STROUDWATER

VENDOR MANAGEMENT & PAYOR CONTRACTING

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Upcoming Sessions:

June 30th: Community Relations & Marketing your RHC

July 14th: RHC-Specific Billing

July 21st: Revenue Cycle Management and Measurement

July 28th: Cost-Report Basics

Thank you to NOSORH for sponsoring this eight-part series on maximizing efficiency and driving operations for independent RHCs. This series is free to all participants and attendees can earn CPE credit for participating.

VENDOR MANAGEMENT - AN OVERVIEW

What is a vendor?	An external entity, such as a person or company, that provides goods or services for your organization.
What is vendor management?	The process that empowers your organization to take appropriate measures for identifying, evaluating, and managing relationships with vendors to ensure the delivery of high-quality products and services while controlling cost, minimizing risk and maintaining compliance.
Why do we have vendors?	Cost reduction/savings Compliance Optimal utilization of internal resources (ex. Staffing) Specialized expertise

WHO ARE YOUR VENDORS?

- Medical equipment and supply vendors
- Pharmaceutical vendors
- Laboratory testing vendors
- Medical billing and coding vendors
- Cleaning and janitorial services vendors
- Food service vendors
- Linen and laundry services vendors
- IT and software vendors
  - Telecommunications vendors
- Consulting and management services vendors
- Security services vendors
- Transportation services vendors
- Construction and facilities management vendors
- Marketing and advertising vendors
- Legal and compliance services vendors

VENDOR MANAGEMENT (POLICY)

Vendor Selection

- Vendor rating
  - Scope of work
  - Pricing

Vendor Contracting/Credentialing

- Terms & conditions
  - Defining the partnership
    - Roles/responsibilities- who does what?
  - Issue management
    - Lead time
    - Urgent deliveries
    - Documentation
- Risk management
  - Compliance
- Quality
  - Support (onsite or virtual)

VENDOR MANAGEMENT (POLICY) CONT.

Access

- Clinic policy
  - Appointment scheduling & In-services
  - Badge/Log
  - Patient care areas
  - HIPAA
  - Promotional items/literature

Purchasing

- Purchase orders
- Sample management
  - Med samples
  - Supply samples

VENDOR COMMUNICATION

Effective communication with vendors is essential

- Who is responsible for this?
  - Administration, procurement, clinic managers, ancillary department managers, etc.
- How do we communicate?
  - Establish best-practice for this with all your vendors
    - Phone, email, point of contact!
- How often?
  - Regular and ongoing!
  - Identify potential issues before they become major problems
- Why?
  - Alignment on goals, timelines, and expectations
    - Better relationships, better patient outcomes

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BENEFITS/MEASURING SUCCESS

- Reevaluate contracts regularly (at least annually)
  - What is your hospital cadence?
- Measures to consider
  - Cost savings
  - Quality
  - Timeliness of support- responsiveness & communication
  - Improved utilization of internal resources (ex. Staffing)
  - Improved patient care
  - Compliance with regulations & policy

PAYOR CONTRACTING

A Key Component of Revenue Cycle

REVENUE CYCLE MANAGEMENT

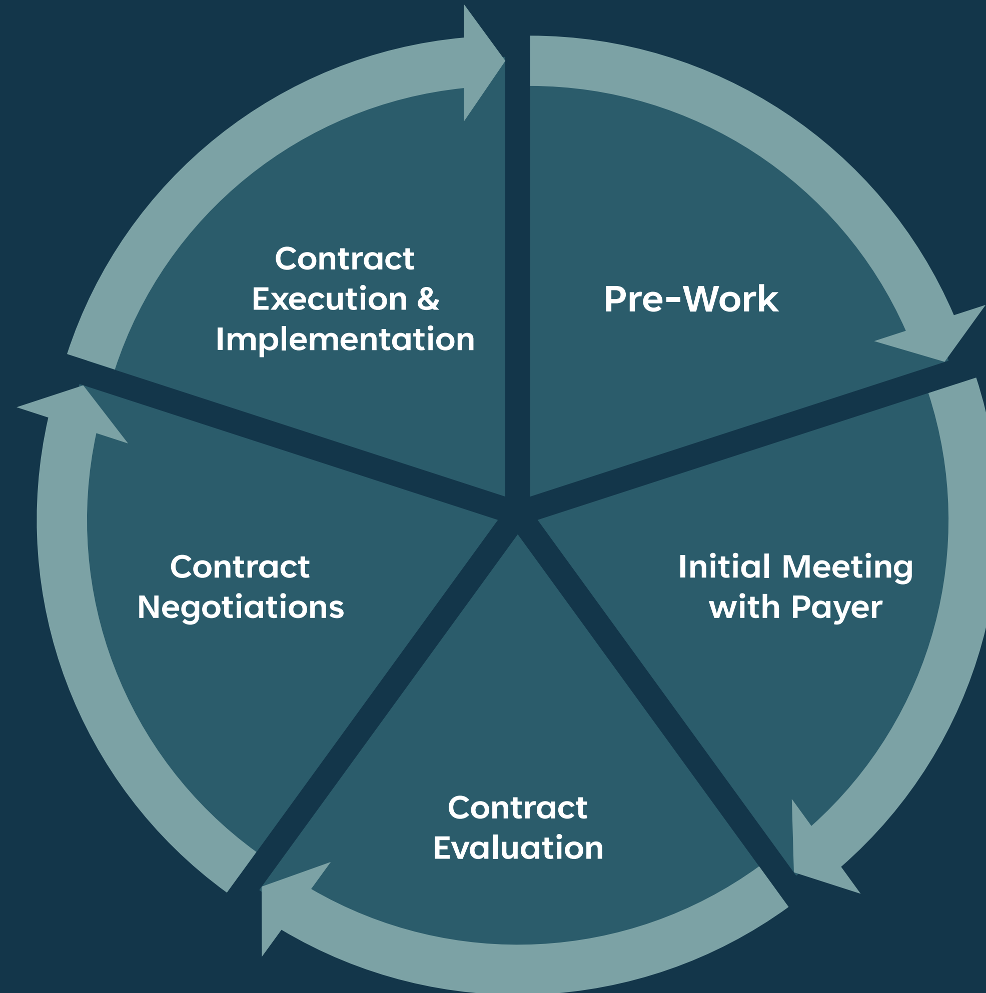
Claim Life Cycle

Pre-Claim	Pre-Visit	Visit	Claim Submission	Inbound Processing	Accounts Receivables Management	Analytics
	Front End		Transaction Processing		Back End	
Contract Negotiations	Scheduling/ PreRegistration	Patient Check-In	Charge Entry	Mail Processing/ Scanning/Indexing	Claim Status	Clean and Meaningful Data
Provider Credentialing	Insurance Verification	Co-pay and Deductible Collection	Claim Scrubbing	Bank Deposit	Denials Management	Process Measures
EDI/ERA Enrollment	Prior Authorization	Patient Payment Arrangements	Pre-Adjudication	EFT/ERA Processing	Appeals & Resolution	Financial Measures
Banking Setup	Appointment Reminders	Coding and Charge Capture	Claim Submission	Payment Posting	Patient Statements/ Patient Notices	
CDM Creation		Encounter Documentation	EDI Management	Revenue Allocation	Patient Refunds/Small	
Price Transparency/No Surprises Act					Balance Write-Offs	
					Collections Process (In/Out)	

Claim Life Cycle

Month-End Closing | Cost Reporting | Compliance | Performance Management | IT & Quality

PAYER CONTRACTING LIFECYCLE



IDENTIFYING OBJECTIVES

What are your objectives?

Which commercial payers are the most influential on your organization?

What is happening in your market?

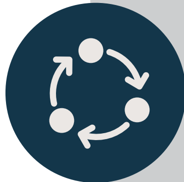
What is your relationship with the payer?

Who will be the key stakeholder for the contract?

What impact do/will the payer contract(s) have on your organization?

CONTRACT STATUS – BEST PRACTICES

Do you have copies of the agreements?
- All amendments
- Most current fee schedules



Pay attention to special clauses
- "Lesser of" – payment clauses
- Price changes notification
- Unlisted CPT Codes

Timely filing deadlines vs. payment windows
- Claims (including appeals) must be filed in XX days
- Payments will be received in YY days

EVALUATE FINANCIAL COMPETITIVENESS

- Comparison to the clinic's other payer contracts
- Assessment of reimbursement rates
  - Review of top 50 CPT codes by revenue and 50 CPT codes by volume
- Comparison to Medicare rate
  - Review of All Inclusive Rate visits vs payments received
- Comparison to cost-based reimbursement
- Comparison to chargemaster
- Comparison to other hospitals/clinics' published rates under pricing transparency (if available)
- Evaluate remittances
  - Assess prior 6-12 months billed and paid charges relative to contracted reimbursement rates
  - Identification and quantification of top 10 claim denial reasons

PAYER CONTRACTING: THINGS TO REMEMBER

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Increases to Gross Charges do not always fall to the bottom line

- Modeling to project the impact of CDM price changes by payor

Payer contracts may contain reimbursement methodology language:

- Excluded services that should not be priced for that payer
- Changes in charges could trigger “lesser of” clauses in payer contracts
- Clauses that limit the annual increase percentages

Renegotiate existing contract

- Voluntarily reduce overall charges to get a higher % of charge reimbursement

Q&A

COMMITTED TO INCREASING THE IMPACT OF RURAL AND COMMUNITY HEALTHCARE.

Our team of rural and community healthcare experts support the leadership of hospitals, health systems with a rural footprint, and the groups and clinics that form an essential care network across the 97% of the US that is defined as rural.

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APPENDIX

CONTRACT LANGUAGE AND TERMS

Area	Potential Issues	Best Practices
Recitals & Definition of Terms	• Terms are not defined or poorly defined, creating confusion and ambiguity in contract execution	• Contract includes clear definition of entities covered under the agreements, and whether the agreement pertains to Clinic or Physicians • Contract defines terms used throughout the contract (anything capitalized should be defined)

Institutional Responsibilities
• Provision of services
• Licensures
• Compliance with law
• Compliance with plan's provider manuals and policies/procedures
• Notification of admission
• Accreditation
• Claim submission
• Network access-only agreement
• Credentialing
• Participation of hospital-based providers
• Financial data
• Subcontractors
• Utilization management and quality improvement
	• Technical denials built into the agreement, *regardless of whether the service is medically necessary and usually driven by oversight*:
	  • Timely filing of claim (usually 60-90 days), appeals and/or filing into arbitration/lawsuit
	  • Pre-authorization and continued authorization
	• Advanced notification (usually 30 days) to the payer for changes in room & board charges, service changes, subcontracts, name change, disciplinary actions, changes in ownership, acquisitions, etc.
	  • At the payer's discretion, the plan can terminate if change negatively impacts members
	• Financial penalties for employed or contracted hospital-based providers which don't contract with plan, and penalties for referrals to non-par providers
	• Exclusion of services, such as hospital-based lab
		• Evaluate contractual obligations based upon best practices, Hospital's experience with and comparison to other payer contracts and Hospital's operational capabilities
		• Ensure Hospital processes, timing and documentation meet payer requirements, or mutually revise terms for process
		• Attempt to negotiate problematic provisions
		• Examine underlying Provider Manuals and, if issues are present, attempt to negotiate provider-specific terms into contract
		• Seek terms that will support growth/expansion plans
		• Educate staff on requirements
		• Track requirements across payers to help with contract compliance
		• Track denials across payers and examine trends

CONTRACT LANGUAGE AND TERMS, CONT.

Area	Potential Issues	Best Practices

Payer Responsibilities & Leniencies
• Payment
• Member benefits/cost share and member materials
• Administration of plan
• Provider Manual/Plan Policies and Procedures maintenance
• Eligibility
• Subcontracts
• Member contract changes and interpretation of the plan
• Audits
	• Payers can often make material changes imposed through unilateral policy or Provider Manual changes, without notification to Hospital
	• Clinical denials built into agreements, such as:
	  • Medical necessity (authorization)
	  • Level of care
	  • Site of care
	  • Experimental/investigational
	• Payers are often not responsible for eligibility errors
		• Guard against unilateral changes of material terms that impact reimbursement or increase resource obligations
		  • Require written notice opportunity to object, no amendment without mutual execution or process to make whole
		• Ensure plan is held accountable for timely payment (i.e., within 30 days or late penalty applies)
		• Examine medical necessity definitions and be wary of those that are overly restrictive, give payers blanket discretion or include a technical component
		• Avoid "lowest cost setting" and clearly document site of services in agreement
		• Seek protection for unauthorized services by adding retrospective review for medical necessity process rather than technical denial
		• Seek protection from retro-eligibility changes where patient verified as eligible, and services were authorized by the payer
		• Prerequisites before audits can be conducted, audit fees, documentation and reports, and dispute process
		• Avoid unsatisfactory dispute terms, such as multiple levels and short time periods and contractually shortened statutes of limitation

CONTRACT LANGUAGE AND TERMS, CONT.

Area	Potential Issues	Best Practices
Reimbursement • Member cost share and responsibility • Payment in full • Limitation on billing members for non-compliance with plan • Exclusions • Serious preventable events • Coding accuracy and reassignment permitted by plan	• Chargemaster clause (common in percent of billed charges) • Lesser of logic, particularly when applied to reimbursement models such as DRGs and case rates • CPT/Revenue Code requirements for billing cause denials when claims are billed with incorrect combination • Timely filing limitations that are triggered PRIOR to initial payment being received	• Attempt to remove “lesser of” clauses especially in cases where the reimbursement methodology involves All Inclusive Rate payments, or any other methodologies where the intent is to create financial incentive for the provider to improve outcomes and efficiency • Evaluate chargemaster annually and, where lesser of logic applies, balance between how high chargemaster rate should be set versus running into the impact of the lesser of clauses • Remove any limitations on CPT/Revenue Code combination • Ensure initial adjudication and payment/denial on claims occurs prior to the timely filing deadline to allow for appropriate appeals
Term of Agreement • Initial term • Renewals • Written notice for termination	• Inflexible provisions (such as 120 days advance notice for termination on anniversary effective date)	• Seek out flexible termination provisions (i.e., 90 days at any time of the year); note that initial term will not be flexible
General Provisions • Assignment • Severability • Entire Agreement • Headings • Governing Law • Notice, Etc.	• Typically, standard provisions apply • Provider Enrollment (Group Enrollment vs Individual Enrollment)	• Ensure counsel reviews contents of agreement • Group means any change of medical staff will not require enrollment and delay payment. Individual enrollment means payment will not be received until enrollment is completed

THANK YOU

Stroudwater Crossing

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