

Eli's Rehab Report

BUSINESS STRATEGIES: Talk Business With Your Payers -- and Strike Hidden Gold

Tip: Try renegotiating a contract before you cancel it

Think that your payers' contracts are set in stone? Follow this four-step guide to help yourself through a renegotiation process that could be well worth its time.

Reminder: In a skilled nursing facility or home health agency, contracts usually include more than just therapy -- for example, nursing, room and board, etc -- so negotiating these terms is different from negotiating a service provider contract specific to outpatient therapy, says **Garry Woessner, MA-CCC, MBA, CAS**, of Woessner Healthcare Consulting Group in Edina, Minn.

Step 1: Make a Decision

Before you do anything, decide if you truly want to do away with this contract. You may be better off keeping it. To find out, analyze if your costs are a true reflection of incremental costs, Woessner says.

Translation: If you're paying a therapist hourly -- or a salary plus benefits -- and the therapist loses a patient because you nix the contract, are you reducing your cost as a result? Woessner asks.

Example: With fixed costs, you may have a therapist working full-time, and she's going to be there all day whether or not you have this contract. Knowing this, you're better off with the contract than without it. On the other hand, "if you don't have this contract and you're able to let the therapist go home early as a result, then that's a true cost to have the contract in place," Woessner says.

For more on weighing the costs and benefits of contracts, see the November 2006 Physical Medicine & Rehab Coding Alert.

Step 2: Have a Rationale

If you've decided to terminate the contract unless the insurance company gives you a better deal, you need a solid argument of why the contract needs to change -- and it should be something other than simply, "I want more money," says **Nancy Rothenberg**, vice president of PTPN in Calabasas, Calif.

You've signed those rates in the first place, so you need a reason why it needs to change. Maybe your reason is that your practice or the marketplace has changed, or maybe the people who used to compete with you aren't there anymore, so you're more valuable, Rothenberg says.

Good idea: Drum up some calculations that prove financial loss and other hardships such as an unrealistic number of approved treatments. To get started on some analysis, see the Clip and Save article in this issue.

Step 3: Develop an Action Plan -- and Stick to It

Once you've decided to take some action, arrange a meeting with a representative from the insurance company. But before you meet him face-to-face, prepare a plan with these expert pointers provided by **Harvey Schmiedeke**, president of Survival Strategies, a private practice consulting business in Burbank, Calif., from his company newsletter, Private Practice Solutions.

- Insist that the rep visit you at your practice as soon as possible so that you may honor the window of time you have to cancel if needed. "Don't go into their offices, and don't buy delay tactics," Schmiedeke says.
- Know that the rep will probably have little understanding of your profession, so be prepared to provide some initial education to establish credibility.
- Write down exactly what your "terms" would be if you were to continue with this contract: "what you need to make per visit, what you expect for turn-around of your bills, and the 'drop-dead date' for them to agree," Schmiedeke says.
- Once the rep arrives, briefly check his knowledge of the profession, clarifying any major misunderstandings. Then show him the calculations you made that show financial losses and facts about other hardships. "Spell out the exact reasons for the decision to terminate," he says.
- Finally, brace yourself. "The rep will tell you that it's impossible, they have one fee schedule for everyone," Schmiedeke says. "Don't budge an inch. As the time nears the deadline, and sometimes even AFTER the deadline, what was once 'impossible' may become possible."

Step 4: Prepare Your Practice

Before you relax, prepare your practice as if you're terminating the contract, in case the insurance company doesn't agree to a negotiation. For starters, send out letters to patients, employers and referral sources informing them that you'll no longer be accepting this health plan.

Good idea: In your letter, offer the patients other options so they view you as a credible person who has a business choice to make, Woessner says. "Even go above and beyond, and tell them you'd be happy to refer them to another physical therapy clinic that does accept this insurance."

Finally, promote, market and develop referrals from your best-paying insurances, Schmiedeke says. You can tell patients in your letter they have the option of visiting your clinic out-of-network, and if you've maintained a good relationship with them, they may decide to stay with you.