

Your Practice

Implementing Contract Negotiations

LAST OF THREE PARTS

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In Part 1 (November issue), we began by offering a list of data to collect to give you a clearer overall perspective of the negotiating process, and thus a solid bargaining advantage. This is also the information that the payer would prefer that you ignore or overlook.

Part 2 (December issue) covered how to create a simple but substantive proposal letter that is sent to the payer's contracts manager. The letter introduces the practice, requests a rate increase and, most importantly, states the reasons for the proposed increase.

Part 3 discusses a strategy for implementing actual negotiations with third-party payers.

Promote the big picture

Payers who are evaluating your need for a new contract or for increased reimbursement may be striving to achieve their individual departmental goals rather than organizational goals. Don't hesitate to point out the advantages to their company in the overall, long-term scheme of things. Dollars and cents talk. If you have a large book of business and patient base, it is key that you remind the payer of what is at stake.

First- and second-level negotiations: As described in the last issue, prepare your proposal letter and send it to the payer's first-level contract negotiator, who can often be identified through a simple phone call asking for the contact person to whom your proposal should be addressed. It is tempting to find a way to leapfrog over first- and even second-level contacts, and go directly to the top-level contracting decision maker. Resist this temptation. While a first- or second-level negotiator has little decision-making authority, violating chain of command can be perceived as a serious offense by many payers which could lead them to ignore or resist your request.

The waiting game: In many cases your it may take several weeks for



Negotiations with third-party payers can be tricky. Be sure to have command of all your facts and emphasize the overall advantages of contracting with your practice.

your proposal to be reviewed and analyzed by various internal payer departments, such as actuarial and sales, before a counterproposal is submitted back to you. Be patient but simultaneously remember the adage about the "squeaky wheel." Continue to follow up in a timely and courteous manner with your first-level negotiator, preferably by e-mail, so that you have written documentation should you need it when you progress in your negotiations with senior payer management. This can be useful if you are not getting return e-mails and other follow-up correspondence to show you acted in good faith and have not been receiving correspondence. First-level contracts personnel often send a quick e-mail but do not follow up via other methods of correspondence such as phone or U.S. mail.

Take it to the top: Once you go back and forth with your first-level negotiator and receive your last counterproposal, and assuming it is not what you need to close the deal, now is the time to bump it up the payer food chain. Let the first-level negotiator know that you are dissatisfied and that you will be contacting

his/her manager or director to complete your negotiations, as they are individuals with the power and decision-making authority to understand your needs and how your business benefits their organization.

Good cop, bad cop: On the provider side, in many cases, it is advantageous to have your billing director or practice manager implement negotiations with the payer. As negotiations progress, and you are working with senior level management to finalize selections, it's a good idea to switch up and have your senior management work with their senior management. On your end, get a physician advocate involved who can strongly and clearly represent the practice's needs from a owner/shareholder perspective. In many cases, this person can help turn the tide in the practice's favor and close the deal. This is where teaming and leveraging the personnel in your practice helps.

Finalizing the contract

When the contract arrives for your signature, check to verify that it includes the reimbursement rates and terms you agreed to. Once you

sign your agreement, send it return-receipt certified mail to ensure that the payer has received it.

Just because you have sent in your agreement doesn't guarantee that the payer will implement it. Staff changes, mergers, acquisitions or even a change of heart by someone in payer senior management (unfortunately, despite the ethical considerations on their part, this does happen occasionally) can sometimes allow your contract to fall into the payer's "black hole." To avoid this, have your staff follow up regularly with the payer to ensure that you receive a fully executed agreement (signed by both parties).

After a payer mails the fully executed agreement, the contract is sent to claims or provider services to load the new rates and terms. As such, after your receipt of the fully executed agreement, contact the general number for provider relations and verify that they have loaded your new contract with the correct rates into their systems. There is nothing worse than going through this entire process only to learn that they are still paying you under your old agreement and that now you not only have the problem of getting the contract loaded properly, but the headache of having to retrospectively collect money on incorrectly paid claims.

In summary, remember to:

- 1) Leverage the facts from your information gathering and proposal letter (as outlined in the first and second parts of this article series).
- 2) Send your proposal letter to the correct first-level contract negotiator.
- 3) Work through the payer's chain of command.
- 4) Leverage your personnel.
- 5) Don't take no for an answer. A "no" just means you just haven't spoken to someone that's going to tell you "yes." Always persevere. ■

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