rendered. That’s the nature of the insurance business.” And as if this abyss of uncertainty isn’t enough to cause you stress, that’s not all you need to look out for. Some of the other sticky spots are located in the language of the contract:

Termination clauses. While it might seem appealing to slam down your fist and say “That’s it! We’re finished!” you need to check your timing first. If your contract obligates you to a 90-day notification and those 90 days need to be prior to your anniversary date, for example, you only have a brief window available for dramatic grandstanding. What’s more, if you have a three-year contract, you are pretty much locked in for the duration.

Timely filing rules. These can differ drastically from payer to payer and can range from 90 days to 180 days. The shorter the time frame, the worse for you. Ninety days is truly not enough time to file each claim and, if necessary, refile it in case one of the payer’s policies has changed (which, as we have learned, is very likely).

Take backs. Occasionally payers have the right to reclaim money they have already paid you. The reasons could be anything from having paid a claim twice to paying for a member who was no longer a policy holder at the time you provided service. If they don’t tell you what has happened (because nothing in your contract says they have to) the payer could act like the IRS and simply take the money from future claims on any patient, which can lead to serious accounting nightmares. So how do you avoid getting caught up in this sadistic shell game? First, understand you have more power than payers would like you to believe. Even though you aren’t their primary concern (after all, you aren’t their customer, the employers are), without you their network dwindles in size. While you will have little success insisting that payers’ policies shouldn’t change, you do have some other negotiating tactics at your disposal to help you avoid being taken advantage of.

Get your facts
First, determine if a certain payer is even worth contracting with again. By going into negotiations armed with specific data, you drastically increase your leverage and, if all goes well, increase your bottom line. The process is pretty simple:

- **What is your cost?** Most doctors have a fixed overhead — find out what yours is.

- **Convert your services into RVUs** (Relative Value Units) using the Medicare and Medicaid rates.

- **Divide your cost by RVUs.** This number will let you know how much service you need to provide to cover your costs.
• Plot out all the payers you contract with and compare where they are in terms of reimbursement and volume.

Once you see which providers are actually coming through on the volume and the reimbursement (and which ones aren’t), you know where you stand, and as Todd Welter of R.T. Welter & Associates, Inc., advises, “If they don’t bring the volume, you don’t allow the discount.”

**Watch (their) language**

If you’ve determined that a certain payer is worth working with, it’s time to fix the sticky parts of the contract so you have some measure of control. Some points you or, better yet, your attorney should insist on are:

**Material breach.** By negotiating upfront that if a payer changes a particular policy for services important to your practice and you lose, say $10,000, as a result, the payer is obligated to make up the difference. “If they value you, they will put in some language that helps protect your bottom line,” says Madden.

**Terms of contracts.** Most payers use Medicare fee schedules, which change frequently. For this reason, some experts advise that your contract be no longer than a year so you don’t get stuck with an unfavorable schedule for multiple years. But, since negotiations can sometimes take up to six months, others suggest that a three-year contract with a payer who has had favorable rates and has been easy to work with in the past might be worth it. Review your past experiences with a payer to see which term makes sense.

**Take backs.** To avoid having money suddenly deducted from future reimbursements without explanation, insist on some language in your contract that says the payer will contact you first and, upon showing documentation that backs up their claim that you owe them money, you will pay them directly.

**Fightin’ words.** In the event there is a dispute, you want to have some language in the contract that says the payer and the practice agree to come together to work out their difference in good faith. It’s a better solution than immediately pursuing arbitration, which can cost more time and money than the original problem was worth.

While payer contract negotiations can be onerous tasks, they needn’t leave you in the dark wondering where all your money has gone. By following the advice above, you can avoid needless headaches, and hopefully avoid scraping too much macaroni and cheese off the floor.

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