



Revenue Optimization Team

Case Study in Managed Care Assessment and Negotiation Support

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Situation Analysis;

330 Beds, 88% Occupancy, Out of Network

The following Case Study highlights an example of our work:

- Assisting a 330-bed hospital, Running at 88% occupancy,
- In a competitive market; with a dominant Blues plan
- Managing a hostile negotiation and
- Achieving fair and favorable results in a Out of Network situation

After a few years of focus on Payer 2 / 3 contracting, our team was brought in to conduct an assessment and assist in renegotiating the contract for the largest payer.

Despite compelling data to suggest a lack of parity, negotiations stalled at a CPI increase.

Rate Assessment: Lack of Parity / Below Key Market Comparable

Payor	Charges	Allowed	Yield	% Medicare
Payer 1	\$140.0M	\$52.1M	37%	160%
Payer 2	\$50.9M	\$22.2M	44%	181%
Payer 3	\$36.8M	\$16.6M	45%	183%
Payer 4	\$5.4M	\$2.9M	53%	218%
Total Commercial	\$233.2M	\$93.8M	40%	170%

- Initial assessment comparing Payer 1 (60% market share) to the 2nd and 3rd largest payers showed Payer 1 rates were 12-13% below their payer competition in the market
- Additional review of market comparable benchmarking showed a 15% lower payment level than the hospital's main competition (same quality scoring), specifically related to Payer 1
- Contract language review was determined to be one-sided, driving abnormally high levels of denials

Volume / Revenue Impact: Immediate Drop / Long-Term Spike

The 3-week termination in Month 2 did result in a drop in elective procedures, however the return in volume coupled with higher rates resulted in positive financial results.

1

Volume drops occurred in Month 1 but began picking up in Month 3

3

Overall payments are 5-12% higher than pre termination with returning volume coupled with increased rates

	Prior to OON	3 Week OON	Post OON			
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
IP Cases	238	205	186	231	273	249
OP Cases	4,105	2,694	3,306	4,098	3,964	3,986
Cases	4,343	2,899	3,492	4,329	4,237	4,235
Payments	\$ 7,407,678	\$ 6,007,115	\$ 6,356,501	\$ 7,788,673	\$ 8,262,351	\$ 7,827,942

2

Total payments dropped with volume losses

Negotiation Results: Final Contract Lands Between Initial Offers

Key Components	Payer 1 Initial Offer	Hospital Initial Response	Final Contract Terms
Start Date and Length	<ul style="list-style-type: none"> Month 2 (from prior slide) 3 years 	<ul style="list-style-type: none"> Month 2 (from prior slide) 2 years 	<ul style="list-style-type: none"> Month 3 (from prior slide) 5 years
Rate Increases	<ul style="list-style-type: none"> Year 1: 3.0% Year 2: 2.0% Year 3: 2.0% Substantial language concessions 	<ul style="list-style-type: none"> Year 1: 11.5% immediately Year 1 @ 6 months 3.8% Year 2: 3.8% 	<ul style="list-style-type: none"> Year 1: 8.5% Year 2: 5.0% Year 3: 2.5% + P4P Year 4: P4P Year 5: P4P
Terms and Conditions	<ul style="list-style-type: none"> Allowance for recoupment dollars 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Better terms & conditions including drugs and implants
Value-Based Contracting	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> P4P-based increase: <ul style="list-style-type: none"> Year 3: up to 2.5% Year 4: up to 4.0% Year 5: up to 4.0%
Other (Special Asks)	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Halt recoupment of disputed overpayment Onetime payment 750K

Total Returns: Assessment/Negotiation Support Produced \$74M

It is realistic to assume that the hospital could have achieved a CPI increase of 3% without going out of network. Actual negotiations yielded an estimated \$73.6M (over 5 years) above the assumed 3% increase for the system through rate increases, a one-time payment, new product inclusions and language concessions.

Key Success Factors

1. Understand the baseline performance of your contracts (rates and language)
2. When negotiations stall understand your Best Alternative to a Negotiated Agreement (BATNA)
3. Negotiate more than rates: consider language, duration, value-based payments, one-time payments, new product inclusions
4. Manage PR by reaching out to the community (i.e., patients, physicians, brokers, govt. officials, media)

Negotiation Outcomes

1. **8.5%** increase to Broad Network product
2. **8%** discount off Broad Network rates from inclusion in (new) Narrow Network product
3. **\$750K** one-time payment from Medicare Advantage product
4. **\$13M** Agreement to forgo recoupment in overpayments on drugs and implants
5. **Reduced denials** with strengthened contract language

About LifeWings Revenue Optimization Team

LifeWings Revenue Optimization team specializes in Commercial Payer collaboration and negotiations. We are positioned to assist with a Rapid Remote Managed Care Assessment, which can be conducted in 10 days utilizing readily available reports and data.

We have assisted clients manage strenuous negotiations, with both local and national plans, leveraging public perception and acquiring critical rate increases that enable continued improvements to care delivery. Our client's typically see a 4x-7x plus return on investment when working with us.

Our experienced team is ready now to deliver immediate CA\$H results. Let's connect soon.

10-day rapid response time



4x-7X returns



Start today.

