HEALTHCARE

HOW TO NEGOTIATE INSURANCE CONTRACTS

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Seven Steps to Successful Insurance Contract Negotiations

Negotiating with insurance companies represents such a horrible prospect for most medical providers they simply avoid doing it at all. The result, more often than not, is a practice that not only suffers from a bad insurance contract, but doesn't even know what's *in* the contract. Believe it or not, it doesn't have to be this way. In fact, read on and find out how you can join Reckenen's clients in reaping the astounding financial and administrative benefits of effective negotiation .

Step One: Do Your Homework

First and foremost, determine which insurance company needs your attention. We are going to focus specifically on insurance companies that do not cover your costs, but you may want to focus on some other untenable aspect of your insurance contract.

Identify which insurance contract needs re-negotiating by calculating your **Revenue per Visit**. Using your computer system, calculate the total dollars you received for your work over the last twelve months and divide this number by the total number of visits. This provides you with the average dollars your practice deposited each time a patient checked out of your practice, whether they are capitated, Medicaid, Fee For Service, etc. It's your most important practice benchmark.

Reckenen's clients can use the **srs** reports tailor-made for this purpose.

Perform the above-mentioned calculation **for each insurance company**. You should end up with data that looks something like this:

Average Deposit per Visit by Insurance Group		
Ins Group	# of Visits	Avg. Dep./Visit
Medicaid	1,568	$52.29
BCBS	1,827	$68.54
HealthCare	1,324	$52.45
Tourists	1,330	$74.87
AmeriCare	727	$74.65

Step Two: Find the Culprits

With your list of the average revenue generated by insurance in hand, spot the insurance company causing you the most financial grief. In most cases, the culprits will jump right out.

Why do we focus on Revenue per Visit and not, say, the fee schedule of your most important codes? For one very simple reason: **Focusing on the fees for specific procedure codes plays right into the shell game the insurance companies love to play.**

We know of too many practices lured in by "high" sick visit reimbursement or the fact that the insurance company pays for after- hour codes. Meanwhile, the insurance has lower reimbursement for stacks of less frequently used codes, and those codes add up. Remember, insurance companies make their money in little pieces: 5% here, 10% there and so on. The only way to properly judge your reimbursement from an insurance company is to look at *all* the codes that you do.

Bottom Line: Calculating your Revenue per Visit tells you **exactly what you were actually paid for your work**. You can compare capitated plans to Fee for Service, private pay to participating insurance. No guessing required.

Note that determining which insurance company costs you the most may be subjective. In the example above, the practice averages $70.58 across all patients, but "only" $52.29 from Medicaid. Perhaps this practice has a firm commitment to treating Medicaid patients. Or that although BCBS is paying very nearly the average for the rest of the insurance companies, perhaps their administrative overhead (constantly rejecting or losing claims, extra referral paperwork, etc.) makes them much more costly.

One way or the other, pick one. In this instance, we'll choose the "HealthCare" insurance company.

Step Three: Read Your Contracts

Go through the drawer in your office that holds all of your insurance contracts. Find the one for HealthCare. Read it carefully. In addition to taking the time to familiarize yourself with its contents (perhaps for the first time), you are looking specifically for language pertaining to canceling your contract. Nearly all contracts limit your ability to cancel the contract whenever you wish to, so you need to understand what your obligations are. While contracts vary from practice to practice, let's assume that the HealthCare contract is renewed automatically every year on July the 1st and your window for canceling their contract is from April 1st-15th. *You can easily perform all the steps given below as necessary.*

Step Four: Arrange Your Meeting

Arrange for a meeting **in your office** with the rep from HealthCare. Tell him or her specifically that you want to discuss the terms of your contract and a personal appearance is necessary. As you know, insurance companies like to play the waiting and delay game. Don't put up with it.

Well before the meeting, you have some more homework: Prepare and print two stacks of letters

- **Letter one**: A pre-dated letter prepared for each of your HealthCare patients. The letter indicates that, as of July 1, you will no longer accept HealthCare Insurance.

    - Make sure you fulfill any contractual obligations spelled out in your insurance contract. That may mean including or excluding certain information from the letter.
    - Depending on the afore-mentioned obligations, you may wish to actually tell your patients **why** you are leaving the plan. Believe it or not, most of your patients will understand when you explain that HealthCare is not willing to negotiate a contract that puts them on par with other insurance companies you accept.
    - Again, make it clear to your patients that you will continue to treat them without hesitation and that your goal is to prepare them for a potential change. If possible, recommend another practice. Don't forget: You and your patients are a team.

- **Letter two**: a pre-dated letter to the H/R departments of each of the major employers who use HealthCare Insurance. You may only need to focus on a handful of employers. This letter should be more personalized and personally signed by the OM or even the doctors. The crux of the message is simple: You are trying valiantly to renegotiate your contract with HealthCare Insurance but the negotiations may fail. You'd like to let the H/R departments know about this for two reasons:
    - The insurance they've chosen for their employees is not delivering the quality care they expected due to whatever reasons you are negotiating over.
    - You know that the search for a new doctor is a difficult endeavor; the H/R department should be prepared for the lives of its employees to be disrupted for at least a brief period—again, because of the behavior of HealthCare Insurance.

At the meeting, make sure to bring both stacks of letters. When the insurance rep sits down, explain your position. Use the data generated by your computer system to show them where they are failing to pay you appropriately. And then make a statement along these lines:

"According to my contract, I have from April 1 to April 15 to cancel my contract. Unless you present me with a new contract that fulfills the following needs of our practice (in this instance, raising the average per-visit reimbursement to $70), I am going to send out the following letters."

Show an example of the first letter followed by an example of the second letter. Plop them right out on the table. Offer to make sample copies.

Then, invite the insurance rep to ask any questions before showing him or her the door.

Step Five: Wait

Now, you wait. If you want to be nice, you can check in periodically.

Our clients report that the responses from the insurance company might sound intimidating: "*Oh, we can't possibly do that*"; "*We have one fee schedule for all providers, you can't get a special one.*" These statements are, as a rule, simply not true. You're likely to note that, as the deadline grows nearer, some of the previously impossible terms, are now possible. Keep waiting and do not waver or compromise. You know what you need for your practice and your patients. Don't settle for something less.

Step Six: Send Your Letters

On April 1, you have but one choice: Send the letters. Our clients have told us that it's wisest just to send them in small batches—start with the A's on Monday, then send the B's, etc. As one client described her success with this process effectively: "*The company wouldn't even discuss a new contract, so I sent out letters to the first batch of patients. I was in the middle of folding the 'Bs' two days later when I got the call that they were ready to meet!*"

Sending the letters means that you have crossed the bridge. You are dropping the insurance company unless they send a last-minute olive branch. This is important because ***many successful negotiations do not happen until AFTER you say NO to the insurance company and cancel the contract***. As noted in the example above, the insurance companies are delighted to "play chicken" with you. They can't believe a physician would say no to them, and they depend on your being soft. Saying "No" is exactly the message you need to send to them.

Step Seven: Follow-up and Recall

If you have sent out your letters, and the response from your patients and their employers was not enough to bring the insurance company to the table, you have still gained considerable ground. Now, for the next twelve months, you need to focus on bringing in those patients who are on the insurance companies with whom you participate. Reckenen knows that a typical physician practice has hundreds, if not thousands, of potentially active patients. "*...fill in your schedule with the people who DO pay.*"

Prepare to be surprised by how many of your patients come to see you "out of network."

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