

How to Become an Effective Negotiator

by Nicole Li, Dwight Johnson,
and Jeff Coopersmith

Medical school probably did not explain the way health insurance companies influence patient care. Nor did medical school explain how medical insurance companies do business. Responsible physicians should understand these business practices, in the interest of their patients and also in their own professional interest.

Health insurance companies may be either for profit or not-for-profit. Either way, they create contracts with physicians that generate money for themselves; their business success depends upon your skills in patient care.

Physicians should understand how to read their contracts with health insurance companies. They draft the contracts; they understand them and they have an interest in them: so should you.

Understanding the business side of medicine is a constant challenge. Insurance contracts are a negotiation. As a physician, you have negotiating power. Without you, health insurance companies would not exist. Just like buying a car, you should never accept the first price offered. Do not sign a contract without understanding your own negotiating leverage.

The following points will help you in your approach to negotiating with insurance companies:

- ◆ **Know the Marketplace:** The carriers have conducted incredible amounts of market research. They often know the



dynamics of the relationships among providers better than the providers themselves do. You need to make it your business to conduct research regarding the carriers. Knowing who has a greater market presence or who recently attracted or lost a large employer group, for example, can only benefit you as you negotiate. In today's world, information is power and possessing it gives you strength.

- ◆ **Preparation:** You *must* prepare for every negotiation, without exception. As your practice grows, the impact of any negotiating element, positive or negative, grows. Additionally, the increasing complexity of the reimbursement methodologies used by the carriers makes the potential impact of elements negotiated within contracts exponential in dollar terms. The carriers make it their business to prepare for

every negotiation they enter into, you must do the same to have any chance of optimizing your reimbursement.

- ◆ **Pay Attention to the Small Details:** Look closely at seemingly minor parameters within your contracts. Insurance contracts are loaded with pitfalls that can hinder you from being reimbursed correctly. Carriers that insist you bill with certain modifiers, for example, may create conditions that are difficult for your billing staff to satisfy and the result may be underpaid or even denied claims. Do your best to identify and eliminate factors like this from any agreement before you sign it.
- ◆ **Communicate Effectively:** Make certain your business office staff is talking to your negotiating team. It does no good to negotiate the best reimbursement methodology if your billers aren't billing claims correctly.

◆ **Review your Chagemaster**

Frequently: Often charges for services provided are established and then forgotten. Check periodically to make sure they still make sense. Are they still covering your costs and providing margin? Undoubtedly your costs have risen over time and the charges for the services you provide should as well.

◆ **Know who the Customer Is:** The ultimate customer of the insurance company is not the patient, not you, not the government. The ultimate customer of the insurance carrier is the employer, the purchaser who pays a lot of money to insure their employees. If you have any connections with large employers who are willing to make their esteem for you known to the carriers, that can only help you.

◆ **Stress your Unique Status:** The carriers like to say that every provider maintains they treat “sicker” patients, and this is why they should be paid more. Regardless of whether this is true or not, the reality is that the carriers do hear this frequently from providers.

What they don’t often hear are other points that providers may overlook that can deliver value to the carriers. Identify what service or skill you provide that sets your practice apart.

◆ **Know who the Decision Makers Are:**

You need to have realistic expectations. The frontline person answering the phones at an insurance company simply does not have the authority to give you a significant reimbursement increase. Realize that as the dollars you are seeking go up, so does the level of authority within an insurance carrier required to approve such a request. If you are seeking a significant increase in reimbursement you need to be speaking to a manager, director, or vice president.

◆ **Don’t get Emotional:** Providers and those negotiating on their behalf tend to get heated when a carrier denies their requests for increased reimbursement. Don’t let this happen. Notice if it does that the carriers maintain their composure and calmly stick to the strategy they have designed. Most times the result is that the carriers get what

they want. Instead of getting rattled, stick to the strategy you have designed in a similarly business-like fashion. The carriers will take you more seriously and you are more likely to achieve your goals.

◆ **Lastly, always remember how important providers are to insurers:**

Without providers, they have no business. Keep in mind that they hear their members’ complaints. No one likes to hear complaints. Members do not complain when they receive appropriate care and appropriate bills. The insurer has an interest in keeping their members happy, just as you care about keeping your patients healthy.

These guidelines will assist you in providing the best care to your patients, by ensuring that you are properly compensated for your work. When in doubt—or when overwhelmed—do not hesitate to ask for assistance from experts who know how to advocate on your behalf. Your time is valuable to your patients and to you. ■