


Opportunities and What it Takes to Expand Services Via a Collaborative Effort with the Payor




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Overview




Environmental Conditions to Consider

- 1) Economic Climate
- 2) Employer Expectations
- 3) Healthcare Reform

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Overview




Identifying opportunities to work collaboratively with the Payor....

What does it take?


- 1) Outcomes Data
- 2) Cost Savings
- 3) Expansion of Services
- 4) Moving volume
- 5) Physician leadership
- 6) Harmonious relationships

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Economic Climate

- Employers looking for cost savings to reduce premiums
- Payors looking to control cost to meet the needs of employers
- Increasing pressure on Providers to prove efficiency and demonstrate savings
- Are your ASC's costs competitive in the market for the services it offers?



Employer Expectations of Payor and Provider

- 1) Pay reasonable market rates & cost
- 2) Increased awareness of out of network benefit structures & cost
- 3) Employers are tracking data & cost holding the payors accountable
- 4) Employers are getting savvy about hospital shadow pricing



Employer Expectations

What is meant by hospital shadow pricing?

- Employers wish to pay a fair price for healthcare services
- Some ASC's may have pricing strategies based on "As long as I am cheaper than the hospital" mentality, may...
 - see an erosion of volume as hospitals and other ASC's attempt to increase volume by under cutting pricing for the same service
 - have a hard time defending outlier price differentials for services that are cheaper in other markets
- Payors have difficulty defending why a procedure costs \$5,000 at one ASC and \$2,500 at an ASC less than 30 miles away

Healthcare Reform

Healthcare Reform legislation requires development of Accountable Care Organizations (ACO)

- ACO models are likely to have a multi-specialty groups with alignment to hospitals and other providers so that they can manage the entire continuum of care

What is an ACO?

- Healthcare organizations that contract to provide services for a defined population
- ACO models are to be implemented for Medicare beneficiaries by January 1, 2012
- ACO models are not clearly defined

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Healthcare Reform

What are the Objectives of an ACO from the Payor Perspective?

- ACO may contract with providers or with insurance companies directly
- ACO may or may not take risk; may or may not be capitated
- Successful ASC's will be able to demonstrate how they manage their cost with positive outcomes
- ASCs can be a key partner to the ACO

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*Developing Opportunities
by working Collaboratively with the Payor*

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ASC – Critical Components for Achieving Success

- ASC can offer Payor opportunity for savings
- Relationships and sharing of information is critical to success
- Mutual willingness to share data that can enable Payor / ASC relationship to expand and identify opportunities
- Expansion of relationship may include:
 - 1) Moving services out of a hospital
 - 2) Contract restructure
 - 3) Working with Payor Medical Director
 - 4) Recruitment of new surgeons

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ASC – Critical Components for Achieving Success

ASC Characteristics:

- Services are not available at other ASCs
- Higher acuity cases can be moved from hospital
- Physician leadership evident at ASC
- ASC has some experience with higher acuity cases
- ASC can demonstrate clinical ability to provide services that are typically provided in the hospital setting
- ASC shares information, cost data and demonstrates quality outcomes better than hospital setting
- ASC willing to work with payor on overall rate

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Payor – Critical Components for Achieving Success

Payor Characteristics:

- Payor willing to work with ASC on overall contract structure
- Payor has flexibility
- Payor can direct volume to the ASC
- Payor understands opportunity for cost savings in the network

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What Quality Factors are Important to the Payor?

- Outcomes
 - Payors have limited information from ASCs on outcomes
- How do you measure good outcomes?
- Are infection rates, hospital transfers and returns to the OR, enough to report?
- Is it enough to compete with the hospital?
- Demonstrate efficiency & service

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What Opportunities do ASC's have to Help Payors Lower Surgical Facility Costs?

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ASC Opportunities

Traditional hospital cases or cases with higher acuity that are moving to the ASC

- 1) ACDFs & PLIFs
- 2) Neurostimulators & Intrathecal Pain Pumps
- 3) Hysterectomies
- 4) Bahas and Cochlear Implants
- 5) Corneal Tissue
- 6) Uni Knees & Total Joints
- 7) Bladder Slings & Gastric Neurostimulators (aka Interstim)
- 9) Brachytherapy
- 10) Lap Hernia; Lap Chole; Lap Band
- 11) Thyroidectomy

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Opportunities

What makes negotiating for these cases unique?

- We don't know what we don't know!
- Lack of, if any, historic volume at the ASC
- Higher acuity codes may or may not be approved by Medicare or commercial payors in ASC setting
- Are you setting a new community standard
- Can present payor and patients substantial opportunity for savings
- Cost structure has significant difference
- Payor must consider market ramifications of this strategy

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Opportunities

How do you approach the Payor?

- Identify Payor contractor that is willing to do the homework at the payor level
- Find a way to get to the Payor leadership involved
- Local Payor Medical Director may be required to review and approve new services
- Payor Contractor does not make clinical decision; these decisions require Medical Director support

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What is the process for adding non-standard cases to your contract?

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Scenario

Scenario – CPT Codes are not on Payor or ASC Medicare approved list

Typical Questions Payor May Ask and Data Needed from ASC:

- 1) Has the case been performed with other payors at the Center?
- 2) Do your physicians have a proven track record of performing these cases as an outpatient in the hospital?

Note: Advantageous for payor to see 5-10 examples with no readmits, no complications & favorable outcomes

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Scenario

- 3) How much does it cost to perform the case?

Total Cost
Capital requirements
Overnight stay & impact labor cost
High cost disposable supplies & equipment rentals

- 4) Where are patients discharged from the ASC? Home? SNF?
- 5) How many patients can be moved from the hospital?
- 6) Community Standard
- 7) Literature

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Scenario

Be prepared for the following:

- Information / Criteria often reviewed by payor
 - 1) Anesthesia group providing services to Center
 - 2) Criteria physicians are using to determine ASC eligible cases
 - 3) CVs of surgeons to perform cases
 - 4) Hospital transfer agreement with ASC
 - 5) Are patients discharged home from ASC?
 - 6) How many patients have been admitted to hospital after discharge from ASC?
- Payor may request an on site visit to the ASC with Medical Director
- ASC should have available Physician Leader to meet with Payor Medical Director and cultivate a collaborative relationship

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Scenario

Payor Process to Approve Codes:

- Upon receipt of requested information concerning the CPT codes being considered, Payor representative reviews information and identifies any additional questions, or potential hot button issues
- Payor representative confirms that procedures being done aren't considered experimental or unproven
- Payor Representative meets with Payor Medical Director to discuss the opportunity and determine what if any concerns Medical Director may have
- Physicians may need to meet with Payor Medical Director to discuss procedure and opportunity

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Scenario

When working with a Payor on a rate, a Payor will consider the following:

1. Has your ASC been a good partner historically?
2. Is ASC willing to a case rate reimbursement (ie all inclusive)?
3. Is ASC willing to share invoice costs of the high cost implants, supplies, equipment?
4. Is cost savings available by arriving at the deal?
5. What other network providers will be impacted by this new arrangement?
6. Are the Anesthesiologists participating providers?
7. How does this new arrangement impact the larger network strategy?
8. Can an outcomes story be developed for this procedure?

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Scenario

What resources do we use to obtain the data from the ASC in order to determine a Reasonable Rate?

- Physician preference cards from hospital
- Capital Expenditure Requirements
- Physician practice billing reports – location of service
- Prosthetics & Implants
 - 1) Volume / # of Units
 - 2) Obtain quotes from vendors
- Hospital EOBs

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Scenario

What resources do we use to obtain the data from the ASC in order to determine a Reasonable Rate?

- Rate must represent meaningful savings to payor
- Rate must provide reasonable operating margin to Center
- Volumes tend to be low; capital requirements are high impacting cash flow to ASC
- It may not make economic sense to ASC to move the big cases if rate is not adequate
- It may not make economic sense to Payor to move the big cases if it jeopardizes hospital contract

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Scenario

How long does it take to restructure contracts

- 6–12 months +
- Why?
 - Primary Reason – Payor doesn't know what they don't know
 - Changing practice patterns/standards of care require leg work to assure success from payor perspective?
 - Need to confirm system can administer what is being contemplated
 - Does this impact other programs within the payor organization
 - Large payer organizations have multiple internal constituents who need to be brought in and understand the direction
 - Rely on strong relationship with ASC and Payor to figure this out
 - Neither partner can solely rely on the other.

Provider standpoint

- Data requirements are difficult to fulfill for new services

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Getting There!

How do you achieve an agreement?

- *The first step is for the ASC and the Payor to have a productive relationship. Do not go into the discussion with baggage!*
- *Both parties are able and willing to share information concerning the new procedure. This assures that both parties are negotiating the new service together and neither is taking advantage of the other.*
- *Be willing to take baby steps with respect to new procedures. ... don't push 4 level spine procedures when the payor has expressed concern.*
- *Both parties must be willing to revisit the "new rates", we are both learning and need to be flexible in our individual approaches.*
- *A positive experience and relationship will result in a win-win for all parties and promote continuous opportunities for success!*

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