



The Future of Managed Care Contracting

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Maureen West McCarthy, CPA

Maureen is the President and Founder of MBA, LLC, a firm specializing in Healthcare Consulting and Practice Management issues for all types of healthcare providers/entities. Prior to that she was a partner and shareholder with the firm Snyder Cohn, PC and served as the Director of the Healthcare Consulting Division.

Her extensive 25+ years of experience with healthcare organizations has allowed her to be one of the medical community's most valuable assets. She has aided many organizations by consulting on a wide variety of practice management projects for private practice physicians, hospitals, medical trade associations, and medical billing companies. Specific services include managed care contract negotiation, revenue cycle management, sales and mergers, and litigation support for healthcare entities, including federal and state payor audit defense. Maureen is actively involved in the healthcare community and is frequently called on by the local medical societies, hospitals, and practice management associations for presentations and advice. In addition, she has taught at American University, George Washington Medical School, George Mason University's Healthcare Administration Department, as well as the University of Maryland's Robert Smith School of Business Physician Program in conjunction with MedChi.

Overview of Current Marketplace:

- 5 Major Payors = 85% of market
- One payor is 50% of the market
- All rates are tied to Medicare



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Overview of Current Marketplace:

- Decreased staffing at carriers
- Longer response times
- “Not negotiating”
- Contentious negotiations



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The ACA has, in essence, cut the Payors' bottom lines (since they now must have a medical loss ratio of 85%)



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- Increasing premiums
- Higher out-of-pocket costs for the patients
- More self-insured employer groups
- Consolidation of payors



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Currently, payor payments are
Volume Based

- Move towards risk based contracting....again
- Payors offering more products
- Behavior based penalties
- Increased enforcements & audits

How to respond?

- Practices will be running 2 systems
- Focus on FFS payments NOW but **MUST** get ready for VBPS

Preparing for a FFS Negotiation:

- Need copy of each contract to check renewal dates & termination language
- Current rates (compared to Medicare)
- Top 25 CPT codes & Annual frequencies
- Payor Contracting Rep information
- Hx of your rates



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Decide what your ASK is:

- Don't be ridiculous with your request
- BUT leave some room for negot
- Allow for adequate time before your required Term Date
- Be persistent
- Negotiate UP, if possible

BE PREPARED to evaluate your offer:

- Know your numbers
- Don't let yourself be tricked by their offers



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Prepare a grid (spreadsheet) showing:

- Top CPT codes
- Annual frequencies for each CPT code
- Current payment rates by code
- Current MDC rates for your area



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Look at the year of MDC being offered, the Geo index, and look at the offer *code by code.*



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NOW Let's look into the Future

- Where, When, What and How???

WHERE are managed care rates going?

Move from FFS to.....

- Value based payment system (VBPS)
- Payments based on level of risk
- Performance based payments



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WHEN?

- Next couple of years
- Definitely on any negotiations after 2016

WHAT does this mean to your practice?

- Must EARN your increases going forward!!
- RCM Dept and functions are going to change
 - Run FFS and VBPS at the same time!!

HOW?

- You can't just say you are the BEST anymore. You have to PROVE it with your reported results (pre-defined measures).



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HOW?

- If you are going to say you do **SOMETHING**, you will have to back it up with results-oriented **DATA**.

HOW?

- Physicians/Practices must be able to report statistics and performance information to the payors.

HOW?

- Will need a change in Behavior of ALL Team Members
- Must Educate, Coordinate, Measure, and Report

KEY Measurement Areas:

- Clinical Performance
- COSTS
 - Know your Costs for each service you perform
 - Need to be LEAN!!

Game Plan for your Future!

- Look at your current contracts and pull together all of your practice information, as described previously
- Know your practice stats

Game Plan for your Future!

- Negotiate EVERY time you contract comes up for renewal
- Evaluate/research your Opponents (other practices, health systems, etc.)

Start to run stats from your EMR/PM system to see how you are doing.

- Start small –
 - Flu shot and vaccine compliance
 - % of physicals
 - Hospitalizations or ER visits (for all pts or a particular DX group)



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- Keep adding benchmarks to your list
- Measure your costs for a group of high cost patients /DX Group



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- Utilize information you get from payors about how your practice is doing and how you can measure yourself

Who's doing (a form of) this now?

- HEALTH SYSTEMS
- CareFirst PCMH
- PRIVIA, etc.
- Comm Payor report cards



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Don't get left behind!!



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Any Questions?

