
Taking Charge of Managed Care in Your Practice: A Guide for Physicians *

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“Managed care ruined my practice.”

“I’ve had to hire extra staff just to deal with managed care in my office.”

“Managed care prevents me from providing patient care the way I want to.”

Anger and frustration with managed care rank at the top of most physicians' complaint lists about the current healthcare system. Both physicians who are old enough to recall the intended benefits of managed care and those who are young enough to have practiced only in a managed care-dominated environment agree on the problems. They worry that managed care will have a negative impact on their practices' financial well being, that it will interfere with their ability to deliver quality patient care, and that it will impose onerous administrative requirements on practice operations. At times their anger and frustration toward managed care boil over and are misdirected toward health plans, patients, physician colleagues, and office staff.

Well, like it or not, managed care has become a part of the business of practicing medicine. Fortunately, with an analytic view of the managed care activities in your practice, a solution-focused approach to problems, and ongoing monitoring of your issues and responses to them, you can replace anger and frustration with positive actions that benefit both your practice and your patients.

What's So Bad About Managed Care?

Because managed care can bring up negative feelings, let's try a more positive, productive approach that both identifies specific issues and suggests steps to deal with financial, patient care, and operational problems.

Financial Issues

Financial issues related to managed care that can negatively impact your practice's financial well being are: decreasing reimbursement, inattention to specialty-specific issues, discrepancies between contracted rates and actual reimbursement, confusing contract terminology, and unproductive negotiation processes. Let's go through these one by one:

Decreasing Reimbursement: Both technological advances and high labor intensity have made the cost of practicing medicine rise more quickly than costs in other sectors of the economy. Managed care plans are in the insurance business, and they don't automatically increase reimbursement to keep pace with medical inflation. More likely, they decrease reimbursement over time. As a result, physicians may see their overhead costs and the reimbursement for care moving in opposite directions. One strategy for reducing the discrepancy between rising practice costs and falling reimbursement is to bring to the negotiation table practice-specific information that documents your cost increases. A clearly stated justification for higher reimbursement may get the response you want. More important, you won't know if you don't ask.

Failure to Recognize Specialty-Specific Differences: Although primary care practices such as family medicine, internal medicine, and pediatrics share common ways of delivering care, the same cannot be said about all medical and surgical specialties. For example, oncology relies heavily on medication for treatment, while neurology is more dependent on expensive diagnostic testing. A major frustration for specialists is the common practice of managed care plans to pay at a standard rate for a visit or procedure, regardless of the differences in specialists' skills and techniques. As with reimbursement that doesn't keep pace with rising expenses, bring practice-specific facts to the contract discussions. If you can highlight differences about which the plan's representative is not well informed, your argument may be very convincing.

Discrepancies between Actual and Contracted Rates: A major idiosyncrasy of healthcare is that, with the exception of commercial insurance companies, payors don't pay 100 percent of charges. Are there differences between the contracted and actual reimbursement rates? Many practices are less diligent about managing receivables than they can and should be. This failure to compare expected with actual receivables can cost a practice hundreds of thousands of dollars.

Three effective strategies to address potential discrepancies are: (1) regular application of a computerized program that matches booked against actual receivables; (2) selected audits of payments made by a practice's dominant payors; and (3) routine comparisons of the payment practices of different managed care plans. When your practice knows where it stands with each managed care plan, it can take steps to recover what is owed and, if appropriate, bring suit or terminate relationships with unresponsive plans. State medical societies often intervene on behalf of their member physicians, so don't overlook them as helpful resources.

Confusing Contract Terminology: Long and detailed managed care contracts make heavy reading. Practices that lack expertise in contracting can unknowingly commit themselves to terms that they later deem unacceptable. One technique for getting more favorable terms is to use a contract review checklist that has been prepared by a consultant, attorney, professional association, or state medical society. You can use that checklist to evaluate each of your contracts and determine when terms fall short of your requirements.

Frustrating Contract Negotiation Processes: The contracting process itself can be frustrating and fail to produce the results that your practice wants. Your practice may inadvertently create a problem by failing to clarify responsibilities of the physician managing partner, the practice manager, and/or a managed care coordinator. Or the individuals representing the practice may enter the negotiation session hoping for the best, but poorly prepared to present information that justifies requests for higher reimbursement and/or revised contract language. As with contract terminology, don't hesitate to seek guidance from an external consultant, attorney, or professional society.

Still another problem that physicians may experience in negotiating with managed care plans relates to the health plan provider relations representative. The outcome of the negotiation is directly related to the players at the table, and managed care plans vary in their approaches. Some plans believe that only a seasoned senior person should handle physician contract negotiations. Others assign the task of physician contracting to a junior, inexperienced staff member. As a rule, prior to the actual negotiation, ask the plan and your colleagues in other practices for information on the plan representative. Make every effort to meet with a senior, experienced individual. Regardless of who represents the managed care plan, structure the negotiation to help the plan representative give you the dollars, terms, and service that you want.

Patient Care Issues

Managed care can interfere with physicians' ability to deliver quality care by denying coverage, restricting access to care, and by imposing onerous authorization requirements. Here's how these three features can impact your practice:

- A plan may deny coverage because a service falls outside its list of covered benefits or because the service is deemed not to be "medically necessary." You may not know about denials until after the fact, but your patient may nonetheless blame you for your recommendations.
- Access restrictions are generally expressed as preferred "in-network" or less preferred (i.e., more costly) "out-of-network" providers. If you refer to a physician, facility, or type of care that is outside of a managed care plan's preferred network, the patient may be responsible for a portion or all of the cost. If you neglect to mention the potential difference in patient financial responsibility for in- and out-of-network care, your patient may be upset.
- Authorization requirements that apply to inpatient admissions, emergency care, and many diagnostic procedures vary widely among plans. If you don't know the rules, your patient may experience inconvenience or denial of service.

Here are two practical suggestions for dealing with the patient care issues described above. By law, managed care plans must provide information on coverage, access, and authorization requirements to patients who enroll in a plan through their employer or through a public program like Medicare or Medicaid. The information is also readily available to in-network providers. On a regular basis, obtain current information on the major managed care plans with which you deal. Make sure it goes into your information system and is easily accessed by staff when they need it.

Although you may not agree with the coverage, access, and authorization aspects of managed care, you can deal with all of them proactively. Be sure that both clinical and non-clinical staff in your office understand managed care plans' requirements so that, as a team, they can accurately communicate information to your patients.

Office Operations

The third type of managed care problems that provoke anger and frustration for physicians relates to office operations. Here are some common issues:

- Both clinical and non-clinical staff may have negative opinions of managed care and transmit them to patients. Negativity about rules and requirements can distract from the more important focus of appropriate medical care and can increase patient anxiety.
- Staff turnover may be high, and orientation and training may not focus on managed care. Inconsistent knowledge about managed care can cause many problems.
- Responsibilities for managed care within your practices may be unclear. If duties are divided among many people and are not coordinated well, you may be hurting your practice and your patients.

Here are some suggestions for how to respond to these and other common operational issues related to managed care:

- Replace negativity about managed care with a neutral or positive message that starts at the very top of your office hierarchy. Protest is fine, provided you go through appropriate channels. Keep it out of your patient care.
- Make sure that orientation and training for clinical and non-clinical staff contain easy-to-understand information on managed care in general and on the specific plans with which you deal. Encourage employees to ask questions when they are uncertain so that they don't transmit inaccurate information to patients.
- Clarify managed care responsibilities by starting with a list of tasks, not with the people doing them. When the list is complete and accurate, then decide how to divide up the work and maintain accountability.

Strategies For Success

While financial, patient care, and operational issues related to managed care have the potential to impact negatively on your practice, the good news is that these issues are manageable. This thoughtful, three-part managed care strategy can remove practice hostility toward managed care, and develop successful business practices:

1. Make sure you understand what is going on with respect to managed care in your practice. Take an inventory of all the managed care activities, including but not limited to financial, patient care, and practice operations. Can you identify problem areas and develop timely solutions? Do you monitor those solutions on an ongoing basis?
2. Refocus your managed care efforts. Treat managed care as a condition of doing business, not as a short-term, unpleasant trend. Review the inventory of activities that you have already developed and make sure that processes and responsibilities are clear. Use standardized tools to review the language and reimbursement rates in every contract that you have, and if necessary, renegotiate. Seek outside help as appropriate.
3. Monitor your managed care activities on an ongoing basis so you know what is effective and what needs improvement.

For additional information on making managed care work in your office, contact Margie Satinsky, Satinsky Consulting, LLC, at (919) 383-5998 or margie@satinskyconsulting.com.

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