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10 Tips for Negotiating with Payers

Taking these steps can help improve your bottom line.

BY MARK TERRY

Some of the ways to improve your bottom line, broadly speaking, include cutting waste, trimming overhead, and making sure no money is left on the table. What is noticeably missing—which separates healthcare from most other types of businesses—is control over how much physicians get paid for services.

Mike Crosby

There is a tendency to feel that whatever payers offer for your services is what you get; that there's no room for negotiation. And, in fact, at least one source says that 95% of physicians, when told, "no, this is what you get," by payers, sign the contract and get on with it. But can you negotiate with payers? Is it possible to sit down with your payers and negotiate improved fees? The answers appear to be "no," "sort of" and "yes."

Is Negotiation Possible?

Mike Crosby, a practice management consultant with Provider Resources in Brentwood, TN, says, "It's not just New Jersey, it's anywhere in the country. You come to Nashville and you don't get a chance to negotiate. You either accept the agreement or you don't." But, having said that, Crosby also says, "Depending on the market, I would tell you the answer is yes."

Annette Joyce, DPM, managing member of Joyce Podiatry Group in Westminster, MD, suggested this article be titled "a deal with the devil". She continued, "Can you negotiate with payers? That depends. If you are a solo practitioner or a small group practice, which is where my roots are, it was very challenging to negotiate with payers with the limited number of providers you have."

Dr. Joyce

"Can you negotiate with payers? That depends."—Joyce

Factors Affecting the Possibility of Negotiation

Size matters. Joyce went on to

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say, "We had a little more success in private practice with the small practice and surgery center negotiations, because I think that's a cost-containment model that providers do want to negotiate with, but for the fee schedule for bread-and-butter podiatry, it was very hard to negotiate contracts as a single or even dual practitioner."

However, last year Joyce joined a large group practice in Maryland. "We are able," she said, "as a lot of big group practices do, to negotiate contracts annually. And we are able, usually, to obtain higher fee schedules and reimbursements based on the fact we are performing more procedures, seeing more patients, and have multiple providers."

Hal Ornstein, DPM, president and chief executive officer of New Jersey Podiatric Physicians and Surgeons in Howell, NJ, agrees, noting that it's just one of the reasons more and more podiatric physicians are forming larger practices, joining multi-specialty group practices, or joining so-called "super groups."

Dr. Ornstein

Size is not the only factor, however. Some of it relates to competitiveness, which Crosby notes can often hit podiatry hard. "They compete for foot and ankle care with orthopedics, family practice, physical therapy, probably some internal medicine, and plastics. Some dermatologists are doing treatments in the overall process of dermatitis, that sort of thing. The issue for podiatry is, how do you narrow that field and get to the point of being the place where patients go to manage their care?"

"The issue for podiatry is, how do you narrow that field and get to the point of being the place where patients go to manage their care?"—Crosby

The Value Proposition

Another aspect of that is: What value do you provide?

Before addressing specific tips for negotiating with payers, one broad concept to consider is the value your podiatric practices offer to payers. Nathaniel Arana, principal of NGA Healthcare, a consulting firm in Phoenix, Arizona, wrote in the eVisit blog, "To negotiate with insurance payers, you have to understand that the insurance business is all about remaining solvent and pleasing stakeholders. Ultimately, insurance payers are responsible to employer groups and patients who pay premiums. The insurance plan, in turn, provides a network of physicians to these employer groups and patients to provide healthcare. If you can understand and define your role in this network, you have a much better leverage to negotiate better reimbursement rates."

"To negotiate with insurance payers, you have to understand that the insurance business is all about remaining solvent and pleasing stakeholders."—Arana

This can partly explain why solo or small-group practices may be perceived as only cogs in a much larger machine. Yet, if you extend that metaphor, the machine won't run without that cog. You may not have a ton of leverage, but you do have some.

Although not a direct parallel, Susan Cheek, an administrator with the Dallas Endoscopy Center, in a 2014 article in Becker's ASC Review, said, "Demonstrate your value over the other facilities in your area to negotiate competitive rates. Show the payer how your high-quality services save the payer and patient and what the impact would be to the payer if the cases were performed elsewhere or if your center could not function any longer due to inadequate contracts."

Tips for Negotiating with Payers

Most of the tips related to negotiating with payers involves data—understanding exactly what's going on in your practice, organizing it, comparing it to your competitors, and putting figures to the value of your practice. In that respect, Microsoft Excel is your friend.

1. ***Read your contracts.*** Ornstein says, "The vast majority of physicians don't know what's in their contracts, because they're intimidated, they don't know how to negotiate, or they have 'analysis paralysis.' But you can't possibly negotiate a better contract if you don't know what's in your contracts."

2. ***What's your cost of care?*** Crosby notes, "Figure out how much it costs for a patient to be treated at your practice compared to other practices within the market or outside your market." In order to know that, you have to, as Ornstein says, "dissect your numbers." Determine how many patients you have in a year, determine what the average income per patient is, compare it to your costs, break it down on a daily, weekly, monthly, and yearly basis.

3. ***Utilization reports.*** This tends to be a spin-off from point #2. A utilization report can be defined as a report that shows billing efficiency for a person, department, or entire practice within a specified time frame. Ornstein says, "Know what

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you're worth. How do you get paid compared to Medicare? That's your benchmark. How much do you get paid?"

4. ***Top 25 codes.*** Determine your top 25 reimbursement codes by volume, and determine how much you're getting paid for those top 25.

5. ***Patient satisfaction.*** Part of "value" is how your patients respond to your services. But just saying, "My patients love me," isn't enough. You will need to conduct surveys of patients and organize their responses into a report, including testimonials; but more importantly, including data. Ornstein notes, "Come with as much data as possible." Crosby agrees, saying, "You have to have data that is independently verifiable, that is believable, and relevant to what you're trying to contract for."

6. ***Competitive analysis.*** If possible, determine who you're competing with in your area, how you fit into the payer network. As part of your value proposition, identify the quality of your clinical outcomes, demonstrate any way in which you provide cost savings for the health plan because of your clinical outcomes. There is a laundry list of potential internal strengths that can be evaluated, including: number of new patients enrolled in the plan, utilization of revenue and expenses with quality measurements, patient satisfaction reports, quality and efficiency benchmarks, unique services, and new services offered.

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7. ***Don't be adversarial.*** In this context, you want to develop relationships with your payers and their representatives. Crosby says, "It takes a while to cultivate these relationships with people who are willing to listen to your story."

8. ***Have a staffer that focuses on this.*** Joyce says, "I think if you're able to have staff that understands what it takes to get authorization for a patient, that's really important. It used to be you could get a referral for whomever you needed, it was very open-ended. You didn't even have to itemize what you were doing. Now, for each patient, you have to make a phone call and try to get authorizations for particular procedures and items. It's not easy and it's labor intensive. The larger groups have dedicated staff. In a single practitioner practice you don't."

9. ***Understand what you're negotiating for and what the rules are.*** Joyce points out, "There are very strict rules with Medicare. We're not necessarily negotiating that we get paid better, we're negotiating that we get paid. That's really where our energies are focused now. It's certainly not: Can we get more than last year? It's really more of just getting paid."

10. ***Negotiate for things besides fees.*** Ornstein says, "Don't just negotiate for fees. You can negotiate carve-out codes, like more for orthotics or services; or if they're not paying for them, get them to pay for them or pay more, or not require authorization." Joyce finds this more effective on a patient-by-patient basis. "In terms of benefits for certain things we want patients to have, yes, on an individual basis we have a little more leeway with a particular patient. For example, if we have a patient we have discussed taking to surgery for an ulcer or a ligament tear, something we're trying to repair, and we can't get reimbursement for this specialty brace or that specialty orthotic, our next step is going to be taking that patient to the OR. Then the payer has a cost-containment model and they see it as something that will save them money. We see it as conservative care, but the payers see it as saving money."

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Save Your Negotiating Skills…

Joyce mentions an interesting trend—negotiating with patients. With current trends in healthcare, patients' insurance plans have very high deductibles, copays, and co-insurance. In many ways, it's as if healthcare is moving into a cash-only business.

Joyce says, "We're not necessarily negotiating with insurance companies, we're negotiating with patients on how we're going to get paid. Patients have high deductibles, that's the standard. Changes in healthcare have required that. A patient comes in with a high deductible plan and looks at a brace, an orthotic, or having an x-ray and asks, 'Do I really need that?' Because with their deductibles, it's basically a fee-for-service business. When negotiating with

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a patient, maybe we can give them a discount on a certain item if they pay on the same day. A lot of physicians are getting credit cards on file and authorizations on file, so they are authorized to use that credit card if services aren't paid for by insurers.

For that matter, there are numerous websites, including for *Time* magazine, *Forbes, The New York Times, Consumer Reports,* and others, that have articles such as "How to Haggle with Your Doctor" or "Medical Bills: How to Negotiate the Price of Your Medical Bills." All you have to do is google "how to negotiate with your doctor," for examples.

The Bottom Line for Your Bottom Line

Clearly, it's not easy to negotiate with payers unless you have a large practice. It's possible to nibble at the edge, and it might be possible over a period of time to develop rapport with a payer, and armed with data, you might be able to move the needle on certain aspects of your contract, although changing the fee schedules may be the toughest part. But in an increasingly competitive payer landscape, it may make all the difference in the world.

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Joyce says, "I did a financial analysis a few years back and found that for two out of 10 patients, we never get paid, no matter what we did. We didn't get paid for two out of 10 patients and we fought to the end—a 20% failure rate. That's painful. We're really worried about getting paid. It's more a volume package in podiatry. If you see 30 to 40 patients a day and you get paid 80%, you're okay, but if you get paid 50%, it's a challenge to pay your bills and keep your lights on." **PM**

Mark Terry is a freelance writer, editor, author and ghostwriter specializing in healthcare, medicine and biotechnology. He has written over 700 magazine and trade journal articles, 20 books, and dozens of white papers, market research reports and other materials. For more information, visit his websites: www.markterrywriter.com and www.markterrybooks.com.