Transplant Business
Strategies for Managed Care Contracting

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Goals for today

• Demystify the Contracting Process
• Understand financial risk
• Learn about the importance of collaboration
• Discuss benchmarking and global split arrangements
• Address current market challenges
• Inspire and empower you!
• Have fun!
Highlights for today

- Current market landscape
- Transplant Contracting 101
- Special Language
- Mitigate financial risk
- Internal Costs
- Payment processes
- The importance of partnerships
- Current contracting challenges
The Current Landscape:
Seeing beyond the curve
What we can see

- Increased Governmental payors and new rates
- Payor Directed Care
  - Home Care
  - Specialty Pharmacy
  - Laboratory
  - Transplant Center
- New expensive pharmaceuticals
- Change in reimbursement methodologies
- High deductible plans
- ACA plans
Stepping into the future........
Elements of a successful Business Strategy

– Expertise
– Quality
– Accessibility
– Cost
– Contracts
Challenges in Contracting

• Mitigating financial risk
  – Appropriate pricing
  – Carve outs
• Stop loss
• Audits
• Language
• Collection
Contracting Methodologies (or “Transplant 101”)

4 Categories:

- Phases of Care
- Stop Loss
- Carved-out Services
- Language
Phases of Care (1)

Evaluation

• This phase includes all services necessary to determine if a patient is a candidate for transplantation.

• This phase includes both institutional and professional services.

• Reimbursement structure
Phases of Care (2)  
Pre-Transplant or Maintenance Care

- This phase includes all services that are required to keep a patient healthy prior to transplantation.

- This phase often includes laboratory services and diagnostics.

- This phase includes services that are disease-related only.

- Reimbursement structure
Phases of Care (3)

Transplant Admission

- This phase includes all services that are provided during the transplant admission.

- This phase usually begins one day prior to the transplant admission and ends at discharge.

- This phase includes institutional, professional and ancillary services provided by Transplant Center.

- Reimbursement structure
Phases of Care (4)
Post Transplant

- This phase includes all institutional and professional services beginning the day after transplant discharge for a specified number of days (e.g. 60 days).

- The length of time in this phase should be determined by how many days the program requires the patient to stay close to the transplant center before returning home.

- Reimbursement Structure
Phases of Care (5)
Follow Up

• This phase of care begins the day after the end of Phase 4 and usually continues for one year post transplant.

• Make sure to clarify when this phase ends. It could be one year post discharge, one year post transplant or one year post phase 4.

• Most common among transplant networks, not commercial payors

• Reimbursement Structure
Case Rate Development

• Setting Case Rates
  – Historical Data
  – Separate or global rates?
  – Internal guidelines
  – Benchmarks
    • Percent of Charges
    • Percent of Costs
Case Rate Development

- Contracting Guidelines
  - Does your institution have any?
  - What are they?
  - What are they based on: % of charges, % of cost coverage, contribution margin?
Mitigating Risk

• Stop loss options and methodologies

• Contract language
Stop Loss

The strength of your program is only as good as your contracts.
Stop Loss Methodologies

1. First dollar
2. Second dollar
3. Per Diem
4. Floor
First Dollar

Transplant Case Rate: $100,000
Stop loss attachment point: $200,000
Percent reimbursement: 60%
Total Billed Charges: $350,000

Calculation:
Total payment = $350,000 x 60% = $210,000 (60% of charges)
Second Dollar

Transplant case rate: $100,000
Stop loss attachment point: $200,000
Percentage above stop loss: 60%
Total billed charges: $350,000

Calculation:
Total payment = (Total billed charges – stop loss) x percentage + case rate
$350,000-$200,000 = $150,000 x 60% = $90,000 + $100,000
Total Payment = $190,000 (54% of charges)
Per Diem

Transplant case rate: $100,000
Total billed charges: $350,000
Allowable LOS: 20 days
Outlier per diem: $3,000
Length of Stay: 30 days

Calculation:
10 days @ $3,000 = $30,000
Case Rate: $100,000
Total Payment = $130,000 (37% of charges)
Floor

Transplant case rate: $100,000
Floor: 50%
Total billed charges: $350,000

Calculation:
Case rate: $100,000
Floor calculation: $350,000 x 50% = $175,000
Total payment: $175,000 (50% of charges)
Stop Loss Comparison

- First Dollar: $210,000, 60% of charges
- Second Dollar: $190,000, 54% of charges
- Per Diem: $130,000, 37% of charges
- Floor: $175,000, 50% of charges
Stop Loss Comparison

• Provider Preference
  – Floor

• Payor Preference
  – Per diem
Carve Outs

- Organ Procurement
  - UNOS registration fees
  - Transportation of organ/out of region
  - KPD (kidney paired donation) costs
- Transportation
  - patient/donor, caregiver
- Hospital services
  - Prescription and non-prescription drugs
  - High cost drugs
  - In-patient dialysis
Carve Outs (continued)

- Dental services
- Home Health
- Rehabilitation services
- Blood products

- Housing
- Telemedicine
- Ventricular Assist devices and supplies
- New drugs!!!???
Mitigating Risk

• Stop loss options and methodologies

• Contract language
Contract Language

• Clear Definitions
  – Make sure the phases are defined according to your program
  • Example: case rate for Evaluation services
  • Billing limit – make sure it says to bill after the end of the case rate and not just after services are rendered

• Payor Definition
  – Who can access to these rates?

• Payor Polices and Procedures
  – What if there is conflict, which takes precedent? Yours or theirs?
Contract Language

• Administrative requirements
  – 60 days notice, minimum
  – Mutual agreement
  – Requires Amendment

• Timely Payment
  – Penalty language

• Multi-organ rates
  – Case rates vs. percent of charges
  – Does this work with Stop Loss methodology?
Contract Language

- Audit
  - Concurrent review
  - Retrospective audit
  - Must follow Provider’s policy
  - PPO “desk audits” (No!!!)

- Direct Contracting
  - What’s your policy
  - Considerations

- Termination
  - Without cause
Understanding Internal Costs

• Cost accounting system
  – Do you have access to total costs data?
  – Are you using it for negotiating?

• Covering Costs
  – In the Case rate?
  – In other phases of care?
Understanding Internal Costs

- Standard acquisition charge
  - How is this billed out?
  - What is your margin?
  - Covering costs with Stop Loss methodology?
  - Are you losing $$ on every case? (do you know?)
"Ideally you’ll be sedated through all phases of the procedure - surgery, recovery and billing."
Payment Processes

• Global rate
  – One case rate
    • Hospital portion
    • Professional portion
  – Two case rates
    • Hospital portion
    • Professional portion
Billing Challenges

- Capturing all provided services
  - Ancillaries, professional, pharmacy
- Late billing by Physicians
- Holding bills until end of CR
- No cash flow
- When can you first send invoice?
Reimbursement Challenges

• Long wait time until money comes in

• Late invoices
  – Can you include or not?

• Stop loss reimbursement isn’t available until end of Case Rate Period
Distribution of Funds

• Charge based

• RVU based

• Historically based
More Challenges

• Shifting Stop Loss risk to providers
  (Dollar Based => Per diem)
  (Eliminating the Floor)
• High cost pharmaceuticals
  • How to bill
  • How will you get paid
  • Can you provide the drug?
  • Specialty pharmacies

• Rates for Managed Medicaid plans

• Rates for Medicare Advantage
Challenges (continued)

• No direct contract with Transplant network clients
  ⇒ No recourse for non-payment

• Payors decreasing number of providers in network

• Reimbursement for new technologies (e.g. genetic testing, Car-T, etc.)
Strategy for Success

It's all about relationships
Through collaboration!
Internal Relationships

- Business Office
- Admitting Office
- Financial Counseling
- Utilization Review
- Transplant Administration
- Ancillary Departments (e.g. home pharmacy, home infusion)
- Legal
Internal Communication

- **Authorizations**
  - Who gets evaluation and transplant authorizations?
  - Contracted or not-contracted?
  - How is that communicated with Managed Care?

- **Transfers**
  - Weekends and holidays

- **Billing Issues**
  - To package or not to package
  - Payment resolution issues

- **Legal Review**
Systems & Resources

• Active Contract List
  – By category

• Transplant Rate Matrix
  – All contracted payors

• Individual Agreement Database
  – Referrals
  – LOAs

• Transplant Contact Sheet
  – All phases of care, including Social Work
External Relationships

- Commercial and Governmental Payors
- Transplant Networks
- Workers Compensation Carriers
- Medical Directors
- Case Managers
Questions?

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