Strategies For Successful Managed Care Contracting

February 20, 2018

CAH Coalition
CRITICAL ACCESS HOSPITAL COALITION

Welcome

- **Upcoming webinars:**
  - March: Federal Health Policy Update
    - President Budget, Government Funding, Swing Beds, 340B, Therapy Caps, and more
- **Carolyn Roten, Partner at Strategic Health Care**
- **All registrants will receive an audio/visual recording of today's presentation**

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First Steps in Developing an Effective Contracting Strategy

Knowledge of the Current Health Care Landscape

The Landscape is Changing
Surviving the Rapidly Changing Health Care Industry

Managed Care Landscape

Overall Trends in Enrollment

- **Nationwide Enrollment**
  - In 2016, 17.6 million beneficiaries – 31 percent of the Medicare population – are enrolled in a Medicare Advantage plan. Total Medicare Advantage enrollment grew by about 0.9 million beneficiaries, or 5 percent, between 2015 and 2016. Although this is a slower rate of growth in percentage terms than any year since 2006, the growth reflects the ongoing expansion of the position Medicare Advantage plays in the Medicare program. The growth in Medicare Advantage enrollment reflects both the influence of seniors aging on to Medicare as well as small shifts in the larger pool of beneficiaries in traditional Medicare switching to Medicare Advantage plans.

- **Trends in Enrollment by Plan Type**
  - As has been the case each year since 2007, about two-thirds (64%) of Medicare Advantage enrollees are in HMOs in 2016 (**Figure 3**). Almost one-third of enrollees are in PPOs – with more in local PPOs (23%) than regional PPOs (7%) – and the remainder are in Private Fee-For Service (PFFS) plans (1%) and other types of plans (4%), including cost plans and Medicare Medical Savings Accounts (MSAs).

Kaiser Family Foundation

Managed Care Landscape Continued

- **Largest Medicare Advantage Payors**
  - Over 3 million enrollees (18%) are in a group plan in 2016. United Healthcare and Humana together account for 39 percent of enrollment in 2016; enrollment continues to be highly concentrated among a handful of firms, both nationally and in local markets. Kaiser and Aetna round out the top 4 plans.

- **Medicare Advantage Enrollment Growth by State**
  - In 2016, enrollment increased in all states in 2015, with the exception of Ohio where enrollment declined by 8 percent, in large part to the Ohio Public Employees Retirement System pulling out of the Medicare Advantage group market and ceasing to sponsor a Medicare Advantage plan. In 9 states (DE, IA, MD, ME, MS, MT, ND, NH, and SD) and the District of Columbia, enrollment increased by more than 10 percent – double the national average – including four states (DE, IA, ND, and NH) in which enrollment increased by more than 20 percent. All of these states have Medicare Advantage penetration rates far below the national average with relatively few enrollees and their growth rates are sensitive to small changes in enrollment.

The Health Care Landscape Continues to Change – What Can Critical Hospitals Do to Not Just Survive, but Thrive?

How Health Care will be Delivered

- Regional Approach
  - Consolidation of hospital systems and MCOs– its happening now!!
  - Affiliations and partnerships
  - Risk Sharing becomes important
  - Producing data and outcomes is imperative

Payors will Change Too…

- Quality verses Efficiency

- Paying for outcomes
  - Providers must take advantage of opportunities to engage with payors to determine what those outcomes are and how they will be paid.

- Don’t assume payors know your business, be ready and willing to educate them how you deliver services and the outcomes you are trying to achieve.

The Benefits of a Network

- Greater visibility and attention by government and commercial payors. We are their priority.

- Access to state government

- Set up as separate LLCs, networks still have autonomy, but allow members to choose to participate.

Looking Ahead

- We need to continue challenging ourselves to assess the way we are providing services so we can improve overall health and collect data that is meaningful to our patients and payors.

- Identify our partners who can help us achieve desired outcomes and develop those relationships.

- Data, data, data…..

Understanding Private Contracting and Rate Methodologies

Critical Access Hospital Priorities

- **Engaging the Payor**
  - It is imperative to get to the right contacts and provide information that catches their attention
  - Chief Medical Officers, Medical Directors and Vice Presidents of Contracting are key – contractors do not have the authority to change policy
  - You will have to do your research to get contact information as it is not typically easily accessible – utilizing outside sources with key relationships can also be valuable
  - Create a message that establishes the need for the payor to include your hospital in their network - data is crucial, and this group has some significant statistics to share
  - The presentation needs to be succinct and to the point – the payors care about savings, this needs to be highlighted during the discussion and in all printed materials
  - You must be persistent without being a pest – be respectful in your outreach and follow up, but one time will not do it. It can take up to 8 follow ups to get noticed

Getting Noticed with Potential Payment Strategies

- Once a payor is engaged, payment discussions will begin
- Many payors will offer their fee schedules or payment methodologies and many providers accept with no negotiation
- Negotiation is a necessity
- If a payor asks for you to provide a proposal, draft the proposal with the methodology you prefer and include fees that are considerably higher than you will accept – there must be room for negotiation
- Provide data to support your requests
- Most importantly – think outside of the box. Since payors are prone to offer low reimbursement rates, creative proposals are a necessity

Getting Noticed with Potential Payment Strategies Continued

- **Creative Proposals**
  - If negotiating the fees does not get you where you need to be in regard to reimbursement, discuss a P4P opportunity
  - Quality measures must be developed and agreed upon
  - Additional payments can be a percentage increase, additional amounts added to a per diem (if this is the reimbursement methodology) or shared savings – these are all upside opportunities only
  - Shared risk

Getting Noticed with Potential Payment Strategies Continued

- **Creative Proposals**
  - **<u>Surplus Bonus Program.</u>**
    - The intent of the Surplus Bonus Program is to share with Provider, surpluses generated from the following improvements in efficiency:
    - Reduction in hospital readmissions
    - Reduction in frequency of ER visits

Getting Noticed with Potential Payment Strategies Continued

- **Creative Proposals**
  - The Surplus Bonus Fund will be awarded based on the following criteria:
  -
    - There will be 11 Quality Metrics as shown in Exhibit 1. Definitions for the metrics are shown in Exhibit 2.
    - Benchmarks for achieving the Quality metrics are shown in Exhibit 1. Benchmarks will be discussed, mutually approved and updated annually.
    - In determining whether Benchmark has been met, all HMO members will be combined.
    - Distribution of Funds will be based on the number of quality metrics achieved as shown below:

Number of metrics achieved	Percent of fund pool distributed
0-3	0
4-6	25%
7-11	50%

Standard Rate Negotiations

- **Fee Schedules - Negotiation**
  - For those payors willing to negotiate in good faith, again, do not automatically agree – negotiate
  - There are several different ways to negotiate rates/increases
    - Percentage of a specific methodology
    - Straight Fee For Service
    - Volume Basis
    - Overall Contract Value
    - Product Specific
  - Since payors are now pushing for Medicare rates below Medicare, it is more important to determine how to offset these rates, if the payor will not agree to at least 100%

Continuous Monitoring of Contract Once Rates Are Agreed Upon

- Continuous Monitoring of Rates
  - Once contracts are signed, and rates implemented, billing staff should enter all new rate information
  - As payments are received from the payors, make sure the reimbursement being made matches to what is in the contract
  - If there are discrepancies, on more than one claim, contact your contractor to make sure the contract is loaded correctly. We have found that providers leave thousands of dollars on the table, by not monitoring the contracts

CONTRACT REVIEW

Language can be as equally important as rate

- **Elements of Good Contracting:**
  - Use an effective tool that can be used as a guide and will provide necessary information that will allow you to rate the contract
  - The scorecard document is a sample document utilized by the Strategic Health Care contracting team (See handout)
  - Redlining documents is the most widely used method of written language negotiation

Contract Review Continued

- **Items to look out for and understand:**
  - Unilateral amendment
  - Excessive auditing
  - Prohibitively short billing and dispute deadlines
  - Overly cumbersome compliance requirements
  - Penalties for non-compliance
  - Long initial term
  - Unreasonably delayed termination without cause
  - Dispute resolution
  - State and federal laws (e.g. prompt pay)

Contract Implementation and Administration

- Put administrative personnel together with administrative payor personnel prior to the implementation of the contract
- Provide sample test claims
- Meet with case management to discuss the services provided by your office (e.g. stress unique niche services)
- Schedule operations meeting on a regular basis, if necessary
- Review payments for accuracy
- Monitor contract performance on an ongoing basis

Contract Renegotiation

- **When to initiate?**
  - At the end of a contract term
  - If service line changes (need to add a new service)
  - If new products are added to the service line
  - When new laws are put into place
  - If it is determined that contract rates are a problem

- ***Please note that if a specific term is listed in the language and the above items have not been addressed in the body of the contract, the payor does not have to open the contract. This is when positive relationships will come into play.***

Recommendations

- **Know your costs**
- **Identify and capitalize on your strengths**
- **Profile strengths**
- **Escalate your request within the organization – choose when to go up through the ranks**

THEY ARE NEVER DONE CONTRACTING

Questions and Answers

- If you have any questions you would like answered now, please let us know and we would be happy to discuss them during our remaining time.

- If you would prefer to bring up your question privately, or if we were not able to answer your question today, please feel free to email us at croten@shcare.net, or call us at (614) 255-0310.

All webinar registrants will receive a full audio/visual recording of webinar

Any questions?

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