

# How To Build Value-Based Payer Partnerships: An *OPEN MINDS* Executive Seminar On Best Practices In Marketing, Negotiating & Contracting With Health Plans

## Part IV: Best Practices in Payer Negotiating

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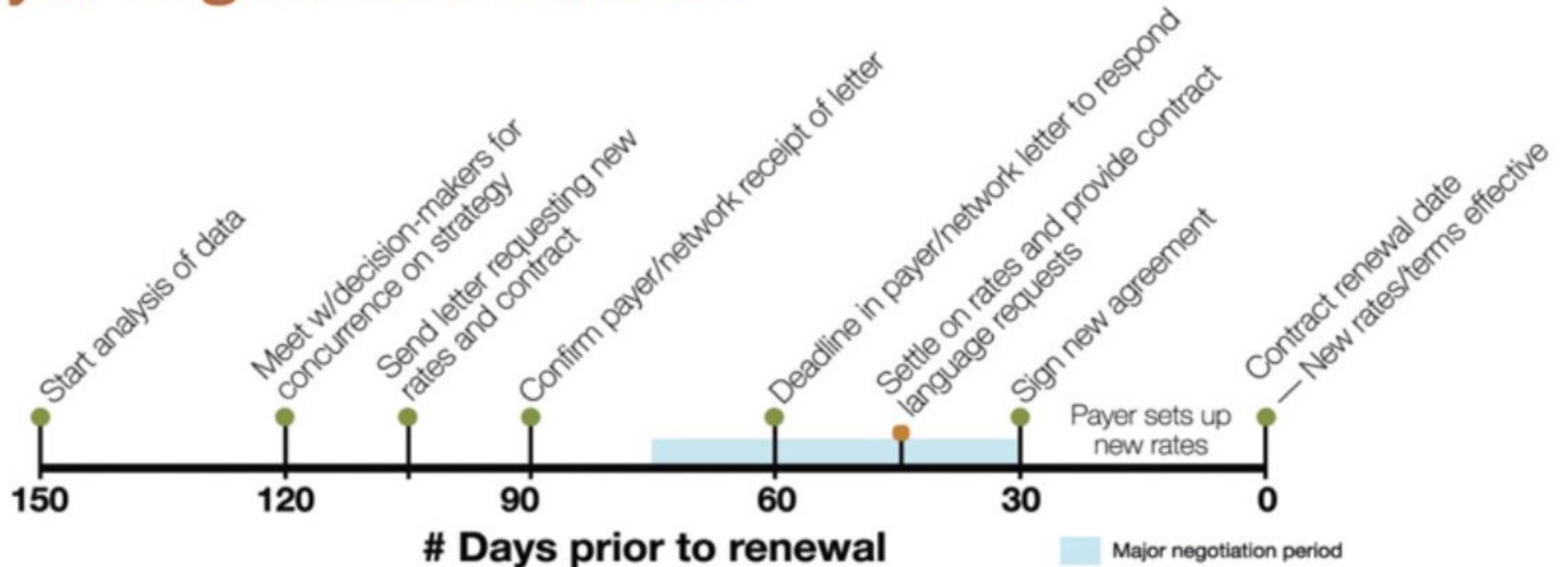
# **FOR PROVIDERS ONLY: Who in your organization negotiates payer contracts and rates?**

# Preparation Is Key

The screenshot shows the Microsoft Excel interface. The title bar reads "Payer Contracts Key Information — Saved to my Mac". The ribbon includes "Home", "Insert", "Draw", "Page Layout", "Formulas", "Data", "Review", and "View". The "Home" ribbon is active, showing options for font (Calibri, size 12), bold, italic, underline, text color, background color, paragraph alignment, wrap text, merge & center, and number formatting. The spreadsheet grid shows a header row with the following columns: A (Payer/Network), B (Anniversary), C (Term & Termination), D (Reimbursement), E (Notice Period to Renegotiate), F (Automatic Renewal), G (Payer Contact), H (Telephone), I (Email), and J (Additional Factors). The rest of the grid is empty.

# Timeline Example

## Payer Negotiation Timeline



Example assumes 90-day notice is contractually required.

# Readiness

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- Know the strengths for your specialty in your market(s)
- Utilize your strategic plan as part of your story
- Analyze your strengths and weaknesses USING DATA
  - Quality
  - Patient satisfaction
  - Provider referral satisfaction
  - HEDIS
- List any investments as part of your story
  - EMR/EHR investments
  - New programs
  - New facilities
  - New capabilities
- Any ways you have or can save the payer money in an integration or diversion model

# Analyzing The Fee Schedule

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- Create a spreadsheet listing every Current Procedural Terminology (CPT) code and the number of times it was billed for that payer.
- Multiply the use of each code by the proposed payment of the payer.
- Add together all of these products, and divide by the total frequency of all codes to determine the weighted average payment for that payer.
- By repeating this process for each payer, you can compare the overall weighted averages of all of your health care plans.
- Determine the break-even point by adding overhead expense and an external provider expense (contractors) and dividing this sum by the frequency of all codes for all payers.
- The result gives you the weighted average of your costs, which is your break-even point. You can easily compare it with the weighted average reimbursement for each contract.

# When Should You Walk Away?

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- Decide on your bottom line ahead of time, after weighing all factors involved.
- DO NOT accept usurious or be pressured into a bad contract!
- Find out what your biggest three referral sources would think if you drop a plan.
- Once you decide your bottom line, you can't be afraid to walk away.
- Example: Provider cancelled a contract with a health plan that represented 25% of its business, displacing more than 5,000 patients.



Eight months later, the health plan said, 'We want you back!' and the provider gained a **45%** increase in rates!

# Understand The Payer PAIN

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1. Access
2. Access
3. Access
4. Access
5. Access
6. Access
7. Key Metrics Performance (e.g., HEDIS)
8. Quotas to achieve for value-based reimbursement penetration (e.g., medical spend)
9. Innovation

# Key Negotiation Principles

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**Position  
Your Produce &  
Service**

**Establish  
High Targets**

**Manage  
Information  
Skillfully**

**Understand  
Your  
Capabilities**

**Satisfy  
Customer Needs  
Over Customer  
Wants**

**Concede  
According To  
Plan**

# Elements That Play A Role

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- Time
- Money
- Knowledge
- Clear Perspectives – define your goals
- Know the the “Opponent”
  - What motivates them
  - What are their strengths and weaknesses
  - What do they really want v. need
  - What divides them
- Understand Your Limits and Level of Flexibility
- Plan Your Strategy
- Agree on the Easy Things
- Winners and Losers – go for win-win
- Limit Your Emotions
- Important Powerplays
  - Silence
  - Walk-aways
  - No

# Crash Course - Strategies

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- Whoever has the most time has the upper advantage.
- Whoever has the most money has the upper advantage.
- Whoever has the most knowledge has the upper advantage. The more information your opponent gives you, the better.
- You must understand exactly what you want to achieve out of the deal before you can get it. Think through the problem and develop clear written goals and objectives before you begin to negotiate your position.
- Understand your flexibility, know with certainty your limitations, how much you can give in exchange for the things you want. Are you willing to pay too much for successful outcome? Put stop limits on giveaways.
- Do a little discovery and find out what really drives your opponent sitting across the table from you. What are their weaknesses? What will they give to get what they want?

# Crash Course - Strategies

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- You cannot have a strategy if you don't understand your opponent.
- Be prepared to give on the easy things and try to negotiate the easy things in exchange for the bigger things. In other words, give them five pennies for a dime.
- Don't be fooled, every deal has a winner and a loser. The key is not whether there is a winner or loser, the key is who THINKS they are winners and losers. Attempt to structure the deal so that your opponent THINKS he or she is the winner.



Develop Your Poker Face

# The Art Of Saying “No”

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- “No” is a powerful word in negotiations and when used wisely, it can help you (or the other party) achieve the target objectives. If misused or misinterpreted, it can hamper a deal for the wrong reasons.
- Use the word “early and often” – if there is a critical issue of fundamental importance, it is generally best to put that on the table right upfront, so there is no misunderstanding later on. Think “no personal guarantees.”
- On the flip side, sometimes “no” is blurted out during the heat of a negotiation, as a means of rejecting a request of the other side that you view as unreasonable. Try “I’m sorry, I can’t do it that way due to \_\_\_\_\_, but do you have any other ideas?”
- Riskiest “no” is the one that comes up at the end of a deal, where the negotiations are nearly complete and a new issue arises. Both sides may be suffering from deal fatigue at that point, so it may not be as easy to problem solve. You are ready to KILL the deal if the party does not accept your position – this “no” brings the negotiation to the brink of collapse. In order to prevail, you have to effectively declare that the value of the entire potential relationship is less than the value of that one final point.

# Know Your Style & Your Opponents Style

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- The Wrecking Ball
  - Holds firm throughout.
  - I am inflexible and I am not willing to negotiate.
- The Avalanche
  - If you hang in there, you can get it free.
  - Gives a little every time.
- The Funnel
  - I'm willing to negotiate and concede but have a bottom line.
- Sucker
  - Let's get this done, take it or leave it.

# Key Take-Aways

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- Those who ask...Get! Those who ask more.....get more!
- Power of Planning—minimum of 30 mins before F2F and first encounter and no less than 15 mins before follow-up calls.
- Ask questions and listen. Good negotiators ask 2.5 times as many questions as average negotiators. They share 1/3 of the data.
- People need to give more to get their needs met. Understand your opponents needs and wants.
- Commit to be in the tension. Wallow in it. Motto—I will not say or do anything to make it go away.
- When someone asks for a concession, I will ask for one in return of equal value. Create an “ask back” culture.

# Last Words Of Advice...

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1. Don't be lazy!
2. Preparation is the key to success
3. Data is your best friend!
4. Be committed to becoming a master at the art of negotiation
5. Negotiate your contracts regularly (annually)
6. Know what differentiates you from your competitors at ALL TIMES
7. If you need expertise, hire it (employee or consultant)
  - A 5% rate swing is 5% additional revenue for doing NOTHING MORE than you are doing now!
8. Never be afraid to walk away
9. All contracts you have today will be in a VBP model
10. You WILL be part of a PLE within the next 10 years



Access the online OPEN MINDS Value-Based Reimbursement Assessment free of charge, complements of Qualifacts at [VBCforBH.com](http://VBCforBH.com).



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