



Negotiating Contracts

As a business owner, negotiation is an important skill to possess. It is important to value your service(s) and make certain you are reimbursed fairly for the value you provide.

In order to be able to effectively accept and treat patients with insurance, your practice will need third-party payment agreements. Payer contracts are also known as health insurance participation agreements.

Healthcare payer contracts can be very complex. Certain measures can simplify the process for a clinician in private practice.

A good place to begin is to prepare comprehensive profiles for your payers. The more detailed your profile, the better prepared you will be for your negotiation. Set up meetings and engaged in dialogues with your contracting peer. Enter the negotiation with a healthy attitude. Be prepared to discuss the payer organization and their payer requirements.

When writing a contract, note that all portions of a contract are negotiable. Remember that fees are not the only item to negotiate.

Other areas a practice owner can consider while negotiating are:

- Authorization process
- Permitted time period for submitting claims
- Permitted time period for appealing denials
- Payment period – Consistent cash flow is vital to the survival of your business. Pay special attention to the payment period. Determine a payment period for a “clean claim” during contractual negotiations. Workers compensation companies can take up to a year to reimburse for services provided. Including a payment period in the terms of contract can facilitate quicker closure to a clean claim.
- Validity period of your contract with or without allowance for yearly increase in fees
- Renewal terms

Determine your cost of providing service. Negotiation should take into consideration your break-even point. Know the profit levels you will be able to afford. Compare the rates between payers. If some of your payers are paying a higher rate, be sure to use this in your negotiation process.

Effective negotiation includes:

- Effective dialogue
- Active listening
- Looking at all data and facts
- Know what it costs you to see a patient
- Know your cost increases to deliver services (labor, overhead, supplies, etc.) since last negotiations
- Know your competition and how many other practices in your area see hand patients
- Discuss what is special about your practice (location, skill-set, other services, etc.)
- Understand your negotiation peer’s position
- Collaborative verbal communication
- Controlling emotions through the process
- Share outcomes data
- If appropriate, be sure to include DME and miscellaneous codes that are part of your treatment regime

A successful negotiation is one that results in receiving a higher reimbursement rate than was receive prior to that negotiation.



The value of a contract should be assessed in terms of the break-even point of your practice. Contracts can be renegotiated even after they are established.

It is important to know how reimbursement is established in your particular state. Payment methods can vary in different regions of the country depending on state regulations. In some parts of the country, insurance companies do not negotiate reimbursement amounts. They may utilize the capitation payment system, which means reimbursement is based on a per-person basis rather than fee for service. This usually results in a set dollar amount per visit. If this is the case, make sure it is still in your best interest to accept this capitation payment system before entering into a contract.

A very basic negotiation principle is to remember that you are negotiating a relationship and not just a contract.