The 7th Annual Orthopedic, Spine and Pain Management-Driven ASC Conference

Managed Care Negotiation Strategies for

Orthopedic and Spine-Driven Centers

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Negotiating Orthopedic & Spine Cases

Fundamentals of Negotiating for Orthopedic & Spine Surgery in the ASC Setting

- Identify Payment Methodology Options Available with Payor
- Cost data critical to success
- Access hospital information
- Physician Interaction with Payor May be Necessary
- Medicare approved ASC vs. HOPD List vs. Payor Approved List

Negotiating Orthopedic & Spine Cases

How do negotiations for orthopedic & spine surgery differ from other specialties?

- Do not assume every payor will be agreeable to negotiate a contract for all orthopedic and spine surgery in ASC setting
- Many payors follow Medicare approved list of CPT codes which may not include some of the orthopedic and spine cases the ASC is seeking to perform
- Cases that are now being performed in ASC setting are still not approved by many payors including:

1) Anterior Cervical Fusions
2) Laminectomies
3) Posterior Lumbar Fusions
4) Partial Knee Replacements
5) Total Shoulder Replacements
6) Total Knee Replacements

Negotiating Orthopedic & Spine Cases

How do negotiations for orthopedic & spine surgery differ from other specialties?

- Traditional ASC payment methodologies are typically inadequate for orthopedics and spine surgery
- Payor does not compare their cost for the same services in the hospital setting
- Orthopedic & spine surgery have greater cost than the majority of all specialties
- Negotiation of payment methodology is critical
- Payor education is mandatory for success

The Power of Information

Data

Data

Data

Data

Data

Data

Data

Data

Payor Education – Data Collection

What information do you need to effectively educate the payor so you can negotiate for these services?

1) Operating Cost Data
2) Capital Expenditures
3) Hospital Reimbursement / Cost to Payor
4) Procedures & their representative Volume that can move from the hospital
5) Examples of actual hospital cases
6) Variances in payment methodologies
7) Literature demonstrating trends / standard of care

Data Collection

What resources do you use to obtain the data?

- Physician preference cards from hospital
- Physician practice billing reports – location of service
- Prosthetics & Implants

  1) Volume / # of Units
  2) Obtain quotes from vendors

- Hospital EOBs

Presenting the Data

When do you use a cost table?

- To show the payor their methodology is inadequate and unreasonable
- When the payor does not understand the cost issue and is not moving at all on the reimbursement rates
- Typically occurs in the 2nd – 3rd round of negotiation

Cost Comparison to Payment
Example Table

CPT Code	Description	Prosthetic & Implant	Units Used	Extended cost	ASC Total Case Cost	Payor Reimbursement Rate	Projected Gain (Loss) / Case vs ASC Case Cost	Projected Gain (Loss) Prosthetics & Implants
63075	ACDF - Single Level	Low Prof Self Drill Primry Screw 13	6	$ 600.00				
		ACP 2 Lvl Spikeless Plate 40mm	2	$ 1,600.00				
		Tapered PEEK 14x12x6	3	$ 2,100.00				
		AlloSource 1cc DBM	1	$ 125.00				
	Total			**$ 4,425.00**	**$ 7,427**	**$1,875**	**($5,552)**	**($2,550)**
63655	Implant	565 Surgical Lead	1	$ 6,200.00		$2,500		
63685	Insrt/redo spine n generator	Restore Ultra Neurostimulator	1	$ 18,750.00		$2,200		
		Recharger	1	$ 2,390.00				
		Patient Programmer	1	$ 1,190.00				
	Total			**$ 28,530.00**	**$ 32,868**	**$4,700**	**($28,168)**	**($23,830)**
29888	ACL	MTF	1	$ 1,725.00				
		BIOMET 908436	1	$ 525.00				
		BIOMET 908850	1	$ 160.00				
		Arthrex AR-1351L	1	$ 325.00				
Total				**$ 2,735.00**	**$5,118**	**$1,425**	**($3,693)**	**($1,310)**
27446	Partial Knee Replacement (Uni Knee)	5630-G-409	1	$ 1,325.00				
		5610-F-401	1	$ 3,425.00				
		5620-B-401	1	$ 2,025.00				
	Total			**$ 6,775.00**	**$12,604**	**$6,400**	**($6,204)**	**($375)**

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Hospital Data

What other information do you present for hospital argument?

- Projected volume performed at hospital, by case combination
- Physicians that can move the cases from the hospital
- Identify the hospitals where the cases are coming from
- Copies of EOBs showing Cost to Payor when case occurs at hospital
- HOPD Medicare reimbursement if applicable

Hospital Data

Member ID	Date of Serv	CPT Codes Billed by Physician	Hospital Name	Physican Name
XXX5766	1/8/2009	29888, 29881, L8699	ABC Hospital	Charles Smith, MD
XXX9987	2/7/2009	63030, 63035, 22524, L8699	XYZ Hospital	Alex Pappas, MD
XXX9564	2/8/2009	63075, 63076,20931, L8699	XYZ Hospital	Alex Pappas, MD
XXX7756	2/9/2009	29827, 29806, L8699	ABC Hospital	Kelly Jones, MD
XXX7788	2/9/2009	29888, 29881, L8699	ABC Hospital	Charles Smith, MD
XXX7766	3/1/2009	63075, 63076,20931, L8699	XYZ Hospital	Alex Pappas, MD
XXX9456	3/3/2009	63030, 63035, 22524, L8699	XYZ Hospital	Alex Pappas, MD
XXX5463	3/5/2009	63030, 63035, 22524, L8699	XYZ Hospital	Alex Pappas, MD

Obstacles & Payor Reactions

Spine & Orthopedic Cases

Obstacles with Payors:

- Approved orthopedic surgery displaced with respect to cost
- All ASCs are the same!
- Other ASCs do not do spine & orthopedic surgery
- Payor is not looking at their cost in the hospital setting
- IT system limitations prevent payor from comparing hospital to ASC

Spine & Orthopedic Cases

Obstacles with Payors:

- Payor works off of Medicare ASC List
- Payor ASC approved list does not include spine and complex orthopedic surgery
- "Non grouped" payment provision does not allow ASC to perform desired cases

Spine & Orthopedic Cases

Obstacles with Providers:

- ASC provides the service below cost, regardless to meet the demands of its surgeons
- ASC believes that with volume, they will break even

Complex Spine & Orthopedic Cases

How are payors reacting to moving Spine and Total Joints out of the Hospital Setting?

- Speculative
- Concerned about appropriateness for outpatient setting
- They don't want to be the first payor to allow the case in the ASC setting
- Interested in cost savings if clinical criteria is met

Payor Concerns

What other obstacles are payors facing?

- Credentialing criteria
- How will the market react?
- How will this impact the payor / hospital relationship?
- Does the ASC really represent a cost savings opportunity in your market?

Complex Spine Cases

How much does the ASC really save the Payor?

Complex Cases	Cost to Payor	Volume	Total Cost
ASC	$ 15,000	25	$ 375,000
Hospital	$ 30,000	25	$ 750,000
Totals Savings			$ 375,000

Total Cost of Hospital Contract to Payor	$ 5,000,000.00
Hospital demands 10% increase on contract	$ 500,000.00
Total Cost to Payor resulting from ASC shift in Volume	$ 125,000.00

Negotiation Points

Reimbursement Methodologies

Identify Reimbursement Options Available with Payor:

- Case Rates
- Payor Defined Groupers
- APCs
- Prosthetic and Implant Provisions for Coverage

Reimbursement Methodologies

Identify Reimbursement Options Available with Payor:

- Does the ASC have the ability to outsource to a third party supplier for provision of prosthetics and implants without interference with contract terms?
- Can the payor provide the implants or prosthetic device?

Reimbursement Methodologies

Identify Reimbursement Options Available with Payor:

Carve outs … Case Rates
When? Why?

1) non grouped
2) default rate isn't adequate
3) mis-allocation of payor grouper

Reimbursement Methodologies

Case Rates -- How do they work?

Inclusive of:

- multiple procedures?
- prosthetics & implants?
- ASC, physician and anesthesia services?

What are the risks and benefits of case rates?

Negotiation Points

Critical Factors for Effective Negotiation:

- Compare and contrast payment methodologies available
- Understand which payment methodology presents best opportunity for all parties
- Collect pertinent cost data that enables ASC to present argument for change in methodology
- Can you negotiate the ASC and professional rates at the same time?

Negotiation Points

Critical Factors for Effective Negotiation:

- Demonstrate to the payor the value of a relationship

  1) Cost Savings by moving cases out of Hospital

  2) Extract hospital reimbursement information from EOBs and HOPD CMS data

- Compare hospital reimbursement to ASC rates proposal

Negotiation Points

Showing Value of Relationship

29888 – ACL Orthopedic Example:

Average Hospital Payment from EOB	$12,879.00
Payor Initial Proposal (Medicare Group 3) (no prosthetics & implants)	$714.00
ASC proposed Rate	
29888	$2700.00
+ Implant (allograft)	$1875.00
Total Compensation	$4575.00
Savings to Payor	$8,304.00
Potential Savings to Patient at 10% Co-Insurance	$830.40

Negotiation Points

Demonstrate Value to Payor:

29888 ACL - General Orthopedic Example:

Savings per Case	$ 8304.00
Annual Volume Shift from Hospital	100
Projected Annual Savings to Payor	$830,400.00

Other Factors that Impact Negotiations

- State Rules
- Extended Stay Capabilities

  example: *Convalescent License*

- Group practice based ASC?

  Can you combine contract negotiations?

In Network vs. Out of Network?

- Did you get paid as an out of network provider?

  Yes… Why won't the insurance company pay you as a contracted provider?

- Does going out of network represent an option?

Achieving Success with Complex Cases!

- Set up Meetings with Payor Medical Directors & Key Surgeons
- Demonstrate clinical appropriateness of complex cases

    1) Community Standard: Examples of cases performed with other payors
    2) Patient satisfaction and outcome statistics
    3) Publications – local and national
    4) HOPD approved cases

- Demonstrate and prove value

Things to Remember…

- Understand payment methodology options
- Collect cost and hospital data
- Hospital relationships are important to the payor
- Negotiation of ASC contract with professional contract may be beneficial
- Don't assume your ASC will save the payor money
- Conduct payor due diligence prior to making significant investments in spine and orthopedic development
- Develop a positive relationship with the payor and demonstrate how your relationship can be a "win-win"!