



# Managed Care Contracts – What Do They Cost?

By Juliana Stanley

In medical practice today, managed care contracts are a necessity. You contract with insurance carriers and networks in order to make your practices available to the patients you serve, but are they sometimes too expensive?

To determine which managed care companies or networks to contract with, begin by evaluating the population of your service area. Learn what insurance carriers the major employers use, the number of members in your service area, and the median age of the population. Obtain the fee schedules of the payors and compare them to your practice's fee schedule and government plans. Be careful not to become overcontracted, and be aware of "silent PPOs." The main point of contracting is to increase the volume of patients who have access to your services.

Evaluate your own fee schedule before you begin looking at insurance contracts. A cost-based fee schedule that is easily comparable to the RBRVS will be the most meaningful in both your projected charges and your projected revenues. Overinflated charges will result in excessive write-offs and misleading revenue expectations. Conversely, fees lower than standard represent immediate loss of potential revenue.

Managed care contracts have many administrative requirements, such as prior authorizations, referrals, and formularies. You may have to dedicate staff just to manage these items to ensure payment for services rendered. In most cases, if you fail to adhere to these terms, the patient cannot be held responsible for the charges and the amount must be written off.

When obtaining a new contract, be aware that it takes up to six months to become credentialed and finalized. A new provider should be credentialed before seeing patients. If the provider sees patients before becoming contracted, the claims may be processed out of network at a lower rate

and higher patient responsibility, paid to the patient, or denied altogether.

Once you have entered managed care contracts, reports from your practice management system help determine which should be the first to be renegotiated. First, run reports of outstanding claims by insurance. Note the total number of claims, the percentage of total claims, and revenue. The number of patients by insurance determines your payor mix.

Denials and accounts receivable give you another piece of the puzzle. List the reasons claims are denied. Claims should be processed in accordance with current coding guidelines. If a carrier is not using the same guidelines your coders are, you may see unusual denials and/or more frequent denials than expected. Your provider representative will be able to help you obtain the guidelines set forth by the contract. Renegotiating a contract can alleviate many of these issues.

Look at the timeliness of claims payments. A long turnaround time for payment directly costs the practice money, because staff has to repeat work already performed. Often, even if claims are processed and paid quickly, they are not paid in accordance with your agreement. The explanation of benefits (EOB) should match the amount negotiated in the insurance contract. Perform a payment audit quarterly. Compare your insurance allowed amount, according to your contract, to the actual allowed amount on the EOB. Do this for each insurance company quarterly, and you may find significant underpayments. Perform a coding audit when conducting a payment audit. An auditor will review documentation, charges, payments, and denials. Certain carriers may deny services even though the coding is compliant with CPT guidelines. You may be able to negotiate with the carriers to allow these codes to be paid. In addition, an audit may reveal that certain services are not even billed anymore because

the coders knew they wouldn't be paid. This is lost revenue that could have been negotiated for payment.

If you determine that a contract is no longer practical for your practice, you may renegotiate the contract, close your practice to new patients with that particular insurance, or even terminate the agreement. In any case, you will need to notify the carrier well in advance of any action and be sure to fulfill the obligations under the agreement.

You can still contract with managed care companies and accomplish the goal of making your practice accessible to the patients you are here to serve. Remember, be diligent about evaluating new contracts, negotiating good terms and auditing contracts periodically. Your contracts will be assets to your practice. +

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