

ACHIEVING QUALITY AND AVOIDING PITFALLS: LESSONS LEARNED IN THE BUSINESS OF INSURANCE CONTRACTING

BY TED STEUER

The quality of insurance contracts is a major determinant of your income. For physician contractors, HMO and PPO reimbursement rates and terms significantly influence revenue. For owner/operators of a small business, the costs for health, workers' compensation, and liability insurance are major expense items.

Improving the quality of insurance contracts provides physicians with the opportunity to earn more without working harder. Too frequently, insurance provider contracts have pitfalls, unfair terms, and inadequate reimbursement. The changing economic and regulatory landscape continues to make the business of contracting increasingly challenging — especially for physicians in solo and small group practice.

In recent years, our industry focused on HMO contracting because HMO membership grew to over 65% of the commercially insured market. PPO contracts were carelessly signed without review, and, as a result, physicians were committed to one-sided requirements and inadequate reimbursement. Independent Practice Associations (IPAs) attempted to help physicians with PPO contracting as a "value-added" service, but frequently rates and terms were not maximized.

Two recent changes to the provider contracting landscape are:

1. Increased Federal Trade Commission (FTC) enforcement of "anti-competitive" behavior in healthcare;
2. Significant growth of PPO and consumer-directed health plans.

THE FTC

In their recent complaint against Brown and Toland Medical Group, the FTC claimed "naked price fixing." Brown and Toland contested this citation, and, after extraordinary legal fees, they received a cease-and-desist order plus a five-year reporting probation. The FTC states that IPAs cannot collectively nego-

tiate for PPO contracts unless they are economically and/or clinically integrated. Staff-model groups typically have this integration.

The FTC did, however, simultaneously provide the Bay Area Preferred Physicians with a positive opinion letter on their messenger model contracting procedure. This is the contracting mechanism used by Physician Partners. Using the data-driven messenger model, the messenger collects offers from PPOs, matches them with data provided by the member physicians, and presents each member with the opportunity to opt in or opt out on each contract that meets their pre-specified requirements.

GROWTH OF PPO AND CONSUMER-DIRECTED HEALTH PLANS

PPOs and consumer-directed health plans are gaining market share. The reasons for this are many, and the ramifications on physician reimbursement are immense. If this opportunity is properly managed, it can greatly improve practice economics. Conversely, if not attended, this can further deteriorate the economic viability of practices.

In a recent conversation about a very low reimbursement offer, the representative of a major payer stated that they mail contracts directly to physicians because "most physicians will sign anything that crosses their desks." He indicated that the reimbursement rates for staff model groups are much greater because they have professional contracting representation.

The biggest challenge for a contract negotiator is responding to the question, "Why should we contract with your group when so many of your doctors have already signed an individual contract?"

Physicians are best protected when they have a professional review their contract language. This can become expensive. Assuming you review your own contracts, you should ask the following red-flag questions:

- Does reimbursement meet pre-established economic standards for my practice?
- Are the rates/exclusions/addendums clearly identified?
- Does this contract language enable the payer to implement unilateral changes

(i.e., the PPO unilaterally changing reimbursement)?

- Is the practice adequately protected from retrospective denials and down-coding?
- Does the language safeguard from "Wrap and Silent PPO" products (a mega-dollar item)?
- Are all sections legal and logical (there is no need to indemnify a large corporation)?
- Is there a specified procedure for resolving disputes?
- Can the contract be cancelled with reasonable terms and time?

BUSINESS INSURANCE COSTS

Sky-rocketing health, workers' compensation, and liability insurance costs are well documented in the media. Too frequently, coverage decisions are totally delegated to brokers. Many brokers are professionals dedicated to excellent customer service. However, others are not adequately motivated to provide the most cost-effective coverage for their clients. Health savings accounts and other changes can provide opportunities for major cost savings. We recently obtained proposals from major carriers on employee health and workers' compensation insurance that decreased costs by 25%.

AND THE LESSONS LEARNED

- Not every contract offer as a provider should be accepted;
- Our data shows that good PPO contracting processes and procedures can significantly increase physicians' revenue;
- We are also finding that savvy business operations can successfully result in major cost savings. For example, the rates paid for health insurance and workers' compensation are frequently much higher than needed. The resultant savings can be huge ... with thousands of dollars in savings.

When you do the math, increases in top-line revenue concurrent to cost decreases result in significantly more take-home income without adding to your workload. ■

ABOUT THE AUTHOR

Ted Steuer is president of Physician Partners Management Services and executive director of Scripps Mercy Physician Partners. Physician Partners' mission is to improve patient access and increase the viability of private practice.