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Specialties: Payer Analysis, Managed Care Negotiations, Design and Implementation of Financial Systems, Physician Practice Start-Ups, Strategic Planning and Financial Management. Dana is responsible for related managed care activities throughout multiple provider networks and affiliated IPA's. The CodeToolz Contract Analyzer's primary focus is to provide precisely timed, data-driven payer renegotiations, securing the best payer fee schedules possible. You can see more of Dana's background via [LinkedIn](#).

Payer Contract Re-Negotiations

Most offices have never renegotiated their contracts and very few renegotiate them on an annual basis. This simple fact means that practices are missing out on additional revenue that can be substantial and greatly impact the practice's revenue. To increase revenues, a medical practice must attempt to negotiate with its managed care payers. Without any attempt at negotiation, any practice will be at the mercy of any payer in its own service area. Practices can improve their revenues through an aggressive managed care payer contracting strategy.

Ensuring maximum reimbursement in a timely manner is always at the top of a healthcare provider's mind. But we find too often that many providers are leaving money on the table with inefficient and infrequent payer contract management.

Providers can overcome these challenges and maximize their revenue by creating a central space for contracts, analyzing financial terms and preparing for re-negotiations.

Understanding and Defining Your Leverage

The ability to negotiate or renegotiate a managed care contract is often determined by the amount of leverage a practice or provider has in the marketplace. To identify your negotiation leverage (or lack thereof) and opportunities for shared benefit, start with a SWOT analysis (strengths, weaknesses, opportunities, threats). *Most physicians come to the negotiation table without a defined contract strategy.*

- Do you perform unique procedures or services, are you highly trained, is there a shortage in your market, etc.?
- What are benefits to the patients you treat; in your opinion, what is the level of patient satisfaction?
- What do you do clinically that reduces healthcare costs for the payer?
- What separates you from your competition?
- What do you do clinically better than your competitors?
- What benefits do you bring to the hospitals you cover?
- What about you makes you “special” within the payer’s provider network?
- The practice may provide expensive, unique equipment that will not be available to patients if the practice does not participate with the payer.

The success of renegotiation rests on the ability to provide cost-effective, evidenced-based services and convince payers of their value! The goal is to tell a story about the practice and communicate why a raise in rates should be granted. *If true, emphasize the fact that there has not been an increase in years.*

Your purpose is to convince the payer that you offer superior service, above and beyond what other competitors offer.

Pre-Negotiation

Before you begin the negotiation process, you must decide on the important issues that you want to negotiate. There are two main issues involved with any managed care contract negotiation:

1. Negotiation of financial terms, and
2. Negotiation of legal terms.

It should be no surprise that financial terms are critical factors to physicians since they have a direct impact on revenues. For legal terms it may not be so straightforward. The objective is to try to negotiate into a contract with legal terms like the ones included in the American Medical Association’s model agreement.

To most providers, the most important part of any contract is the fee schedule. If the fee schedule is unacceptable, the clauses and language contained in the rest of the contract is irrelevant.

Writing Notice to Renegotiate

- On letterhead with practice name, TIN and locations.
- List all physicians and signatures within the practice.
- *Prepare a value proposition / proposal letter and get it to the payer contracting manager (not the provider relations representative).*
- Date by which you request a response.

Initial Payer Responses

You can expect most payers' initial response to inform you of a moratorium on negotiation or a "we're already paying market value" message. Don't accept that. Tell them that's not in the contract.

If the payer is not willing to publish the fees it pays other practices, its claims about market value to other practices will be unsubstantiated and meaningless to your negotiation. This is why you have our Contract Analyzer - to truly determine what other payers are paying in your market.

Re-Negotiation Appeals

You may want to consider the following language in response;

- *"According to the terms of our agreement, I can serve you notice at this time. Please know that the purpose is to renegotiate and not terminate, but if we don't come to terms in 30 days, please understand that this is my termination notice."*

Payers may say they don't renegotiate under threat of termination, but there's no sanction without the threat and the payer can simply disregard your notice to renegotiate.

Warning shots fired in the form of a termination notice may be needed to begin the process. Why? Friendly requests for term renegotiations can be fruitless if the payer believes you will not terminate the contract.

Ask yourself this very real question: are you willing to walk out on the contract and terminate if the network or payer won't work with your terms? Be firm on the terms you want. It's up to you to decide what to accept.

If the practice anticipates that the payer will not cooperate in improving contract terms, the practice may preemptively make this known to referring physicians, facilities where the practice provides coverage, to employers and to patients. These groups may intervene on behalf of the practice.

Payer Re-Negotiation Timeline

