OPERATOR INSIGHTS

Negotiating Better Payor Contracts

Must haves in your next payor contract

I often hear from CFO's "our denials are up, our observation rate is up, inpatient volume is dropping, what can I do?" I remind them of an old Ann Landers saying (yes, I'm dating myself), "No one can take advantage of you without your permission." What I mean is hospitals agree to payor contracts that rarely are meant to benefit them. These same CFO's will share high-fives over a 1% increase in inpatient rates, not realizing that same contract just made it much harder to obtain inpatient authorization, so they net much less.

> **"Have your physician advisor or denials person at the negotiating table."**

Prepare for your negotiation.

The first and most important tip is to have your Physician Advisor or denials person at the negotiating table. They are the folks fighting denied inpatient status, whether through peer-to-peers or appeals, and can either be empowered or hampered by rules the hospitals agreed to. It is common that the hospital's contracting team are simply are not aware of the back-end shenanigans from the payors. Bottom line, use your back-end denials to improve your front-end process.

Additional Payor Contract Tips

Other tips you might want to consider as your contracts come up for renewals is to explicitly ask for:

1) The plan's definition of inpatient:
Is it MCG, Interqual, or something else? This spells out the rules. Avoid the generic "medically necessary" criteria – it's too vague.

2) Rules around peer-to-peers:

a. Who can do them – push back against only allowing the treating doctor do the peer-to-peer. In general, they are much too busy and less familiar with criteria compared to a Physician Advisor who do peer-to-peers day in and day out.

b. Turnaround time to complete the peer-to-peer – unrealistic timelines will cause many missed opportunities purely due to the impossibly tight time to expiration to do a peer-to-peer.

3) Authorization issues:

a. Time to submit clinicals

b. Time to determination of status by payor – push for 12 hours

c. Concurrent authorized inpatients cannot be denied later

d. Will surgical cases be authorized following the CMS' Inpatient Only List?

4) DRG denials and downgrades:
Correct coding guidelines will be used (ICD-10, Coding Clinic, etc)

5) Readmissions:

a. How will payment be affected

b. Timeline (14 days? 30 days?)

c. All-cause or same-cause?

6) Appeals rights after discharge

a. How many levels of appeals?

b. How to obtain independent review?

c. Is there an observation payment option if an inpatient appeal fails?

7) Create a payor grid:
This helps neatly, and in a transparent way, to share with the front end all these rules to decrease the back end re-work to get paid what you deserve.

So there you have it, contracts are the rules of engagement. Know them, review them, and amend them to your advantage. Remember "No one can take advantage of you without your permission," so do not grant them permission!

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