

Introduction to Payer Relationships and Contracting

Introduction

This beginning chapter will provide an introduction to forming relationships and working on contracts with your commercial payers. We will cover the basics of what payer contracting is, an overview of the local Colorado insurance market, and touch on how and why your data is such an important piece in this process.

Key Takeaways

- I. Understand commercial payer contracting basics
- II. Learn more about the local Colorado insurance market
- III. Understand the role data plays in contracting

Section 1.0 - Contracting Basics and Overview

1.1 - Payer contracting, at its most basic, is the relationship between Providers and the Health Plans. Payers have a contractual relationship with their customers, which are the policy holders. Their customers can be individuals, but most often, in the commercial sector, they are employers who buy health insurance as a benefit for employees (i.e. School Districts). That policy (or contract) provides medical care for a premium, which is a set price per member per month.

1.2 - **Health plans do not provide health care!** Health plans need to subcontract to physicians and other health care providers to supply the actual health care services and they need a network of providers, hospitals, diagnostics, etc. to do so. They also need the full range of medical specialties from Primary Care to Neurosurgery, Pediatrics to Podiatry, and the increasingly important piece, which is Behavioral Health. They need all the providers, services, and facilities in order to keep their contractual (Policy) obligations to their customers/members. In addition to creating a network of providers, facilities, diagnostics, etc. health plans provide management as a service to their customers. Management of health care includes claims payment, utilization management, network navigation, pre-certification/authorization, etc.

 *Increasingly, the payers and their customers are aware of the importance of integrating physical and behavioral health services and how attention to this can help decrease overall costs, especially how it relates to chronic issues. We will continue to cover this importance throughout the curriculum.*

1.3 - The payer/provider relationship as an actual ‘relationship’ is often overlooked and discounted. It is important to think of it as a partnership instead of something adversarial. Providers must focus on providing cost-effective and quality care, while partnering with the payers to determine the appropriate reimbursement for those services. Providers and payers must work transparently together in today’s environment to truly be effective. Payer contracting is a key element for every practice. Practices must contract with the payers in order to see their members as “in-network” providers and then be reimbursed accordingly. On the flip side, payers must contract with practices and providers to develop networks for their members.



Contracting is a two-way street! Both parties must work together to bring excellent health care services and the financing to the population we all serve.

Section 2.0 - Local Insurance Market Breakdown

2.1 - Colorado is a unique state when looking at the payer mix for the local insurance market. Unlike other states, Colorado has a very diverse payer mix that includes the large national payers, like United HealthCare and Aetna; regional payers like Anthem; and even some local payers, like Rocky Mountain Health Plans and Friday Health. This payer mix creates a competitive market with great opportunity for practices!

The table below is a summary of the top commercial payers in Colorado and the *approximate* local market share as reported on the 2017 Insurance Industry Statistical Report published by the Colorado Division of Insurance.

Payer	Market Share %
Aetna (Cofinity & First Health)	2.33%
Anthem Blue Cross Blue Shield	29.51%
Cigna	7.64%
Humana	1.35%
RMHP	2.86%
United Healthcare	14.13%
Kaiser	38.43%
<i>Other</i>	<i>3.75%</i>

<https://colorado.gov/pacific/dora/colorado-insurance-industry-statistical-report>

2.2 - It is important to analyze the payer mix as it applies to your practice. Which payer do you see the most volume from? This thought process will help focus your efforts and prioritize your process based on volume of patients by payer. Furthermore, it is important to analyze each payer individually as well and focus on the specific business lines that come through each payer. Some payers may only have commercial lines of business, while others may be primarily focused on Medicare Advantage plans. Some payers may be self-funded versus fully funded plans. Some, like Rocky Mountain Health Plan, have a Medicaid population and responsibility. All things to keep in mind when looking at payer contracts and opportunities.

2.3 - See below for more breakdown of the larger payers in Colorado.

Aetna: Aetna holds a relatively small market share in Colorado, but it is still relevant since it encompasses smaller payers in its umbrella. Both Cofinity and First Health (formerly Coventry) fall under the Aetna umbrella.

Anthem: Anthem is one of the largest payers in Colorado and other states. Anthem is a member of the national Blue Cross Blue Shield family of payers and has a well-developed network with many plan options, including some narrow networks plans, like Pathways.

Cigna: Cigna is primarily self-funded with a primary focus on the commercial market. They are working to expand into the Medicare Advantage population in the coming years.

Humana: Humana has a small commercial share as it is primarily focused around Medicare Advantage with an overall relatively small presence in Colorado.

Rocky Mountain Health Plans: Rocky has presence in both Medicare Advantage (MA) and Commercial plans with a much larger presence on the Western Slope of Colorado than it does along the Eastern Slope. As mentioned above, Medicaid plans also come into focus here.

United Healthcare: A large, national payer with presence in both commercial and MA. Expansive network with many plans, including some narrow networks, like Compass and Navigate.

Others: The Colorado Market is made up of many other smaller payers and networks. Some more examples are included below:

- **Multiplan/PHCS** – National networks that operate as Third-Party Administrators (TPA) across the country, including here in Colorado.
- **Friday Health Plan** – Formerly Colorado Choice and newer to the market on the commercial side.
- **Bright Health Plan** – An exchange product offered in the state of Colorado

Definitions:



Self-Funded: There is no actual insurance product here. The employer/policy holder (government entities, school districts, large employers) is at risk and actually pays the cost of the claims. They use the “insurance company” only as a network for providers and to review claims. Common self-funded plans are administered in Colorado by CIGNA, Aetna, etc.

Fully Funded: Small business and individual plans are fully funded. The payer (“insurance company”) in this case is at risk for the claims and the member or policy holder is not. The member or small employer pays a flat rate per member per month in the form of a premium.

Medicare Advantage is different from Conventional Medicare because a private insurance company takes over the management of the Medicare beneficiary. Medicare, the program, pays a risk adjusted premium to the private insurance company to take on the risk of the Medicare beneficiary. A Medicare Advantage patient has no supplemental insurance. All claims and all payments run through a single entity. Rocky Mountain Health Plan and United AARP Complete are great examples.

Section 3.0 – Using Practice Data in Contract Discussions

3.1 - The contracting process is a discussion between two parties (you and the payer). The communication these days often takes place via e-mail or telephone conversation (or both) and it may take several weeks or months to reach the best agreement for your practice. We have many examples of complex negotiations which have taken more than a year to complete. (*See the example below.*) A good agreement is not just about the reimbursement rate. A good agreement should define your relationship, each parties' responsibilities, and expectations of each other (reimbursement rates, pre-cert process, timing, clean claims, co-pays, etc.)



Example: We are currently engaged in a very long negotiation with one of the larger payers for a new payment rates, not overall increases in this case, but more so the nuances of how diagnostics are paid. We have requested, on behalf of the practice, a look at the payer's overall cost of care data to show this particular practice vs. the general market of providers in this payer's network. We believe we have a lower overall cost of care! We want to prove it not only with practice data but the payers as well.

This is a great example of a collaborative conversation which will help both the practice and the payer. The practice wants to see what they do well and what they could do better. The result will be a closer relationship with the payer, more patient volume and some upward adjustments to rates as they meet goals.

3.2 - An incredibly important part of the agreement, and the on-going relationship, is centered around information and data! Your practice data plays a crucial role in contracting discussions to help you support your claims and give tangible evidence of your success. It is one thing to approach a payer and say "I am the best provider in town, please give me more money", but it is an entirely different conversation when you come to the table armed with proof that you truly are the best provider, and the payers' members who are assigned to you are getting great, cost effective care.

3.3 - Being a part of the SIM initiative gives you an advantage by granting access to data aggregation tools (Stratus), training on Clinical Quality Measures (CQMs), and a better understanding of cost and utilization. This information is powerful and can be used to your advantage when working on your contracts. We will cover the importance of your data in more depth through every section of this curriculum to give you a better understanding of how to use your sources effectively to achieve success.



Knowing your payer is very important to success in contracting. Knowing yourself, your statistics, your cost of care, your referral patterns, your patients and their costs makes you invaluable to a payer network. This will help you focus on the more important parts of your contract and will produce a stronger outcome on the back end of this process. Remember though, contracting is a never-ending story!

Chapter 1 Worksheets

The worksheets on the following pages are designed to get you in the contracting frame of mind by compiling the basic practice information that payers ask for when initiating contract discussions. This information may seem obvious, but it is important to have on hand nonetheless.

Practice Demographics -

The smaller box at the top of the page contains a list of the documents that are either required or helpful in the initial stages of contracting. Things like your **current contracts** and the **top 20 CPT codes** for your practice will help focus your efforts towards what payers you are targeting and what services you perform the most. Documents like a **current roster** and signed **practice W9** are often requested by the payers from the start. It is never a bad idea to have these ready when starting the conversation. The larger box on the bottom half of the page is the basic demographic information for your practice. All of this information will be needed on hand to provide to the payers.

Payer Breakdown Table -

This table will help you analyze and organize the payers that are most important to your practice. Use your EHR System to pull reports that show you which payers you see the most patients for. When you have an idea of the volume that comes into your practice, you can then focus your efforts on those payers that are the most important to you.

Contract Log –

This is an example of a contracting log. We recommend that you keep something similar to this so that you can keep track of all your contracting discussions with the various payers and their representatives. We recommend keeping this log in excel format, but feel free to use this example in any way you see fit.

Please fill out the survey included in the link below. Tell us what you think!

Survey Link: <https://www.surveymonkey.com/r/9QR6SPV>

**Worksheets attached on next page.*

Important Documents

- Current Physician Roster with Specialties
- Practice W9
- List of top 20 CPT codes
- List of Current Payers
- Copies of Current Payer contracts

Practice Information

Legal Business Name (and DBA if applicable):

Primary Practice Location:

Address: _____ Ste: _____

City: _____ State: _____ Zip+4: _____

Practice Manager: _____

Phone: _____ Fax: _____

Email: _____

Practice Website: _____

Billing/Remittance Address (if different from above):

Address: _____ Ste: _____

City: _____ State: _____ Zip+4: _____

Phone: _____ Fax: _____

Best Practice Contact: _____

Name of Authorized Signer: _____

Identification Numbers:

Tax ID#: _____

Group NPI: _____

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Payer Breakdown by Volume		
Payer:	Volume (%):	Notes:
Aetna		
Anthem BCBS		
Cigna		
Colorado Access		
Cofinity		
First Health		
Humana		
Medicare		
Medicaid		
Multiplan		
RMHP		
Tricare		
United Healthcare		

