



Get Payor Contracts that Drive Growth

Five Questions Every Healthcare Provider Needs to Answer Before Contracting



More contracts do not equal more value. The most precious resource you and your team have is time - ensure you're planning to invest it wisely. Especially when embarking on the arduous journey of payor contracting. There will be obstacles, pitfalls, and confusion when coordinating with payors - but that's a tale for another paper. This paper is intended to ensure we are picking our battles wisely.

We've outlined five critical questions that need to be answered for the right contracts to be prioritized. Clarity on internal strategic goals goes a long way, but understanding external realities informs strategic positioning to payors. Answering these questions will set you up for success.

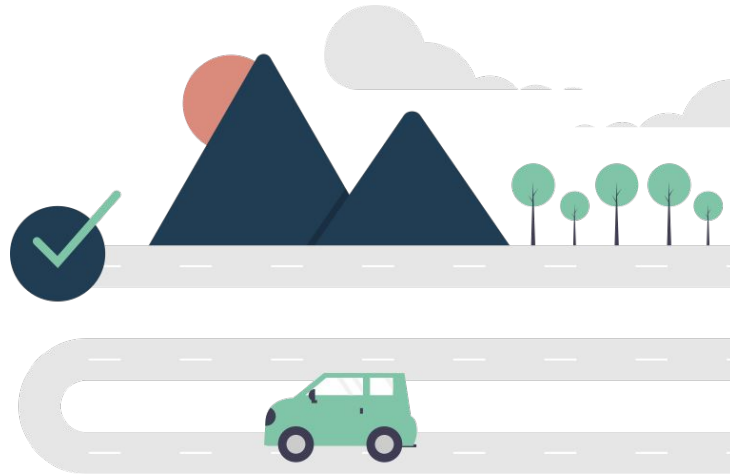


What patients do you currently serve and hope to add in the future?

Defining the serviceable addressable markets for your provider organization is a great place to start. There are two key dimensions to consider: (i) geography and (ii) patient payor-class. You should evaluate these dimensions across your current service areas and consider your unique, strategic goals (e.g. new offerings or locations).

Let's understand where your patients live. If your organization is geographically bound, think through the specific, codified parameters (e.g. counties). If you have the ability to serve patients nationally, have a view on priority markets (e.g. consider where you are focusing your sales and marketing efforts).

Let's understand the insurance coverage composition for your patient care population. Depending on the organization, payor mix can look very different. Strategically crafted payor portfolios are intentional, weigh the tradeoff between volume and payment reimbursement level. Be conscious that the payor composition of your portfolio may not be proportional to the payor composition of the service areas you serve.



Bringing it all together, overlay these dimensions to understand the key payors that offer the most opportunity for growth to your specific organization and existing payor portfolio. Be aware that carriers can have disproportionate shares of specific payor classes (e.g. a carrier can have the majority of Medicare Advantage membership but only a minority of the Commercial membership).



What are the alternatives for patients in your addressable markets?

An unavoidable reality is that market forces will impact your contracting outcomes - from how difficult it is to obtain a contract, to how attractive the reimbursement rates appear to be. Two key market forces to understand are (i) the supply of comparable providers in your service areas and (ii) the demand from your addressable patient population.

Let's understand the competitive landscape in your markets. Take inventory of the supply of comparable providers who also serve your markets. Be objective when assessing their management capabilities. Have a grasp on what your market share is and any potential risks or impacts those dynamics can bring - positive, neutral, or negative.

Moreover, the answers to question no. 1 will help in understanding the patient demand in your markets.

Joining these concepts - and others - will be crucial to understand how to frame your value proposition in a compelling fashion. This positioning can be critical in securing a contract and obtaining profit through better reimbursement rates.

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What does your current portfolio of contracts look like?

If you're starting a new organization or have a new offering, you don't have a historical portfolio to analyze. However, having an informed projection will be critical. Identify the offerings and requirements you expect to represent the majority of your revenue.

If you're pursuing this undertaking with existing contracts, it's valuable to understand your historical claims composition. Don't forget to consider when you entered the agreement and the last time your billing rates were increased (if at all).



Identify the offerings that represent the majority of your revenue streams. Reimbursement for these items will be disproportionately important.

Perform a comparison across all of your contracts - preferably, down to the health plan level (e.g. HMO, PPO) - to identify your current reimbursement range, mean, and median. Keep in mind the relationship between volume and reimbursement - payors with larger market shares can justify lower rates and vice versa.



What is your payor contracting strategy?

As we mentioned, the road to payor contracting is long and winding. You can't depend on the payors to move the conversation forward in a timely fashion. Establish a proactive and thoughtful approach to save valuable time.

Having a clear set of objectives and strategic goals provides good context to prioritize your outreach. First, identify how you are going to prioritize your outreach (e.g. by payor market share). Then, identify who you will reach out to for each of your targets. Navigating the opaque hierarchy and divisions of health insurance carriers is intimidating and many times unintuitive.

Examining questions no. 1 - 3 will illuminate the payors that are important to prioritize. Financially speaking, begin with those contracts that will accomplish two main goals: (i) better unit costs and (ii) access to more members in your service areas.



Do you have the time and resources to execute your strategy?

Payor contracting and negotiations take time to complete - think months, not weeks. Although the amount of time to secure a final contract can vary greatly, 6 to 9 months is a good benchmark to keep in mind (assuming persistent follow-up on the provider's behalf).

Even though the process can take many months, there needs to be activity on a weekly (sometimes daily) basis. A common contracting pitfall is lack of perseverance. Adequate resources are necessary to succeed...

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[Contact Us](#)

w: PayrHealth.com

e: info@PayrHealth.com

p: 1-512-812-8717