STRATEGICALLY NEGOTIATING MANAGED CARE CONTRACTS IN ALIGNMENT WITH YOUR GOALS

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Agenda

1. To compete in your market you need Strategic Perspective.

2. Understand the payers (a little bit) and the challenges in payer contracts.

3. Focus on the performance and profitability: current & proposed contracts.
   > (**It's not the rates, it's the revenue**.)

4. Show how modeling can improve your managed care contract strategy and performance.

5. Discuss proactive strategies.

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Our Thesis

Hospitals have traditionally focused on the rates based on the assumption that winning the rate battle leads to winning the revenue battle.

BUT

The payers are using ever more complex benefit designs and aggressive deployment of “bot” technology to “micromanage” your claims regardless of the rates, thus reducing your revenue.

SO

Contracts now must be evaluated as part of your long-term strategic plans. Are they structured based on your evaluation of the current and future health needs of the population you are serving to keep up with these challenges?

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Our Thesis (con't)

To win, managed care contracting must be conducted so it aligns the contract outcomes with your systems overall strategic plan to achieve your goals.

- Clear Goals for Negotiations
- Model: quantify positions (Revenues, Denials, Goals)
- Experienced Negotiators
- Focus on Outcomes

  = Successful Contract

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Strategic Perspectives

1. Know your Hospital/Health System

a) Capabilities

b) Challenges

2. Know your Market(s) Regional & Local

a) Healthcare Providers

b) Employers

c) Payers

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Strategic Perspectives

1. Does everyone in your organization have a clear understanding of your health system's goals?

2. Do you include all system assets in negotiations?

   Hospital, physicians, ancillary?

   1. Gives you a "system view" of the payer relationships and revenues
   2. Gives you more options to leverage in negotiations
   3. Decreases the payer's ability to pit one asset against another
   4. Evaluate service lines that are in development clinically,

      but not in your modeling data yet.

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Understanding your Payers

Preparation is the Key to Success

"To defeat your enemy - you must know him"
Sun Tsu, The Art of War

Understanding a little bit about the payers
can be an advantage for you

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Understanding your Payers

Payer Vulnerabilities

Many of the national payers are locked in a fee-for-service (FFS) mentality

- Existing contracts (Benefit plans of your patients)
- Payer staff (all they know is FFS)
- Current sales relationships – Reps, brokers, etc. sell percentage discounts

FFS claim adjudication system

- Changing from FFS to Value-Based Purchasing would require:
  - New systems and tools
  - Have to change contracts with subscribers

Making too much money in current system - picking apart your FFS claims

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Understanding your Payers

Payers build their contracts to:

1. Lower their risk by **moving it to you** and
2. to work best in their existing claims systems,
3. the more convoluted the better

Remember, the Payers **need you** to deliver the patient care they have contracted to provide to subscribers.

If not, what value do they add?

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Contract Challenges

Moving Risk to You

Payer contracts frequently have unilateral conditions:

- Claim Filing v Audit times
  - Provider: Limited time to file clams, but
  - Payer has Unlimited time to audit
- Product participation
  - Provider: must join all products so payer has network, but
  - Payer: unlimited rights to add or delete provider / network

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Challenging elements of payer contracts

- Products
  - (PPO, HMO, MCA, Healthcare Exchange – HIX, Tiered networks)
- Language Issues
  - Allow the payers to make unilateral changes without your consent?
- Rate Structures
  - Complex processes w Conflicting mechanics
- Revenue yield
  - Denials, Delays, Recoupment

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CBIZ

Here is what our Model Summary presents

Sample Medical Center A
Managed Care Modeling
Dates of Service: XXXX to XXXX

			Current Contract					Proposed Contract						Current vs Proposed Contract	
Service Description	**Charges**	**Payments (from 835)**	**Rate**	**Rate Basis**	**Rate * Volume**	**Lessor-of-Charges**	**Expected Payments**	**Rate**	**Rate Basis**	**Rate * Volume**	**Lessor-of-Charges**	**Impact of Minimum Discount**	**Expected Payments**	**% Change**	**$ Change**
Inpatient Services															
IP Medical	$ 5,554,521	$ 1,335,468	$ 7,583	v30 DRG	$ 1,324,827	$ -	$ 1,324,827	$ 6,170	v37 MS-DRG	$ 1,197,087	$ -	$ -	$ 1,197,087	-10%	$ (127,740)
IP Bone & Joint	$ 1,192,396	$ 216,769	$ 7,583	v30 DRG	$ 336,602	$ -	$ 336,602	$ 6,170	v37 MS-DRG	$ 201,826	$ -	$ -	$ 201,826	-40%	$ (134,776)
IP Surgical	$ 2,526,490	$ 557,725	$ 7,583	v30 DRG	$ 667,004	$ -	$ 667,004	$ 6,170	v37 MS-DRG	$ 613,725	$ -	$ (5,695)	$ 608,029	-9%	$ (58,975)
IP Female Reproductive	$ 196,927	$ 51,754	$ 7,583	v30 DRG	$ 50,635	$ -	$ 50,635	$ 6,170	v37 MS-DRG	$ 59,618	$ -	$ -	$ 59,618	18%	$ 8,982
IP Hepatobiliary/Pancreas	$ 278,513	$ 120,283	$ 7,583	v30 DRG	$ 62,548	$ -	$ 62,548	$ 6,170	v37 MS-DRG	$ 62,790	$ -	$ -	$ 62,790	0%	$ 243
IP Behavioral Health	$ 205,331	$ 55,274	$ 850	Per Diem	$ 80,046	$ -	$ 80,046	$ 850	Per Diem	$ 79,900	$ -	$ -	$ 79,900	0%	$ (146)
IP Chemical Dependency	$ 21,909	$ 1,652	$ 850	Per Diem	$ 850	$ -	$ 850	$ 850	Per Diem	$ 850	$ -	$ -	$ 850	0%	$ -
Deliveries															
IP Delivery Normal	$ 611,675	$ 105,797	$ 7,583	v30 DRG	$ 125,736	$ -	$ 125,736	$ 6,170	v37 MS-DRG	$ 156,889	$ -	$ -	$ 156,889	25%	$ 31,153
IP Delivery C-Section	$ 733,770	$ 190,482	$ 7,583	v30 DRG	$ 158,354	$ -	$ 158,354	$ 6,170	v37 MS-DRG	$ 217,725	$ -	$ -	$ 217,725	37%	$ 59,371
Newborns															
IP Normal Newborn	$ 131,570	$ 49,688	$ 7,583	v30 DRG	$ 32,457	$ -	$ 32,457	$ 6,170	v37 MS-DRG	$ 49,692	$ -	$ -	$ 49,692	53%	$ 17,235
IP Neonate	$ 542,802	$ 170,668	Multiple	Per Diem	$ 192,000	$ -	$ 192,000	Multiple	Per Diem	$ 192,000	$ -	$ -	$ 192,000	0%	$ -
Inpatient Subtotal	**$ 11,995,903**	**$ 2,855,559**			**$ 3,031,060**	**$ -**	**$ 3,031,060**			**$ 2,832,102**	**$ -**	**$ (5,695)**	**$ 2,826,407**	**-7%**	**$ (204,653)**
Outpatient Services															
Outpatient Procedure Grouper	$ 87,849,851	$ 14,760,989	150.0%	2013 FS	$ 14,768,585	$ -	$ 14,768,585	132%	2018 FS	$ 14,626,262	$ (14,285)	$ (22,007)	$ 14,589,970	-1%	$ (178,615)
OP Cardiac Cath	$ 851,004	$ 163,771	225.0%	2013 FS	$ 148,729	$ -	$ 148,729	132%	2018 FS	$ 148,468	$ -	$ -	$ 148,468	0%	$ (261)
ER Level 1	$ 36,248	$ 22,120	70.0%	% of Charge	$ 25,374	$ -	$ 25,374	$ 322	Case Rate	$ 24,794	$ (498)	$ (1,385)	$ 22,910	-10%	$ (2,464)
ER Level 2	$ 275,083	$ 168,856	70.0%	% of Charge	$ 192,558	$ -	$ 192,558	$ 652	Case Rate	$ 171,476	$ -	$ (10,853)	$ 160,623	-17%	$ (31,935)
ER Level 3	$ 3,980,269	$ 2,236,251	70.0%	% of Charge	$ 2,786,194	$ -	$ 2,786,194	$ 1,449	Case Rate	$ 2,500,974	$ (117,177)	$ (224,897)	$ 2,158,900	-23%	$ (627,294)
ER Level 4	$ 8,697,755	$ 4,422,614	70.0%	% of Charge	$ 6,088,438	$ -	$ 6,088,438	$ 2,880	Case Rate	$ 4,821,120	$ (129,481)	$ (232,339)	$ 4,459,299	-27%	$ (1,629,139)
ER Level 5	$ 6,098,549	$ 3,001,084	70.0%	% of Charge	$ 4,268,990	$ -	$ 4,268,990	$ 5,200	Case Rate	$ 3,634,800	$ (125,970)	$ (203,586)	$ 3,305,244	-23%	$ (963,745)
ER Critical Care	$ 173,166	$ 88,186	70.0%	% of Charge	$ 121,217	$ -	$ 121,217	$ 5,200	Case Rate	$ 67,600	$ -	$ -	$ 67,600	-44%	$ (53,617)
OP Rehab - PT	$ 12,417,420	$ 8,017,962	449%	2013 FS	$ 10,169,692	$ (934)	$ 10,168,758	100%	2018 FS	$ 2,259,646	$ -	$ -	$ 2,259,646	-78%	$ (7,909,113)
OP Rehab - OT	$ 1,011,162	$ 712,302	449%	2013 FS	$ 833,015	$ (404)	$ 832,610	100%	2018 FS	$ 180,575	$ -	$ -	$ 180,575	-78%	$ (652,035)
OP Rehab - ST	$ 8,631	$ 5,679	449%	2013 FS	$ 6,708	$ (258)	$ 6,449	100%	2018 FS	$ 1,708	$ -	$ -	$ 1,708	-74%	$ (4,741)
OP CT Scan	$ 663,787	$ 239,842	Multiple	2013 FS	$ 257,889	$ -	$ 257,889	100%	2018 FS	$ 49,221	$ -	$ -	$ 49,221	-81%	$ (208,668)
OP MRI	$ 1,647,558	$ 969,476	Multiple	2013 FS	$ 989,963	$ -	$ 989,963	100%	2018 FS	$ 196,158	$ -	$ -	$ 196,158	-80%	$ (793,805)
OP IV Therapy	$ 74,836	$ 32,757	Multiple	2013 FS	$ 35,554	$ -	$ 35,554	100%	2018 FS	$ 20,251	$ -	$ -	$ 20,251	-43%	$ (15,303)
OP Mammography	$ 293,431	$ 145,654	Multiple	2013 FS	$ 142,030	$ -	$ 142,030	100%	2018 FS	$ 65,554	$ -	$ -	$ 65,554	-54%	$ (76,476)
OP Nuclear Medicine	$ 396,355	$ 179,069	Multiple	2013 FS	$ 220,616	$ -	$ 220,616	100%	2018 FS	$ 60,283	$ -	$ -	$ 60,283	-73%	$ (160,333)
OP Other Diagnostic Radiology	$ 1,122,924	$ 586,229	Multiple	2013 FS	$ 587,349	$ (20)	$ 587,329	100%	2018 FS	$ 183,891	$ -	$ -	$ 183,891	-69%	$ (403,438)
OP Ultrasound	$ 424,777	$ 190,305	Multiple	2013 FS	$ 196,349	$ -	$ 196,349	100%	2018 FS	$ 64,691	$ -	$ -	$ 64,691	-67%	$ (131,658)
OP Other	$ 883,049	$ 351,806	449%	2013 FS	$ 363,055	$ (18,374)	$ 344,681	Multiple	2018 FS	$ 165,798	$ (1,195)	$ (2,031)	$ 162,572	-53%	$ (182,109)
Outpatient Subtotal	**$ 126,905,855**	**$ 36,294,952**			**$ 42,202,303**	**$ (19,990)**	**$ 42,182,313**			**$ 29,243,270**	**$ (388,606)**	**$ (697,099)**	**$ 28,157,565**	**-33%**	**$ (14,024,748)**
All Services Total	**$ 138,901,758**	**$ 39,150,510**			**$ 45,233,362**	**$ (19,990)**	**$ 45,213,373**			**$ 32,075,372**	**$ (388,606)**	**$ (702,794)**	**$ 30,983,971**	**-31%**	**$ (14,229,401)**

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Sample Medical Center A
Managed Care Modeling
Dates of Service: XXXX to XXXX

Service Description	Charges	Payments (from 835)
Inpatient Services		
IP Medical	$ 5,554,521	$ 1,335,468
IP Bone & Joint	$ 1,192,396	$ 216,769
IP Surgical	$ 2,526,490	$ 557,725
IP Female Reproductive	$ 196,927	$ 51,754
IP Hepatobiliary/Pancreas	$ 278,513	$ 120,283
IP Behavioral Health	$ 205,331	$ 55,274

											Proposed Contract					Current vs Proposed Contract	
										Rate Basis	Rate * Volume	Lessor-of-Charges	Impact of Minimum Discount	Expected Payments	% Change	$ Change
									170	v37 MS-DRG	$ 1,197,087	$ -	$ -	$ 1,197,087	-10%	$ (127,740)
									170	v37 MS-DRG	$ 201,826	$ -	$ -	$ 201,826	-40%	$ (134,776)
									170	v37 MS-DRG	$ 613,725	$ -	$ (5,695)	$ 608,029	-9%	$ (58,975)
									170	v37 MS-DRG	$ 59,618	$ -	$ -	$ 59,618	18%	$ 8,982
									170	v37 MS-DRG	$ 62,790	$ -	$ -	$ 62,790	0%	$ 243
									850	Per Diem	$ 79,900	$ -	$ -	$ 79,900	0%	$ (146)
									850	Per Diem	$ 850	$ -	$ -	$ 850	0%	$ -
									170	v37 MS-DRG	$ 156,889	$ -	$ -	$ 156,889	25%	$ 31,153
									170	v37 MS-DRG	$ 217,725	$ -	$ -	$ 217,725	37%	$ 59,371
									170	v37 MS-DRG	$ 49,692	$ -	$ -	$ 49,692	53%	$ 17,235
									ple	Per Diem	$ 192,000	$ -	$ -	$ 192,000	0%	$ -
Inpatient Subtotal	**$ 11,995,903**	**$ 2,855,559**			**$ 3,031,060**	**$ -**	**$ 3,031,060**				**$ 2,832,102**	**$ -**	**$ (5,695)**	**$ 2,826,407**	**-7%**	**$ (204,653)**
Outpatient Services																
Outpatient Procedure Grouper	$ 87,849,851	$ 14,760,989	150.0%	2013 FS	$ 14,768,585	$ -	$ 14,768,585		132%	2018 FS	$ 14,626,262	$ (14,285)	$ (22,007)	$ 14,589,970	-1%	$ (178,615)
OP Cardiac Cath	$ 851,004	$ 163,771	225.0%	2013 FS	$ 148,729	$ -	$ 148,729		132%	2018 FS	$ 148,468	$ -	$ -	$ 148,468	0%	$ (261)
ER Level 1	$ 36,248	$ 22,120	70.0%	% of Charge	$ 25,374	$ -	$ 25,374	$ 322	Case Rate		$ 24,794	$ (498)	$ (1,385)	$ 22,910	-10%	$ (2,464)
ER Level 2	$ 275,083	$ 168,856	70.0%	% of Charge	$ 192,558	$ -	$ 192,558	$ 652	Case Rate		$ 171,476	$ -	$ (10,853)	$ 160,623	-17%	$ (31,935)
ER Level 3	$ 3,980,269	$ 2,236,251	70.0%	% of Charge	$ 2,786,194	$ -	$ 2,786,194	$ 1,449	Case Rate		$ 2,500,974	$ (117,177)	$ (224,897)	$ 2,158,900	-23%	$ (627,294)
ER Level 4	$ 8,697,755	$ 4,422,614	70.0%	% of Charge	$ 6,088,438	$ -	$ 6,088,438	$ 2,880	Case Rate		$ 4,821,120	$ (129,481)	$ (232,339)	$ 4,459,299	-27%	$ (1,629,139)
ER Level 5	$ 6,098,549	$ 3,001,084	70.0%	% of Charge	$ 4,268,990	$ -	$ 4,268,990	$ 5,200	Case Rate		$ 3,634,800	$ (125,970)	$ (203,586)	$ 3,305,244	-23%	$ (963,745)
ER Critical Care	$ 173,166	$ 88,186	70.0%	% of Charge	$ 121,217	$ -	$ 121,217	$ 5,200	Case Rate		$ 67,600	$ -	$ -	$ 67,600	-44%	$ (53,617)
OP Rehab - PT	$ 12,417,420	$ 8,017,962	449%	2013 FS	$ 10,169,692	$ (934)	$ 10,168,758		100%	2018 FS	$ 2,259,646	$ -	$ -	$ 2,259,646	-78%	$ (7,909,113)
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OP MRI	$ 1,647,558	$ 969,476	Multiple	2013 FS	$ 989,963	$ -	$ 989,963		100%	2018 FS	$ 196,158	$ -	$ -	$ 196,158	-80%	$ (793,805)
OP IV Therapy	$ 74,836	$ 32,757	Multiple	2013 FS	$ 35,554	$ -	$ 35,554		100%	2018 FS	$ 20,251	$ -	$ -	$ 20,251	-43%	$ (15,303)
OP Mammography	$ 293,431	$ 145,654	Multiple	2013 FS	$ 142,030	$ -	$ 142,030		100%	2018 FS	$ 65,554	$ -	$ -	$ 65,554	-54%	$ (76,476)
OP Nuclear Medicine	$ 396,355	$ 179,069	Multiple	2013 FS	$ 220,616	$ -	$ 220,616		100%	2018 FS	$ 60,283	$ -	$ -	$ 60,283	-73%	$ (160,333)
OP Other Diagnostic Radiology	$ 1,122,924	$ 586,229	Multiple	2013 FS	$ 587,349	$ (20)	$ 587,329		100%	2018 FS	$ 183,891	$ -	$ -	$ 183,891	-69%	$ (403,438)
OP Ultrasound	$ 424,777	$ 190,305	Multiple	2013 FS	$ 196,349	$ -	$ 196,349		100%	2018 FS	$ 64,691	$ -	$ -	$ 64,691	-67%	$ (131,658)
OP Other	$ 883,049	$ 351,806	449%	2013 FS	$ 363,055	$ (18,374)	$ 344,681		Multiple	2018 FS	$ 165,798	$ (1,195)	$ (2,031)	$ 162,572	-53%	$ (182,109)
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Dates of Service: XXXX to XXXX

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																% Change	$ Change
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IP Bone & Joint														$ -	$ 201,826	-40%	$ (134,776)
IP Surgical														$ (5,695)	$ 608,029	-9%	$ (58,975)
IP Female Reproductive														$ -	$ 59,618	18%	$ 8,982
IP Hepatobiliary/Pancreas														$ -	$ 62,790	0%	$ 243
IP Behavioral Health														$ -	$ 79,900	0%	$ (146)
IP Chemical Dependency														$ -	$ 850	0%	$ -
Deliveries																	
IP Delivery Normal	3	$ 7,583	v30 DRG	$ 1,324,827	$ -	$ 1,324,827								$ -	$ 156,889	25%	$ 31,153
IP Delivery C-Section	9	$ 7,583	v30 DRG	$ 336,602	$ -	$ 336,602								$ -	$ 217,725	37%	$ 59,371
Newborns																	
IP Normal Newborn	5	$ 7,583	v30 DRG	$ 667,004	$ -	$ 667,004								$ -	$ 49,692	53%	$ 17,235
IP Neonate														$ -	$ 192,000	0%	$ -
Inpatient Subtotal	4	$ 7,583	v30 DRG	$ 50,635	$ -	$ 50,635								$ (5,695)	$ 2,826,407	-7%	$ (204,653)
Outpatient Services																	
Outpatient Procedure Grouper	3	$ 7,583	v30 DRG	$ 62,548	$ -	$ 62,548								$ (22,007)	$ 14,589,970	-1%	$ (178,615)
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ER Level 5	$ 6,098,549	$ 3,001,084	70.0%	% of Charge	$ 4,268,990	$ -	$ 4,268,990	$ 5,200	Case Rate	$ 3,634,800	$ (125,970)	$ (203,586)	$ 3,305,244	-23%	$ (963,745)		
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OP IV Therapy	$ 74,836	$ 32,757	Multiple	2013 FS	$ 35,554	$ -	$ 35,554	100%	2018 FS	$ 20,251	$ -	$ -	$ 20,251	-43%	$ (15,303)		
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OP Nuclear Medicine	$ 396,355	$ 179,069	Multiple	2013 FS	$ 220,616	$ -	$ 220,616	100%	2018 FS	$ 60,283	$ -	$ -	$ 60,283	-73%	$ (160,333)		
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OP Ultrasound	$ 424,777	$ 190,305	Multiple	2013 FS	$ 196,349	$ -	$ 196,349	100%	2018 FS	$ 64,691	$ -	$ -	$ 64,691	-67%	$ (131,658)		
OP Other	$ 883,049	$ 351,806	449%	2013 FS	$ 363,055	$ (18,374)	$ 344,681	Multiple	2018 FS	$ 165,798	$ (1,195)	$ (2,031)	$ 162,572	-53%	$ (182,109)		
Outpatient Subtotal	$ 126,905,855	$ 36,294,952			$ 42,202,303	$ (19,990)	$ 42,182,313			$ 29,243,270	$ (388,606)	$ (697,099)	$ 28,157,565	-33%	$ (14,024,748)		
All Services Total	$ 138,901,758	$ 39,150,510			$ 45,233,362	$ (19,990)	$ 45,213,373			$ 32,075,372	$ (388,606)	$ (702,794)	$ 30,983,971	-31%	$ (14,229,401)		

DENIALS

Contract authorizes payment ONLY for those:

1. Covered Services provided to
2. Covered Individual that are
3. Medically Necessary

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Summary of Denials by Service and Reason

Sample Medical Center C
Managed Care Modeling
Dates of Service: XXXX to XXXX
Summary of Denials, by Reason

Service Description	Payments (from 835)	Expected Payments	Variance from Expected	Total Denied Charges	By Denial Reason: Additional Documentation Required	Precertification Problem	Member not eligbile	Non-covered Service	Non-covered - Medical Necessity
Inpatient Services									
IP Surgical	$ 3,508,332	$ 4,060,758	$ (552,426)	$ 690,628	$ 554,070	$ 9,879	$ 126,680	$ -	$ -
Outpatient Services									
Outpatient Procedure Grouper	$ 15,917,176	$ 18,475,493	$ (2,558,317)	$ 893,447	$ 475,976	$ 358,726	$ 35,716	$ 10,245	$ 12,783
OP CT Scan	$ 456,678	$ 559,693	$ (103,015)	$ 176,678	$ 11,214	$ 160,056	$ 5,409	$ -	$ -
OP PET Scan	$ 13,031	$ 17,514	$ (4,483)	$ 4,524	$ -	$ 4,524	$ -	$ -	$ -
OP MRI	$ 2,665,052	$ 2,842,323	$ (177,271)	$ 256,179	$ 46,574	$ 184,106	$ 10,402	$ -	$ 15,096
Outpatient Subtotal	$ 36,144,981	$ 40,254,929	$ (4,109,948)	$ 1,976,118	$ 741,068	$ 915,152	$ 180,112	$ 111,908	$ 27,879
All Services Total	$ 42,371,220	$ 47,621,919	$ (5,250,698)	$ 2,791,395	$ 1,358,818	$ 973,261	$ 308,799	$ 122,638	$ 27,879

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Contract Challenges

Payers fee schedule updates:

- The rates may look the same -- but the impact to your revenue could be significant.
- Here are a couple of examples of the impact of payer fee schedule updates

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Impact of Fee Schedule Mark-ups

Sample Hospital
Managed Care Modeling : Payer X
Dates of Service: MM/YYYY to MM/YYYY

Service Description	Charges	Provider Proposal					Payer Counter Proposal					% Change	$ Change
		Rate	Rate Basis	Rate * Volume	Lessor-of-Charges	Expected Payments	Rate	Rate Basis	Rate * Volume	Lessor-of-Charges	Expected Payments		
Outpatient Services													
Outpatient Procedure Grouper	$ 69,950,915	Multiple	BC FS	$ 56,197,835	$ (6,570,850)	$ 49,626,985	350%	BC FS	$ 32,168,557	$ (1,068,889)	$ 31,099,668	-37%	$ (18,527,317)
ER Level 3	$ 1,806,464	Multiple	BC FS	$ 2,342,430	$ (822,046)	$ 1,520,384	350%	BC FS	$ 879,577	$ (51,797)	$ 827,780	-46%	$ (692,604)
ER Level 4	$ 6,835,055	Multiple	BC FS	$ 5,779,759	$ (725,085)	$ 5,054,674	350%	BC FS	$ 1,755,705	$ (6,643)	$ 1,749,062	-65%	$ (3,305,612)
OP Rehab - PT	$ 36,778,867	Multiple	BC FS	$ 29,348,648	$ (54,103)	$ 29,294,545	350%	BC FS	$ 21,627,877	$ (1,242)	$ 21,626,635	-26%	$ (7,667,910)
OP Rehab - OT	$ 2,697,443	Multiple	BC FS	$ 2,254,745	$ (17,497)	$ 2,237,248	350%	BC FS	$ 1,667,024	$ (227)	$ 1,666,798	-25%	$ (570,451)
OP CT Scan	$ 4,299,966	Multiple	BC FS	$ 1,398,520	$ (3,149)	$ 1,395,371	350%	BC FS	$ 736,372	$ (110)	$ 736,262	-47%	$ (659,109)
OP MRI	$ 13,813,072	Multiple	BC FS	$ 6,313,573	$ (1,578)	$ 6,311,994	350%	BC FS	$ 3,109,083	$ -	$ 3,109,083	-51%	$ (3,202,912)
OP IV Therapy	$ 4,545,301	Multiple	BC FS	$ 2,257,045	$ (8,984)	$ 2,248,061	350%	BC FS	$ 2,173,442	$ (1,907)	$ 2,171,535	-3%	$ (76,526)
OP Other Diagnostic Radiology	$ 2,163,016	Multiple	BC FS	$ 939,035	$ (68,996)	$ 870,039	350%	BC FS	$ 802,120	$ (36,491)	$ 765,629	-12%	$ (104,410)
OP Ultrasound	$ 954,951	Multiple	BC FS	$ 635,901	$ (65,348)	$ 570,554	350%	BC FS	$ 547,668	$ (29,741)	$ 517,927	-9%	$ (52,627)
OP Other	$ 5,582,949	Multiple	BC FS	$ 2,910,236	$ (150,270)	$ 2,759,967	350%	BC FS	$ 2,442,701	$ (74,026)	$ 2,368,675	-14%	$ (391,291)
Outpatient Subtotal	**$ 161,181,229**			**$ 121,687,168**	**$ (10,194,134)**	**$ 111,493,034**			**$ 73,252,113**	**$ (1,494,389)**	**$ 71,757,724**	-36%	**$ (39,735,310)**
All Services Total	**$ 199,122,212**			**$ 146,844,498**	**$ (12,664,659)**	**$ 134,179,839**			**$ 98,405,113**	**$ (3,964,654)**	**$ 94,440,459**	-30%	**$ (39,739,380)**

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Sample Medical Center D
Managed Care Modeling
Dates of Service: XXXX to XXXX
Fee Schedule Items

Service Type	Rev Code	HCPCS Code	CPT Description	Proposed Category	Proposed Method	Units	Charges	Current F/S Base	Current Per Unit	Current Payment	Proposed F/S Base	Proposed Per Unit	Proposed Payment
OP Rehab - PT	0420	95992	Canalith repositioning proc	Other	Fee Schedule	37	$ 4,107	$ 166	$ 166	$ 6,152	$ 38	$ 38	$ 1,421
OP Rehab - PT	0420	97010	Hot or cold packs therapy	Other	Fee Schedule	1,174	$ 91,572	$ 6.12	$ 27.48	$ 32,262	$ 6	$ 6	$ 7,584
OP Rehab - PT	0420	97012	Mechanical traction therapy	Other	Fee Schedule	42	$ 6,468	$ 15.97	$ 71.71	$ 3,012	$ 15	$ 15	$ 633
OP Rehab - PT	0420	97014	Electric stimulation therapy	Other	Fee Schedule	12	$ 1,740	$ 15.97	$ 71.71	$ 861	$ 15.79	$ 15.79	$ 189
OP Rehab - PT	0420	97016	Vasopneumatic device therapy	Other	Fee Schedule	49	$ 6,566	$ 19.37	$ 86.97	$ 4,262	$ 16.15	$ 16.15	$ 791
OP Rehab - PT	0420	97018	Paraffin bath therapy	Other	Fee Schedule	13	$ 1,885	$ 11.21	$ 50.33	$ 654	$ 8.97	$ 8.97	$ 117
OP Rehab - PT	0420	97022	Whirlpool therapy	Other	Fee Schedule	334	$ 51,436	$ 23.78	$ 106.77	$ 35,661	$ 19.38	$ 19.38	$ 6,473
OP Rehab - PT	0420	97032	Electrical stimulation	Other	Fee Schedule	131	$ 17,685	$ 19.03	$ 85.44	$ 11,193	$ 15.79	$ 15.79	$ 2,068
OP Rehab - PT	0420	97033	Electric current therapy	Other	Fee Schedule	9	$ 1,440	$ 32.96	$ 147.99	$ 1,332	$ 21.17	$ 21.17	$ 191
OP Rehab - PT	0420	97035	Ultrasound therapy	Other	Fee Schedule	1,998	$ 289,710	$ 12.57	$ 56.44	$ 112,767	$ 13.64	$ 13.64	$ 27,253
OP Rehab - PT	0420	97110	Therapeutic exercises	Other	Fee Schedule	37,041	$ 6,630,105	$ 31.94	$ 143.41	$ 5,312,050	$ 31.22	$ 31.22	$ 1,156,420
OP Rehab - PT	0420	97112	Neuromuscular reeducation	Other	Fee Schedule	9,577	$ 1,551,474	$ 33.30	$ 149.52	$ 1,431,953	$ 35.53	$ 35.53	$ 340,271
OP Rehab - PT	0420	97113	Aquatic therapy/exercises	Other	Fee Schedule	108	$ 22,896	$ 43.49	$ 195.27	$ 21,089	$ 39.84	$ 39.84	$ 4,303
OP Rehab - PT	0420	97116	Gait training therapy	Other	Fee Schedule	266	$ 55,328	$ 28.20	$ 126.62	$ 33,681	$ 30.86	$ 30.86	$ 8,209
													812
													241
													374,815
													75
													82,375
													176
													768
													477
													36,620
													132,059
													41,770
OP Rehab - PT	0424	97163	Pt eval high complex 45 min	Other	Fee Schedule	46	$ 16,008	$ 81.52	$ 366.02	$ 16,837	$ 85.42	$ 85.42	$ 3,929
OP Rehab - PT	0424	97164	Pt re-eval est plan care	Other	Fee Schedule	417	$ 110,044	$ 55.42	$ 248.84	$ 103,766	$ 57.78	$ 57.78	$ 24,094
OP Rehab - PT	0430	97110	Therapeutic exercises	Other	Fee Schedule	30	$ 7,920	$ 31.94	$ 143.41	$ 5,502	$ 31.22	$ 31.22	$ 1,218
OP Rehab - PT	0430	97112											178
OP Rehab - PT	0430	97140											284
OP Rehab - PT	0430	97530											238
OP Rehab - PT	0434	97166											184
OP Rehab - PT	0444	92610											74

Service Type	Rev Code	HCPCS Code	CPT Description	Proposed Category	Proposed Method
OP Rehab - PT	0420	95992	Canalith repositioning proc	Other	Fee Schedule
OP Rehab - PT	0420	97010	Hot or cold packs therapy	Other	Fee Schedule
OP Rehab - PT	0420	97012	Mechanical traction therapy	Other	Fee Schedule

Current F/S Base	Current Per Unit	Current Payment	Proposed F/S Base	Proposed Per Unit	Proposed Payment
$ 166	$ 166	$ 6,152	$ 38	$ 38	$ 1,421
$ 6.12	$ 27.48	$ 32,262	$ 6	$ 6	$ 7,584
$ 15.97	$ 71.71	$ 3,012	$ 15	$ 15	$ 633
$ 15.97	$ 71.71	$ 861	$ 15.79	$ 15.79	$ 189

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Underlying Fee Schedule Updates Matter

Sample Medical Center D
Managed Care Modeling
Dates of Service: XXXX to XXXX
Fee Schedule Items

Service Type	HCPCS Code	CPT Description	Units	449% Mark-up			455% Mark-up		
				Current F/S Base	Current Per Unit	Current Payment	Proposed F/S Base	Proposed Per Unit	Proposed Payment
OP Rehab - PT	97035	Ultrasound therapy	1,998	$ 12.57	$ 56.44	$ 112,767	$ 13.64	$ 62.06	$ 124,000
OP Rehab - PT	97110	Therapeutic exercises	37,041	$ 31.94	$ 143.41	$ 5,312,050	$ 30.82	$ 140.23	$ 5,194,296
OP Rehab - PT	97112	Neuromuscular reeducation	9,577	$ 33.30	$ 149.52	$ 1,431,953	$ 34.53	$ 157.11	$ 1,504,657

Change in Base			Change in Marked-up		
Before	After	% Change	Before	After	
$ 12.57	$ 13.64	9%	$ 56.44	$ 62.06	10%
$ 31.94	$ 30.82	-4%	$ 143.41	$ 140.23	-2%
$ 33.30	$ 34.53	4%	$ 149.52	$ 157.11	5%

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Lesser of Impact

- Lesser of language allows the payer to pick what is best for them, based on claim structure, contracted rates or your CDM charges.

- CDM caps limit your ability to increase your charges relative to your costs.

- Though the contract reimburses most services from a fee schedule – the payer reviews your line items to determine which to use.

➢ Here is an example of the impact.

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Lesser-Of-Charge Methodology

Sample Hospital
Managed Care Modeling : Payer X
Dates of Service: MM/YYYY to MM/YYYY

Service Description	Unique Accounts		Charges	Payments (from 835)	Provider Proposal				
					Rate	Rate Basis	Rate * Volume	Lessor-of-Charges	Expected Payments
Inpatient Services		Days							
IP Other	311	1,194	$ 15,486,882	$ 5,761,937	$ 25,583	Base Rate	$ 10,604,152	$ (1,283,604)	$ 9,320,548
Deliveries		Days							
IP Delivery Normal	81	150	$ 767,463	$ 543,600	$ 25,583	Base Rate	$ 1,347,003	$ (586,014)	$ 760,988
IP Delivery C-Section	27	63	$ 418,880	$ 136,608	$ 25,583	Base Rate	$ 668,828	$ (231,977)	$ 436,850
Newborns									
IP Normal Newborn	81	122	$ 248,607	$ 100,923	$ 25,583	Base Rate	$ 388,127	$ (151,173)	$ 236,954
IP Neonate	30	53	$ 114,564	$ 60,752	$ 1,281	Per Day	$ 72,223	$ (279)	$ 71,944
Inpatient Subtotal	**708**		**$ 37,940,982**	**$ 8,208,045**			**$ 25,157,329**	**$ (2,470,525)**	**$ 22,686,805**
Outpatient Services									
Outpatient Procedure Grouper	3,195		$ 69,950,915	$ 17,984,263	Multiple	BC FS	$ 56,197,835	$ (6,570,850)	$ 49,626,985
ER Level 3	1,147		$ 1,806,464	$ 907,787	Multiple	BC FS	$ 2,342,430	$ (822,046)	$ 1,520,384
ER Level 4	1,410		$ 6,835,055	$ 4,027,043	Multiple	BC FS	$ 5,779,759	$ (725,085)	$ 5,054,674
ER Level 5	462		$ 3,452,817	$ 1,790,992	Multiple	BC FS	$ 2,790,132	$ (296,571)	$ 2,493,561
		Visits							
OP PET Scan	25	25	$ 126,240	$ 81,019	Multiple	BC FS	$ 264,687	$ (132,135)	$ 132,552
OP Other	3,150	9,261	$ 5,582,949	$ 4,376,108	Multiple	BC FS	$ 2,910,236	$ (150,270)	$ 2,759,967
Outpatient Subtotal	**30,912**		**$ 161,181,229**	**$ 70,424,142**			**$ 121,687,168**	**$ (10,194,134)**	**$ 111,493,034**
All Services Total	**31,620**		**$ 199,122,212**	**$ 78,632,186**			**$ 146,844,498**	**$ (12,664,659)**	**$ 134,179,839**

We have discussed some of the challenges

Now what do we do about it?

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PROACTIVE SOLUTIONS

How do we balance these agreements out so we can win?

1. Strategic Perspective
2. Models to quantify current & future revenues
3. Understand the Payer
4. Disciplined Process
5. Achieve Revenue Results
6. Repeat with next Payer

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Strategic Perspective
You need to Control the Dialogue & Timing

Game Planning – Do not go into the negotiations without a plan and good modeling.

1. Your Goals
2. How does the revenue from the payer contract support that goal, based on the rates in the contract?

Your models must measure concerns with current contracts and areas of needed improvement for future contracts.

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Modeling Considerations

- Starting Revenue
  - What is the current contract net revenue?
- Medicare benchmarks
  - Don’t assume Payer fee schedules are % of CMS or follow CMS rules
    - DRG weights between different groupers; APR v MS……..
    - ER case rates – levels & bundling edits are key
- Frozen CDMs
  - Lesser of charges: huge impact in many models
    - > Payer claim logic: claim v line?
  - New * - Minimum discounts

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Modeling Considerations

Denials are a key part of the equation

- When can they be made & what criteria is used?
  - Contractual language traps
- Do you measure their impact on FTE's & net revenue?

Fee Schedule Landmines

- New Fee Schedules: comparative modeling is key
- Marked up Rate could hide Fee Schedule cuts
- Detailed analysis > understand total impact on net revenue

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Contract Compliance

Hard earned "wins" can't be left to reporting of the built-in contract management system.

The detailed modeling in your contract negotiation's is the basis to determine "realizable revenue" from your payer agreements.

Realizable revenue: must be updated for actual volume and compared to actual revenue to determine how the contract is performing.

Key aspects of contract compliance:

- Summarization of the specific issue – with dollar impact identified.
- Detail from the model and the agreed upon contract terms as supporting documentation.
- Patient-level information to present to the payer.

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Contract Compliance

- Claim adjudication is transactional; strategic analysis is cumulative
- Measure contract performance over time
  - Volume vs revenue
- Review variances over uniform time periods to measure trend improvement or deterioration

PROACTIVE SOLUTION RESULTS

Identify and organize system-wide Issues

Gather right resources to address:

- (Clinical, Financial, Operational)

Measure magnitude and velocity of non-compliant revenue

- Measure Materiality – trends are your friends
  - Volume of claims affected & dollar amount impacted?

Quantify the negative impact with **fact-based data** and share that with the payer

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Proactive Solutions

Plan a measured proposal that achieves your goals

- Develop proposals for **measurable solutions** that resolve the problem(s)
  - What are your deal breakers/like to haves/nice to haves? you won't get all, but you must get some
- Create a comprehensive, prioritized **proposal** that if accepted will **achieve** the systems **goals**

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Takeaways from Today's Presentation

1. Align your managed care contract negotiations with your overall growth strategy

2. Improve revenue by understanding contract requirements

3. Understand performance and profitability through modeling of current and proposed contracts

4. This process will help you improve competitive position in your market

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Takeaways – Modeling Checklist:

- Negotiate **all of your assets** for **all of the payers products** to have the **same effective and term dates** & requirements
- Are you using the correct Fee Schedules in model?
- Minimum discount & Charge Master increase limitations
- Medicare benchmarks
- ER case rates – levels are key
- Are you measuring with the right tools?

How can we help you?

If you have questions later on, feel free to contact us.

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