Don't be afraid to re-negotiate insurance con

Here's how to re-negotiate from a position of strength to be paid what you deserve

Today there is little connection between actual charges for medical services and reimbursement by third-party payers. Fee schedules are legacies of days gone by, often inflated to accommodate one or two contracts that are still based on billed charges. The consequences are that human or technical resources are required to make huge "adjustments" to charges, confusing financial statements, and unintended cost shifting to uninsured, underinsured, and indigent patients.

The Bottom Line

Neil H. Baum, MD

Dr. Baum is a urologist in private practice in New Orleans. He is the author of *Marketing Your Clinical Practice—Ethically, Effectively, and Economically.*

Robert A. Dowling, MD

Dr. Dowling is medical director of Urology Associates of North Texas, a 48-physician, community-based, single-specialty group in the Dallas-Fort Worth metroplex.

Does this scenario sound familiar? You check a series of explanation of benefits forms and find that most of your payers are paying 50% of your billed charges. If you compare your biggest payers, you find that they are paying 85% to 90% of what Medicare reimburses you for your services. A typical small business response to this situation might be to call the insurance company and ask for a review of your fee schedule. They might throw you a bone consisting of a 3% increase over your previous payments. You thank them and hang up feeling like you have been taken advantage of.

If that scenario is all too close to home and it happens more often than you would like, this article is for you. To help you improve your contracts with your payers, we have interviewed Susan Charkin, president of Healthcents, Inc. (*www.healthcents.com*), a physician contracting, software, and consulting company with extensive experience in helping urologists and other specialists negotiate more profitable payer contracts. After reading this article, you should be able to evaluate your

Insurance companies play by a different set of rules. Insulated from the same regulatory environment that limits collective bargaining by physicians, they are responsible first to shareholders, second to customers (who pay premiums), and last to contracted vendors. While appalling to physicians who compare their own value in the health care system to non-physicians, the salaries and bonuses paid to executives of these companies reflect the business values of a publicly held company.

What is the insurance companies' perspective of their physician contractual relationships today? Many feel that most doctors and office managers lack the skills to deal with insurance companies and negotiate rates. In o compensation that yo to periodically evalu and re-negotiate thos performing poorly.

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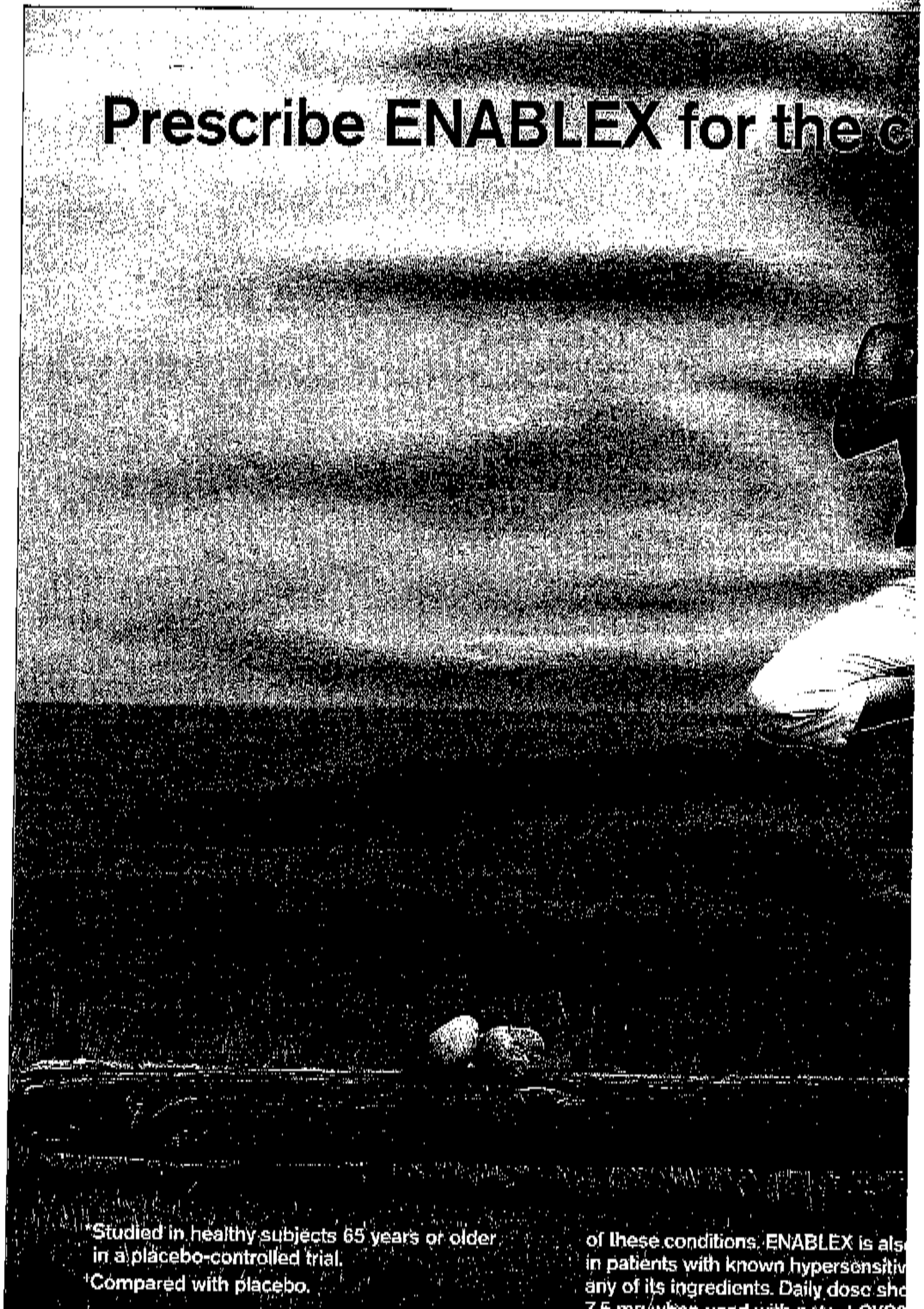

spectively request review of money they owe you. Most contracts provide for the collection money for a specified time period, perhaps 90 days in arrears. Once you get past this window, a retrospective review of fees owed may not be possible. Finally, you can expect to be paid less than what you deserve and less than others who are proactive in their contract negotiations.

Evaluating a contract

Unless you have been a medical director of an insurance company or have an MBA, chances are that you have few skills in negotiating with insurance companies. The fact is that the insurance companies often need the physicians more than the physicians need the insurance companies. Insurance companies have licensure requirements and geographic coverage requirements to maintain their licenses. Also, providers who are the only urologists in the area often have great leverage.

If your book of business consists of $500,000 paid the past year and 1,000 patients, the payer will likely pay attention because they have to serve the employer groups and patients in their networks to maintain revenue flow and customer satisfaction. Too many of us are fearful of potentially irritating insurance companies. However, if you have urologic services for their insured customers, geographic advantage, and/or a large book of business, then these companies will want to do business with you.

You need to periodically evaluate your contracts and re-negotiate those contracts that are performing poorly.

With a regular review of your largest contracts and with a successful contract negotiation with the insurance company, it is not unreasonable for urologists to achieve a contract for 150%+ of Medicare for urologic procedures and 100%+ of Medicare for office visits. This, of course, is highly dependent on your Medicare locality, market position, geographic advantage, size of practice, book of business, number of patients, employer groups

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ESTATE PLANNING

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around to transferring their assets into the trust so the trust never controls anything. It only makes sense that if you take the time to create a trust for your estate plan, make certain your assets are titled in the way necessary for the trust to work.

Q It has been suggested to me that that I buy term insurance since I am carrying quite a bit of debt. What do I need to know?

If your life insurance needs are temporary, then term insurance may be the most appropriate vehicle to use. Term insurance has no cash value or savings component attached to it. Quite simply, you pay your premium, and if you die during that policy year, the death benefit is paid to your beneficiary. Decreasing term insurance has a level premium, but a decreasing death benefit. It is generally used in conjunction with financial obligations that decline over time, such as mortgages or other types of amortized loans.

There are two types of term insurance that offer a level death benefit, but a differing premium payment structure. Annual renewable term has a yearly increasing premium, which increases with the higher mortality cost associated with being a year older and a year closer to your expected mortality age. It is primarily used for financial obligations that remain constant for a relatively short period of time.

On the other hand, level premium term offers a level premium payment amount over a fixed number of years. This would be appropriate for needs that are finite in length, such as ensuring coverage until a young child has completed college or you reach retirement age with sufficient retirement income to meet your needs.

The major areas affecting premium rates are policy provisions dealing with renewability and convertibility. Typically, renewable policies allow the policyholder the option of continuing term coverage after the stated period of time has expired. While the renewal will be at a higher premium rate than during the defined time period, new medical underwriting is not required. If during the term period you become ill in a manner that would deem you to be either uninsurable or insurable, but with an added-on rating that would substantially increase premiums, you would at least have the option of continuing coverage with your current term carrier.

A convertible policy, on the other hand, provides the insured with the option to convert the term policy to a permanent policy at some time in the future.Once again, this may be accomplished without proof of insurability or medical underwriting. Some term carriers will provide both renewable and convertible policy provisions with their contracts.

Be sure to compare premium rates and only buy the coverage from a financially strong insurance company. Please consult your tax adviser regarding any questions you may have with respect to your personal tax liability. UT

Financial Tips

- There are three types of participants in a trust: the grantor, the trustee, and the beneficiary.
- After you set up a trust, be sure to take the time and effort to transfer assets into it.
- Term insurance might be appropriate if your life insurance needs are temporary.
- Premium rates for term insurance are affected by provisions dealing with renewability and convertibility.

The information in this column is designed to be authoritative. The publisher is not engaged in rendering legal advice.

CONTRACTS

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served, number of subspecialties, etc.

Contract negotiations adhere to the 80% rule. In this case, 80% of the time should be used to prepare for the negotiation and 20% to negotiate. It is important, where possible, to benchmark your rates to local Medicare rates and to rates of other similar urologists in your region, state, and the rest of the country.

It is also important to model your practice to determine whether or not it's financially better off in the payer's network at a given level of reimbursement. This may surprise you, but, it is not unusual for a practice to be better off out-of-network if reimbursement is not high enough. Unfortunately, this kind of modeling may require a level of business analysis that many practices are unfamiliar with. A product such as Healthcents' Revolution Software can help you perform these benchmarks and quickly reach a decision on how much reimbursement you need to remain in a payer's network. At a minimum, you should benchmark your rates to Medicare and have knowledge of the key terms in your agreement.

Negotiating your payer contracts is a team sport. It involves your business manager, the doctor, and often an experienced negotiator with skills in this area. UT