Tech Talk

IT possibilities, challenges, resources

Turn the tables

Automate to make payer contracts work in your favor

By Tom Stampiglia

Complex health plan contracts make effective revenue-cycle management a challenge in any medical group. Payer contracts need to be at the heart of any effort to improve cash flow or minimize reimbursement errors. But managing the details can demand more than most practice management systems can handle.

Contract management software can capture and manage the data to ensure accurate payment and improve revenue cycle efficiency. These systems help medical group leaders oversee their payer contracts, identify payment variances, improve communication with payers and increase cash flow.

Accurate claims valuation requires defining all variables and payment policies outlined in a contract, as well as current Medicare, state and other payment rules. Practice management systems aren't designed to track and manage these details.

Homegrown contract management systems generally extract claims information from an in-house data repository and may help flag large payment variances. Employees must compare payments received against expected reimbursement. Such systems are typically not suited for tracking the many variables that determine a claim's value, making it difficult for practices to verify reimbursement at the line-item level.

Payer contracts become part of database

Claims auditing technology can streamline contract management processes, particularly for practices that bill many claims or those that provide diverse services. Contract management systems notify users of potential payment variances and provide contract-based explanations for payment discrepancies.

A practice loads the terms of its payer contracts into an electronic database so employees can value claims against those terms. Some software vendors rely on the practice's staff to load data; others provide such services and act as contract analysts.

After data are loaded in the contract management database, claims information is extracted from the practice management system every day. Claims are automatically valued according to contract terms. The system identifies variances — including possible underpayments — and flags them for follow-up. If an appeal is warranted, users are directed to contract language that explains why a claim is underpaid.

Nevertheless, the technology is only a tool to help identify underpayments. The medical group must use the information to appeal and recover lost revenue.

Making the most of your data

Billing and contracting staff can use data stored in a contract management system to improve revenue-cycle management. By correcting registration, coding or posting errors before claims submission, a group can increase clean-claims rates, reduce days in accounts receivable and save the costs of reworking underpaid or denied claims. Prior to renegotiating contracts, a practice can examine previous contract performance.

Some contract management systems can help medical groups with consumer-directed health care by producing cost estimates for procedures based on the latest contract terms.

Automation helps large groups

Atlanta-based Emory Clinic has used its system to make improvements in coding, posting and billing processes. Over two years, Emory has appealed 20,000 claims and recovered more than $3.53 million in

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Does your practice use contract management software? Tell us at connexion@mgma.com

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contractual underpayments. It also uses the system to analyze proposed contracts.[1] Groups with 25 or more physicians are best suited for contract management systems, as they deal with complex contracts.

While the cost of contract management technology and contract analysis services varies with the size of the organization, the number of contracts and their complexity, practices can often recoup their costs within the first year. This return on investment includes recovery of appealed claims, negotiation of better contract terms and fewer registration and posting errors.

Automating contract management does not yield immediate results. Benefits are tied to how well a group uses contract knowledge. Before adopting this approach, consider:

- **Staff resources** — A hybrid technology and services model may better serve practices with limited personnel.
- **Claims volume and complexity** — What types of claims do you file most? Medical groups that submit numerous complex claims are more likely to experience underpayment problems than those that submit mainly straightforward evaluation and management claims.
- **Volume of patients with high-deductible health care plans** — If you have many patients with such coverage, or if your practice provides a significant number of elective procedures, you may benefit from an application that allows you to provide cost estimates at or before the time of service.

Automating contract management may support the immediate and long-term needs of your medical group.

*Current procedural terminology

note

1. Medical Present Value Inc.

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