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Spring is here...

Are Your Managed Care Contracts Ready?

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It's springtime! You clean out the garage, or maybe your closets. You check the lawn mower to make sure it works. You prepare the lawn: aerating, fertilizing, and de-thatching it. BUT do you perform regular maintenance on your managed care contracts?

It seems that we're geared to routinely check the working order of things in our personal lives. However, my experience has shown that little attention and basic maintenance is paid to managed care contracts after they are signed.

A hospital or healthcare organization's managed care contracts typically represent over fifty percent (50%) of its total net revenue. Whereas governmental reimbursements are legislated and fixed, revenue from managed care contracts is variable. And it is essential to recognize that the amount of this revenue is primarily a product of the attention paid to it.

So why don't hospitals and healthcare organizations spend more time reviewing their contracts, ensuring they are in "proper working order?" Perhaps, in this time of dwindling resources, they're unsure of how to proceed in an efficient and cost-effective manner.

Following are simple guidelines every healthcare organization should consider to tune-up their managed care contracts.

THE BASICS. Do you have a list of all signed contracts? Can you match this list against all the accounts you discounted during the last year? If these do not match, either locate the missing contracts, or question the discount data. The data may not be "bucketed" correctly, or it may be an unauthorized discount. In either case, this leads to "re-

venue leakage" and a sub-par performance from your contract portfolio.

After identifying all contracts, are you able to find them in hardcopy form as well as amendments or other significant documents pertaining to the contract? More importantly, has each contract been fully implemented throughout your organization? Do the reimbursement rates you receive match your understanding of the last contract or amendment? If not, then investigate the mismatches: Do you and/or the payer have the contract loaded wrong? Are you missing a page or amendment? Or is there a difference in opinion in how a clause is interpreted and administered? Again, this is revenue leakage of critical dollars until resolved.

Further investigation can uncover other drains on revenue. Are days, cases, or portions of your bills being denied? Are entire bills denied? Why? Does your contract allow for this? If so, why is this provision in your contract? When you are paid, is it on a timely basis? If not, are you being paid interest legally required in Illinois and Indiana? Issues like these point to the need for a full review of contract language. When was the last time you re-negotiated terms of the contract?

DIGGING DEEPER. Now that you have looked into these basic maintenance checkpoints, you need to organize your managed care contracts to review as a group. First, create the relevant statistics for evaluation. What is the payer paying you, on average, by service type or in the aggregate? Is this covering your cost? Is it competitive for your market, services, demographics, quality and reputation? To determine if it is competitive, you need to

first look at the products and volume the payer is sending you. Do the products provide steerage or are you providing discounts for unsteered business? Do the discount levels seem to correlate with the volume they bring in? Within the volume, what kind of patient mix are they bringing in? Analyze these statistics and start ranking your payers.

As part of the ranking process, it would be beneficial to communicate with your business office, registration department and case managers for additional intelligence as to what kind of partners you are dealing with. Next, you can formulate plans internally as to what, with whom and which payer to start. Share this information formally during negotiations or informally as a "customer" report card with each payer. Remember, they are selling your services. If you are providing them with the best quality you can afford, shouldn't you receive the same in return?

So when was the last time you looked at your managed care contracts? Shouldn't half of your organization's net revenue be as important as having a nice lawn? It's never too late to spring into action.



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