

A stack of several books is shown from a low angle, looking up at the spines. The books are arranged in a slightly curved line, creating a sense of depth. The spines are light-colored, and the pages are visible at the edges. The background is a soft, light blue gradient.

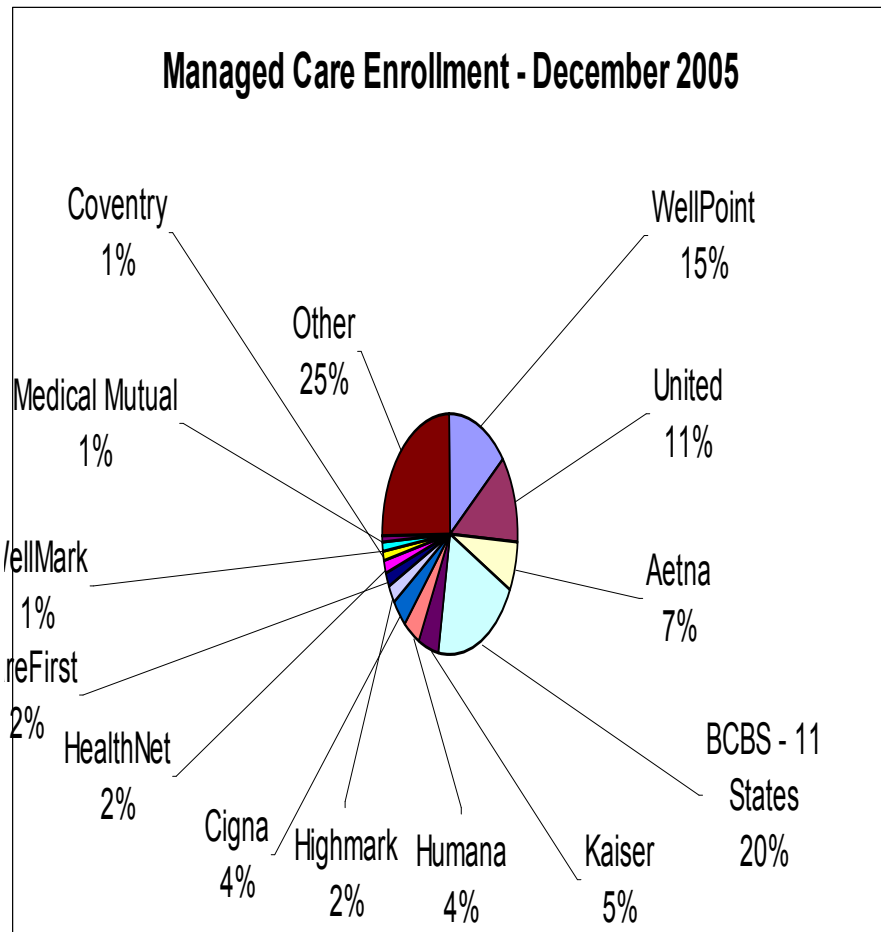
How to Garner Negotiating Power



Session Outline

- State of the national and *local* managed care markets
- Current payer priorities
- Factors driving “provider leverage”
- What the payers are saying
- Assessing your practice’s leverage
- Techniques for maximizing leverage
- Positioning your practice for the future
- Quiz Results
- Questions

The National Managed Care Marketplace



- 25 Plans make up 75% of enrollment
- Source: AIS Market Data AISHealth.com



The National Managed Care Marketplace

“For those who track the ins and out of health plans, 2005 was anything but boring?” [HealthLeaders](#), March 2006

- **Reacting to Changes in Medicare - Part D and Medicare Advantage**
- **More Mergers**
- **Consumer Driven Health Care**
- **Increasing Premiums - Up 11.2% from 2003 to 2004***
- **Continued Public Sector Focus**

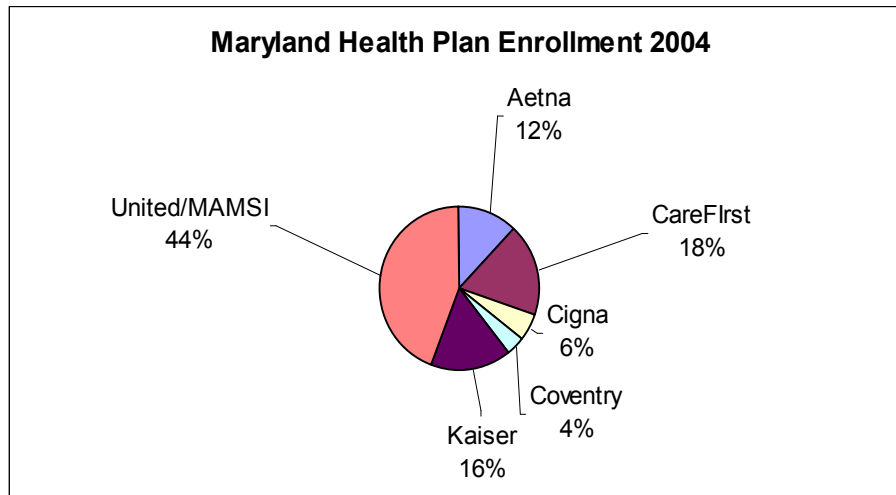
Source: [Maryland Healthcare Commission 2005 Comprehensive Performance Report](#)



The National Managed Care Marketplace

- A Desire to Use Technology to Increase Patient Safety and Evaluate Care Delivery
- Decreasing HMO Numbers
- Growth in Disease Management plans and products
- Huge interest in Pay for Performance -
Both private and public

The Local Managed Care Market



- 6 Major Plans Cover 2.4 Million HMO/PPO members
- Source: Maryland Health Care Commission 2004 Comprehensive Performance Report



The Local Marketplace

- **Medicare** - Return of MC Advantage plans, Influx of new drug plans
- **Mergers** - Mamsi/United, Coventry/First Health, Fewer purchase options for the local employer/consumer, Easier purchasing comparison
- **Consumer Directed Health Plans** - Healthcare Savings/Reimbursement Accounts
- **Increased Premiums** - LARGE deductibles and copayments, Creation of tiered networks
- **Public Sector** - Changes in HealthChoice, Addition of special/high cost populations through waivers



The Local Marketplace

- **Technology** - Incentives for EMRs, Use of provider data for network product development and clinical credentialing
- **Decreasing HMOs** - Increase in popularity of PPO and POS products, Decreases in rates in HMO products
- **Disease Mgmt** - Entry of American Healthways and XLHealth
- **Pay for Performance** - Use of Bridges to Excellence, and tiered networks to create outcomes based reimbursement



Factors Driving Leverage

- **Practice Size and Location** - Network Adequacy both a public and private sector purchasing driver and comparison factor
- *Demonstrable* **Effective Management of Specific Patient Types and Diseases** - Needed for disease management and public sector populations
- **Information Management Capabilities** - Belief that EMRs increase patient safety and quality of care delivery, Accurate data needed for product development and demonstration of quality and efficiency
- **Consistent Cost Effectiveness** - Lower LOSs, better than benchmark outcomes and efficient utilization improve plans' bottom lines
- **Expertise or Unique Population Served** - ⁹



What the Payers are Saying

- Few if any providers have leverage
- We compare our rates to market and you must be able to demonstrate that other payers are paying you more
- Employer/Purchaser feedback does matter to us
- We are using your data to form our opinions of your practice



What the Payers are Saying

- Rate negotiations take 2 - 6 months
- You must deal with a Director or VP
- Most practices do little or no data analysis or management and are not prepared to negotiate
- For some specialties - most future reimbursement increases will be outcomes based
- If you don't have leverage, don't waste your time or our time



Assessing Your Practice's Leverage

- Compare yourself to your peers in your geography for size and location
 - Use hospital websites, payer directories, medical society membership lists
 - *Does your size, location or expertise differentiate you?* - Don't forget, payers needs vary.
- Examine Your Service Mix
 - *Are you managing diseases relevant to payer priorities (MC, MA, diabetes, COPD) ?*
 - If not, could you do so and does it make sense to do so?
 - *Are you "demonstrably effective?"*



Assessing Your Practice's Leverage

- Review Your Information Systems Capabilities
 - Review your patient management and patient care capabilities
 - *Are you able to demonstrate that their use is improving patient care?*
 - *Are your data collection tools resulting in credible data submissions to the payers?*
 - *Do you have the information you need to negotiate?*
 - If not, do you need to add technology?
- Review your data for your top diagnoses
 - Find credible benchmarks to which you can compare (specialty societies, HEDIS)
 - Trend your LOSs and outcomes
 - Make operational changes to improve your performance
 - *Can you demonstrate consistent cost effectiveness with your results?*



Techniques for Maximizing Leverage

- **Know if a Relationship is Expendable**
 - Can you realistically afford to terminate a payer
 - If so, what are the ramifications and how will you deal with them
- **Know what you are getting paid**
 - Both from the payer in question and the payer's competition
 - Know how the two compare
 - If possible, know how your costs compare
- **Know what your practice's data is telling the payer**
 - Review what you know they have
 - LOS, prescribing patterns, ordering patterns and frequencies, referral patterns and frequencies, specialists utilized, hospitals utilized
 - Know how it compares to your peers



Techniques for Maximizing Leverage

- Know what your data tells you about the payer
 - Understand their denial patterns
 - Calculate their processing error rate
 - Understand their Days in AR and how it compares to other payers
- Be prepared
 - Have a negotiation strategy and plan that emphasizes your leverage points
 - Make your analysis available to the payer
 - Speak in their terms whenever possible
 - Hire expertise if needed



Positioning for the Future

- Data will be key.
- Create a practice infrastructure that facilitates and promotes:
 - Accurate data capture
 - Scheduled data analysis
 - Regular data review
 - Operational changes that improve outcomes



Positioning for the Future

- Start preparing now
 - Maximize the use of your existing technologies and data
 - If you are not fully utilizing your practice management software(s), do it.
 - If you are not analyzing your financial data, do it.
 - » It can be the pre-cursor to analyzing your clinical data
 - » It may produce the funding for future practice needs
 - Evaluate whether you want to play in “pay for performance”
 - If so, identify the human and technology resources you need and the capital requirements and find them



Positioning for the Future

- Consider leverage when making strategic planning decisions
 - Does adding an office in a location have payer value?
 - Is there a real or projected market need for that new service?
 - Does purchasing a technology make sense?



Positioning for the Future

- Stay Aware of Market Changes
 - Read the materials you receive from your payers
 - Check their websites routinely
 - Talk with your provider relations representative regularly
 - Identify opportunities to familiarize yourself with local and national trends

Final Thoughts

“The payer/provider relationship is based on information. Poor information can lead to misunderstanding, mistrust and lost opportunities” Managed Healthcare Executive, March 2005

“Using one’s leverage in health care negotiation does not mean intimidating, threatening or even demanding, it means effectively accomplishing. Leveraging is not a game of who wins and who loses; rather it is a negotiation technique.” Managed Care Interface, September 1998



Quiz Findings Questions???

Contact Information:

Shelby L. Boggs

Vice President, Marketing and Business Development

phone: 443-544-2234

email: sboggs@pmptrs.com