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12 Questions on Compensation Issues for Hospitals and IPAs

By Mark Marten of Athena Group Consulting, LLC

Typically many hospitals and IPAs struggle to complete managed care negotiations in a timely manner and with the optimum terms possible. Most management teams are already stretched thin and lack the necessary time for proper research and back-and-forth wrangling. As a result, negotiations are often completed late and below market rates.

Like any negotiation, knowing how far the other side will go is the key to successfully negotiating rates and terms. However, because directly comparing rates with other hospitals and IPAs is collusion and thus illegal, another means of obtaining market intelligence is needed. A solution many successful hospitals and IPAs use is to hire a third-party negotiator well-versed in the rates and approaches of the various health plans.

Critical pieces of the Healthplan Agreement are the Compensation Areas. 12 Questions Athena Group Consulting uses are taken from their booklet. Do you know the answers to these questions for all of your Healthplan Agreements?

1. How much compensation is to be paid and how is it to be determined?
2. Are you comfortable with the payment methodology they are offering? Is it radically different from the payment methodology used by your other contracted plans?
3. If payment is based on coding, which version is used? How quickly will updates be incorporated?
4. Is the plan allowed to withhold payments? How much? Under what circumstances must the plan pay back withholds? What rights do you have if you disagree with the plan's decision to keep a withhold?
5. Does the plan have to account for the disposition of monies it withholds? If so, how (e.g., quarterly financial reports)?
6. What types of incentives or bonuses can you earn? Quality? Outcome? Efficiency? Cost?
7. Do you know exactly what you're supposed to do to earn incentives or bonuses?
8. Are there any incentives for members to obtain their care from you? Are these incentives to use your services at least as favorable as incentives to use other network providers? Do referring providers have incentives (or requirements) to refer in-network?
9. If a member changes providers during a course of treatment, how is compensation allocated?
10. Under what circumstances are you entitled to rate increases?

11. How are rate increases determined? By annual revision based upon a formula such as inflation? By pegging rates to independent factors, rates, or measurements like the Medicare reimbursement rate? By annual renegotiations?
12. Does the plan have the right to "most favored nations" rates?

Athena Group Consulting uses extensive contacts, market intelligence and the booklet "129 Questions To Ask When Negotiating Healthplan Agreements" by Mark Marten to help hospitals and IPAs speedily negotiate more favorable managed health care agreements.

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Mark Marten, principal consultant of Athena Group Consulting, LLC, has a 25-year track record of successfully negotiating agreements for healthplans and with healthplans. For information about speaking services, consulting services or for quantity purchases of the booklet "129 Questions To Ask When Negotiating Healthplan Agreements", contact Athena Group Consulting at (888) 8-ATHENA or www.AthenaGroup1.com.

Mr. Marten can be reached at:
ATHENA GROUP CONSULTING, LLC
Managed Care Experts

Mark C. Marten CHE, PAHM, MBA
Principal
54 Tessera Avenue
Foothill Ranch, CA 92610
Toll free: (888) 8-ATHENA
(888) 828-4362
(949) 584-7247
E-Mail: Mark@AthenaGroup1.com
Web: www.AthenaGroup1.com
FAX: (949) 583-9787