

# Should you negotiate your reimbursement rates?



**“Either we score some higher reimbursements rates ...  
or we’re going to have to punt.”**

## *Who can negotiate their reimbursement rates?*

Most practices have been underpaid with low reimbursement rates for many years. Most practices are receiving rates lower than what they should. Even small practices can negotiate their rates with success. The reality is, if you haven’t negotiated your rates in the last 3 years, you are certainly leaving money on the table.

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## Overview

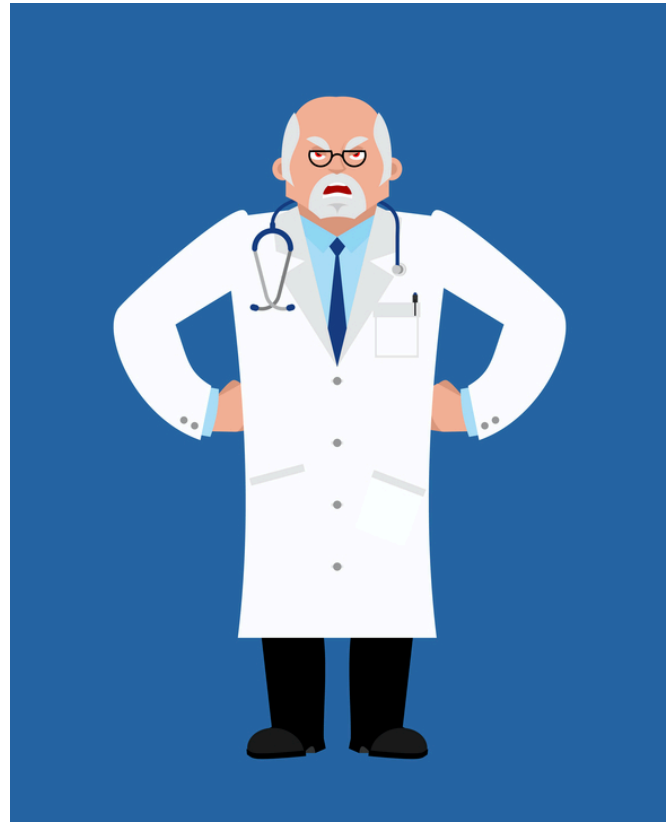
I often encounter situations where practices have no idea what their rates are - to be honest there are far too many other things going on that require immediate attention. The reality, however, is that your rates are too important to ignore going forward.

Within the last 10 years, there has been a major shift. Medicare used to be the lowest payer. Now we know that Medicare typically pays better than most commercial insurance! It's time to take back your piece of the pie.

Many practices, particularly those who are small to mid-sized (1-25 providers) , are at risk of going out of business because their rates barely allow them to breakeven. Despite dramatic increases financial obligations, dramatic increases in enrollment and premiums at insurance payers, reimbursement rates for most providers still remain at recession-level rates.

This book will explain how you can compare your rates, and what a reimbursement increase can mean for your practice.

**Meet Dr. Now. Dr. Now, an OB/GYN, has been practicing for 15 years, and started his practice about 10 years ago. Dr. Now has 3 associates working with him. Dr. Now's take-home pay is about \$275,000. Not too bad, but when you consider the risk Dr. Now has running his own business and years of medical training, it makes you wonder if that's enough. What could get do with a better salary? He could work less or perhaps even retire earlier. Even better, with higher profits and take-home pay, when Dr. Now goes to sell his practice, he will get a lot more money.**



**Let's take a look at Dr. Now's reimbursement rates and see what can be done.....**

**The first thing we need to do is put together an analysis of the practice's rates, and arrange them according to payer and CPT service code. Here is how this process works:**

- 1. Determine the most commonly used codes by the practice. Usually, your practice management system can do this for you. Usually there will be anywhere from 5-15 depending on your specialty. List these codes on a spreadsheet.**
- 2. Go to the Medicare physician lookup tool ([link is here](#)). Here, you can input your codes, even for a specific location. Choose the global modifier and you can automatically get the rates**

Please select a year (see 'Notes for Selected Year' box for details):

2018

Update factor for 2018 is 0.978 and the conversion factor is 35.9996.

Type of Information:

- ☒ Pricing Information  
☐ Payment Policy Indicators  
☐ Relative Value Units  
☐ Geographic Practice Cost Index  
☐ All

**PFS UPDATE STATUS**

Data last updated: 07/06/2018

Select Healthcare Common Procedure Coding System (HCPCS) Criteria:

- ☐ Single HCPCS Code  
☒ List of HCPCS Codes  
☐ Range of HCPCS Codes

Select Medicare Administrative Contractor (MAC) Option:

- ☐ National Payment Amount  
☐ Specific MAC  
☒ Specific Locality  
☐ All MACs

Pricing by List of HCPCS Codes for a MAC Locality

Enter values for:

HCPCS Code 1: 59400  
 HCPCS Code 2: 59510  
 HCPCS Code 3: 59025  
 HCPCS Code 4: 99213  
 HCPCS Code 5: 76815

Modifier:


Global (Diagnostic Service) OR Physicians Professional Service where Professional/Technical concept does not apply.

MAC Locality:

000000 NATIONAL

RESET SELECTION CRITERIA **SUBMIT**

3. Next we need to know what the insurance payer is reimbursing. Using your EOBs, go to the allowed amount and add the rate to your spreadsheet. Note that it should be an EOB that is unbundled and you need to consider the “ALLOWED AMOUNT” or “COVERED AMOUNT” as this is rate that considers co-pays or coinsurance. Add to your spreadsheet.



## THIS IS NOT A BILL

(Please Keep This Form For Your Records)

### EXPLANATION OF BENEFITS

JOHN A DOE  
1234 ANYWHERE DRIVE  
FARGO ND 58103

000001

Date: 02/20/12  
Benefit Plan Number: YQA999999999  
Page Number: 1 of 2

**Member Services**  
Local: 701-277-2227  
ND: 800-342-4718

**Payment Summary**

Patient/Claim Number	Paid to :	Total Charge	Covered Amount	Previously Processed	Your Responsibility
JOHN A 9920100000/00	PROVIDER	135.00	60.00	0.00	75.00

**\* YOUR RESPONSIBILITY TO THE PROVIDER: 75.00**

**YEAR TO DATE COST SHARING STATUS : 2012**

Applied to \$1000 per member deductible:	Applied to \$1500 per member coinsurance:
JOHN A \$ 35.00	JOHN A \$ 15.00
\$ 35.00 has accumulated toward family deductible maximum.	\$ 15.00 has accumulated toward family coinsurance maximum.

4. On your spreadsheet, take your rate and divide it by the Medicare rate. This will give you your percentage of Medicare you are being reimbursed. Take the % of Medicare average (excel formula =average()) and this will provide the average reimbursement as a percent of Medicare.

Code	Description	Current Rates	Medicare Rate	% of Medicare
59400	Delivery	\$ 1,409.75	\$ 2,157.10	65.35%
59510	Delivery - Cesarean	\$ 1,874.88	\$ 2,392.53	78.36%
59025	Fetal Stress Test	\$ 43.85	\$ 49.68	88.26%
99213	Office visit Established	\$ 59.35	\$ 74.16	80.03%
76815	Ultrasound	\$ 67.80	\$ 86.17	78.68%
76817	Ultrasound	\$ 76.77	\$ 99.72	76.99%
99203	Office visit New	\$ 87.90	\$ 109.80	80.05%
	Average			78.25%

- 5. Complete the analysis for each of your top payers and list on a table. It should look at little something like this.**

	Payer 1	Payer 2	Payer 3	Payer 4	Payer 5
% of Medicare	90.25%	92.50%	95.50%	78.25%	110.00%

**Automatically you'll notice some patterns. Payers 1, 2 and 3 are paying at relatively the same rate. Payer 4, is pulling the average way down. 78% of Medicare is not a great rate. Keep in mind, Medicare prices rates according to geographic areas, so it shouldn't matter what part of the country you are in. Payer 5 is an anomaly paying at a much higher rate than the rest. What does this mean? We should definitely leave payer 5 out of the negotiation strategy for now, and we should definitely approach payer 4. Should we also approach payers 1, 2 and 3? Yes, you should. If you feel you can put together a convincing enough argument, it doesn't hurt to approach these payers and see if you can move the needle even just a bit closer to where payer 5 is reimbursing.**

## **What now? How do you negotiate contracts?**

**You have to start planning and start putting together your negotiation strategy. You can't just simply call up the insurance plan and say "Hey, I want an increase". You have to navigate through the red tape and put together a compelling argument of what you're doing and how it saves the health plan money.**

**You have to put together what your 'assets' are to the payer and convey them in a formal value proposition. Here are a few examples of 'assets' that would be of interest to the payers:**

1. You manage your schedule well - for example, you keep patients out of the emergency room because referring providers know that their patients can be seen the same day.
2. You provide a service, whether procedure or therapy that is not provided by other practices in the area.
3. You have a sub-specialty that is not common in the area.
4. You are able to solve chronic issues better than other providers (have some data to back that info!) and can show that you can prevent downstream costs to the payer
5. You can bring forth 'case studies' that show examples of how your expertise saves the health plan money
6. You provide references from referring providers who attest to your abilities and outcomes

**These are just a few examples. Every practice is different and everyone has something that differentiates them from their competitors. The key is to convey this information in a convincing manner.**

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- 6. In this case, we put together a compelling case, went up against Payer 4 and agreed on a 16% increase over current rates.**

Payer 4 Proposed	% of Medicare	Units per year	Reimburse Current	Proposed reimbursement	Weighted average
\$ 1,709.15	79.23%	148	\$ 208,643.00	\$ 252,954.20	41.03%
\$ 2,200.00	91.95%	123	\$ 230,610.24	\$ 270,600.00	43.89%
\$ 39.44	79.39%	199	\$ 8,726.15	\$ 7,848.56	1.27%
\$ 59.16	79.77%	780	\$ 46,293.00	\$ 46,144.80	7.48%
\$ 91.35	106.01%	133	\$ 9,017.40	\$ 12,149.55	1.97%
\$ 89.90	90.15%	180	\$ 13,818.60	\$ 16,182.00	2.62%
\$ 87.57	79.75%	122	\$ 10,723.80	\$ 10,683.54	1.73%
			<b>\$ 527,832.19</b>	<b>\$ 616,562.65</b>	
			<b>\$ 88,730.46</b>		
		<b>Percent increase</b>	<b>16.81%</b>		

**The result? An extra \$88,730.46 PER YEAR, year after year!**

**That's all revenue that's added to profit because no additional expense is needed to obtain this money. That will have a profound effect on owner income and value of the business. All with just one payer.**

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**7. Should I hire a professional to negotiate contracts on my behalf?**

**Certainly, we are bias on this as NGA Healthcare does provide payer negotiation services. We often work with clients who have attempted to negotiate reimbursement rates on their own without results and feel that they have wasted their time. We very often move on to provide a successful negotiation on behalf of these clients. Negotiating with payers takes time and patience. While I encourage all medical providers to negotiate their contracts, the reality is that they seldom have the time and it makes more financial sense to hire an expert who can probably get you better rates anyway.**

**Our track record is that out of all of the clients we have worked with, we have been able to successfully negotiate at least one of their contracts for higher reimbursement, and that pays for our fees many times over.**

**Are you interested in finding out how much we charge and the negotiation services we provide? Click this link and you will be directed to our webpage that outlines our pricing (All done on fixed fee basis) as well as the exact services we provide. We advocate and believe in transparency from the payers, and believe our business should do the same as well.**

[Click here to see our  
Costs to Negotiate your  
Contracts](#)