

# Provider Contracting Options in an Evolving Healthcare Market

*By Kristin Pearce, Director of Provider Contracting, NX Health Network*

Every day we receive email blasts and newsletters with headlines discussing revenue based contracting, High Value and Narrow Networks and the future of PPO's. There are those that suggest that the PPO is a dying entity, to be replaced with a referenced based solution for paying Providers, while others see the value in a PPO network offering, but struggle with how to improve the impact on the Health Plan's medical spend.

As a result of my discussions with Employers, Brokers and Payers, it is clear that there is still a significant market for cost effective, well run PPOs. In fact, most PPO Plans and other Health Plan delivery organizations are finding creative ways to ensure that the PPO continues to be a viable option, while fulfilling demands to enhance the quality of care at an even more affordable cost to the Employer.

Today, Employers are struggling with the very real concern of how to maintain a competitive health benefits Plan in the face of projected health care costs including pharmaceutical increases, as well how the Cadillac Tax can and will impact their Plan costs moving forward. As a PPO, we need to rethink and retool our organization to better address the pressures Health Plans are facing today; that means reviewing not only how we engage Providers, but how we pay and incentivize them to meet the more rigorous standards of the market.

## Engaging the Provider is Critical

From a contracting prospective, it is important to engage your Provider partners and focus on the value for them in a highly competitive market. Build a relationship with the healthcare Providers and educate them to the goals of the contract for all parties. In a Narrow or Value Based Network, make the Providers aware that they are going to be a premier or exclusive Provider within the network while significantly reducing or in some cases eliminating their competition. When Providers understand that they will receive significant steerage of members to their facility or practice, they will be more inclined to work with the network and accept lower fees. Most importantly, give it to them straight; treat them as valued partners in the process, and follow through on your commitments. By doing this you can create a strong and lasting relationship.

## Money Talks

At the end of the day, the Providers are going to make contracting decisions based on the revenue potential of the relationship. This includes not only the volume of Patients a PPO can deliver, but also the payment per service, including performance based bonuses. Luckily, there are a number of creative options for incentivizing Providers to not only participate, but also to manage the quality of care.

### Medicare Plus Pricing

- Medicare is the most recognized single reimbursement methodology within our health care system. For many Providers, it can work effectively as a reimbursement method, assuming the percentage of Medicare is set reasonably. Obviously, the greater the exclusivity in contracting with a Provider, the more favorable the payment structure may be to the PPO. Medicare fee schedules fluctuate year after year and will need to be monitored on an annual basis to ensure under payments or over payments do not occur.

### **Bundled Payments/Reimbursements**

- The more things change, the more they stay the same! Bundled payment options have been in the market for many years, but are gaining additional interest and traction by Payers and PPOs. It has the benefit of reducing or eliminating “surprise” charges by the medical Provider. Providers are slowly accepting this methodology as they know exactly what they expect to be reimbursed for an episode of care. This also reduces the worry of having to bill the member for any additional costs, while eliminating large AR issues.

### **Pay For Performance/Pay for Quality**

- This trend is popular amongst Providers working within a HMO environment; however we can also use this tactic in the PPO marketplace. You can incentivize your contracted Providers to share Patient data with other contracted Physicians while essentially enhancing wellness of both the sick and healthy within your population. Wellness programs are at their peak of popularity, and we can all do more to keep our employees healthy and out of the hospitals. Now is the time for us to encourage and reward quality health care outcomes.

### **Capitation**

- This Provider reimbursement model was a critical component within the HMO industry in the 80's and 90's. But as HMOs struggled and lost business, this payment model lost favor. Today however, we're seeing a resurgence in capitation models. This methodology allows for a Provider to accept a PMPM or PEPM fee to render services to the population. The Provider will accept this fee and not be entitled to collect any other reimbursements from the Plan or collect any other amount from the member except for applicable copays and/or deductibles. Both Specialists and Primary Care Physicians can benefit from a capitation model. Capitation dollar amounts can be set on a sliding scale based on member age, demographic, monthly enrollment, encounter data submitted to the Plan, and more. Capitation enables the Provider to “budget” revenue on a monthly basis, but also requires them to effectively manage the care process to insure profitability. Conversely, it also requires the PPO and Health Plan to oversee utilization to deter “under delivery” of services to Patients.

### **Pre Pay**

- In speaking with many of my colleagues, a new reimbursement type to consider is a Pre Pay methodology. Perhaps you are working with an Ambulatory Surgery Center that is on the fence in regards to contracting. They don't want the hassle of billing a Plan and waiting 30 days or more for reimbursements. You can negotiate a rate that is fair to both the ASC as well as the group and allow for pre pay. Reimburse the ASC prior to services being rendered at a set dollar amount, perhaps even include this with a bundled methodology, to eliminate any need to audit the claim, request refunds, and/or preparing any additional reimbursements.

### **Can't We All Just Get Along?**

It will take the buy in by Providers to make the new High Value Narrow PPOs successful. They must see value if they are to accept lower reimbursement levels and we need to work as a team if we're going to evolve today's stagnate PPO model.

### **About the Author**

*Ms. Pearce is the Director of Provider Contracting for NX Health Network. Her office is located in Phoenix Arizona with a satellite office in Southern California. Kristin has 20 years of experience in the healthcare industry, both clinical and administrative in nature. Kristin enjoys connecting with health care Providers and being an advocate for them, while essentially creating a beneficial relationship for all parties. She can be reached at (866) 762-4455 x139, or via email at [kpearce@nxhealthnetwork.com](mailto:kpearce@nxhealthnetwork.com).*