

## INSIDER

### *Five Steps Forward: Managed Care Portfolio Optimization*

As an increasing number of Medicare patients switch to Medicare Advantage plans, and non-Medicare patients gain coverage through managed Medicaid and Exchange products for the first time, hospital revenue will depend upon how effectively executives and managed care directors can negotiate contracts with payors.

With costs continuing to rise, governmental reimbursement shrinking, and a greater volume of care transitioning to a lower-priced outpatient setting, the inability to extract optimal return from managed care contracts represents a lost revenue opportunity. In this rapidly evolving healthcare environment, many hospitals can no longer afford to allow sources of revenue to remain untapped.

Given the inherent challenges in payor negotiations, it's not uncommon to hear comments of exasperation, frustration, and even indifference from executives at hospitals large and small, urban and rural. But each time someone says 'we haven't renegotiated that contract in years' or 'we're not sure where the contract is or what its terms are,' this signals there's an opportunity for portfolio optimization.



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SVP, Advisory Services

## 5 STEP

### Action Plan

Any discussion about optimizing a managed care portfolio – be it with CEOs, CFOs or managed care directors – must start with two actions: organization and planning. Proper organization and well-thought out planning will lead to more confidence at the negotiating table, and ultimately better results for the hospital.

1. Locate all of the managed care contracts and identify answers to key questions:
  - a. *When was the contract last negotiated?*
  - b. *When do the current terms renew?*
  - c. *What are the notification terms?*
2. Quantify key statistics associated with each contract:
  - a. *How much revenue does this payor represent to my organization?*
  - b. *What was the volume utilization by this payor last year?*
  - c. *How was that revenue and volume distributed across inpatient, outpatient, and emergency care?*

3. Conduct internal comparative analytics:
  - a. *What payment volatility exists across contracts? What is driving it?*
  - b. *What service lines are most profitable? Most in need of repair?*
  - c. *What is my realization rate (yield) of the contractual rates?*
4. Prepare for active negotiations:
  - a. *Are my expected payment models current?*
  - b. *What time period will we use for negotiation modeling?*
  - c. *What are the prospective target rates for the top three focal points in this contract?*
5. Collaborate and communicate with internal stakeholders:
  - a. *Could organizational change objectives jeopardize revenue due to contract structures?*
  - b. *Are we considering strategic service line capital investments or physician acquisitions?*
  - c. *If considering termination, have we spoken with the major employers effected?*

In the new healthcare, analysis and negotiation strategies must become more data-driven in order to achieve optimal outcomes. While it may have been sufficient in the past to assess performance at a more macro level, this rapidly evolving environment demands a more detailed awareness of potential opportunity and volatility. This 5-step action plan will put you on the right path for maximizing your managed care portfolio.

## INSIDER Expert

*Jack Wolf directs the iVantage advisory services team, specializing in managed care contract analysis and negotiations, strategy development and pricing of health services. Jack developed a deep expertise as a senior manager in the healthcare practice of Crowe Horwath LLP, and through highly accountable executive leadership roles at Hospital Corporation of America and Ascension Health.*

## Navigate the New Healthcare

The VantagePoints™ platform analyzes market conditions and consolidates associated measurements through a comprehensive dashboard that includes information relative to population health, cost management, financial and managed care contract performance, patient safety and efficiency, affordability, and reimbursement.

In today's healthcare environment, it's critical to bring disparate information and measurements into payor negotiations as well as strategic planning. Through innovative solutions, iVantage enables hospitals to integrate functional data points, gain a comprehensive view of their operations, finance, market realities and influences and drive informed decision making to improve performance. Visit [www.iVantageHealth.com](http://www.iVantageHealth.com).