

HealthData Management

June 2009

healthdatamanagement.com

FIGHTING FOR EVERY DIME

Providers, armed with contract management software, successfully dispute underpayments, win extra revenue—but it's not easy.

By Howard J. Anderson, Executive Editor



WHEN HOSPITALS AND CLINICS GET INTO DISPUTES WITH PAYERS

regarding underpayment of claims, data can be a very powerful weapon, some financial managers have discovered. Armed with detailed information gathered using contract management systems, some providers are reaping multi-million dollar rewards.

"If you do not have this kind of software to get down to the nitty gritty of a claim getting paid right, payers will run over you all day long," says Brian Marx, director of billing at Radiology Associates of Hollywood (Fla.). "Those who just take what the payers are paying them are missing out."

The 10 hospitals in the Washington-Montana region of Providence Health System reaped an extra \$8.3 million in payments last year as a result of its data-backed appeals of underpayments, says Matt Blackmore, manager of contract compliance for the region.

Allina Hospitals and Clinics, an 11-hospital system based in Minneapolis, identifies an estimated \$6 million to \$8 million annually in underpayments from insurers, says Marthann Schmidt, third-party contract supervisor.

And MultiCare Health System in Tacoma, Wash., reaped \$8.8 million in extra revenue last year for its four hospitals thanks to appeals of underpayments, says Jenn Mykland, administrator of revenue integrity.

"Payers have massive resources in data analysis and teams of actuaries to back up their negotiators," Blackmore notes. By using contract management software that employs data mining, providers are better equipped to fight back, he contends.

"As long as you let payers get away with short-paying you, they'll continue to do it," says Tim Goodson, managed care director at Plano (Texas) Orthopedic, an 11-physician group practice. "The squeaky wheel gets the grease. If you never send in a grievance and let them know you're watching them, the problems will continue."

Payment analysis also comes in handy when providers negotiate new annual contracts with payers, financial managers say (see sidebar, above). "It helps us with credibility," says Marx of Radiology Associates. "When we can bring decision support to a meeting with the payer, sit the payer down and project reports on a wall, it takes the payer aback. It gives them the impression we're knowledgeable."

How it works

Many of the hospitals and clinics using contract management software rely on vendors to host the specialized application, accessing it remotely via the Web.

Providers load claims payment data from remittance advice into the application as well as the detailed terms of health plan contracts and later updates. Using data mining, the application then offers a comparison of anticipated payments based on the contract vs. actual payment, flagging for providers those claims that appear to have been underpaid.

The business intelligence functions of the software take into account extremely complex payment rules as well as bundled charges to pinpoint anticipated payments for a service provided.

In some cases, for example, a health plan might negotiate a rate for a procedure equivalent to 130% of the Medicare rate, but then reimburse at a rate equivalent to 120% of Medicare, says Goodson of Plano Orthopedic. The software

helps identify this pattern. In other cases, he says, a payer might mistakenly apply a lower rate for an X-ray from a previous contract rather than the current rate. And this is difficult to catch without data mining, he adds.

Providers use underpayment information revealed by contract management software when appealing to payers for payment adjustments. Many send evidence of underpayments for individual claims to payers and then attempt to collect extra money claim by claim. Some also use the data to identify trends, such as repeated underpayments by one payer for mammograms.

Marx and Goodson stress that smaller clinics, as well as larger hospitals, can gain leverage by using the data mining power of a contract management system.

The 50-physician Radiology Associates practice uses remotely hosted software from Zotec Partners, Carmel, Ind. Without the contract management

module, Marx says his practice would have to use its practice management system, paired with spreadsheets, to run labor-intensive reports that would be far less precise.

Likewise, Plano Orthopedic uses remotely hosted contract management software from MPV Inc., Austin, Texas, rather than relying on its practice management system. Goodson estimates the practice appeals about 6% of its physician claims for underpayments, although he did not have a dollar value for payments recouped.

"Once remittance advice is posted, MPV reads that reimbursement line item by line item, procedure by procedure, and tells us where there are contract variances," Goodson says.

"A lot of practices are just happy to get paid," Goodson adds, stressing that even the smallest clinics can appeal underpayments if they have the right data. "It's amazing how much money is left on the table."

Gaining power in contract negotiations

Contract management software can yield data that gives provider organizations substantial leverage when it comes time to negotiate new contracts with payers.

For example, Multicare Health System in Tacoma, Wash., develops scorecards for its major payers "so we can provide evidence that some are being administratively burdensome," says Jenn Mykland, administrator of revenue integrity. "If a payer costs us a ton of staff time to get paid in accordance with a contract, we can prove that," she adds.

When it comes time to negotiate contract terms, Multicare presses payers to change provisions that "caused us problems in getting paid appropriately," Mykland says.

At Providence Health System's Washington/Montana regional office, financial officers tag all apparent underpaid accounts with a reason code. "Then we can take back to the payer a list of all our problems on underpayments," says Matt Blackmore, manager of contract compliance.

Providence provides evidence that it "costs us more to get the rate we negotiated" because of consistent payer errors in applying the terms of contracts, Blackmore says. And that evidence is powerful ammunition when asking for higher rates in a new contract, he adds.

Without contract management software, Blackmore says, the 10 hospitals in the region wouldn't be able to determine "if they are really getting paid the rates they negotiated under their current contracts."

Allina Hospitals and Clinics, Minneapolis, creates a slide presentation for certain payers that illustrates their underpayments, denied claims, reimbursement rates and the administrative burden involved in getting paid, says John Sonnek, finance manager for payer relations and contracting.

"It gives us a huge advantage," Sonnek says.

Hospital strategies

For hospitals and integrated delivery systems, the money left on the table can run into millions of dollars, which means applying contract management software can pay off handsomely.

At Providence Health's Washington-Montana region, Blackmore and his team use a triage system for prioritizing which underpayments merit extra collection efforts. They focus on looking for claims with large underpayments as well as analyzing batches of claims to identify underpayment patterns that can yield big extra payments.

"For example, we can see that every mammogram is underpaid by the same amount," he says. "It may be just \$25, but if we can find the trend we can go after a large volume."

Providence, which uses remotely hosted contract management software from Concuity Inc., Vernon Hills, Ill., enables its collectors to call up reports showing all recent underpayments from a given payer.

At MultiCare, Mykland's title of administrator of revenue integrity reflects her duties of making sure hospitals charge

accurately for services and payers reimburse appropriately.

The delivery system creates reports on underpayments using contract management software from Thomson Reuters, New York, that runs on its own server. MultiCare then shares this information with its payers.

In addition to having its collectors file appeals, MultiCare takes the extraordinary step of meeting with payers monthly or quarterly to discuss underpayments as well as other issues, such as problems with claims denials. "By meeting with them, the payers' upper management is aware that we are having these issues and can help facilitate paying us appropriately," Mykland says.

Allina Hospitals and Clinics uses a remotely hosted contract management system from MedAssets Inc., Atlanta, to generate data to support appeals of underpayments. As a result, "payers have come to expect that Allina is going to be aggressive and be able to back up the numbers we come up with," says John Sonnek, finance manager for payer relations and contracting.

Faced with declining margins, hospitals must go far beyond simple spreadsheets to carefully analyze whether they're "capturing contractually owed revenue from payers," Sonnek stresses. "The more logic that's built in and the more the system crunches the numbers for you, the better results you're going to get." •

Underpayments Identified in 2008

Allina Hospitals and Clinics	\$6-\$8 million
MultiCare Health System.....	\$8.8 million
Providence Health System	\$8.3 million

Source: Executives at each organization. Providence data is for 10 hospitals in one region.

