

White Paper – Part A Negotiations (April, 2014)

HBP recommends a 6-12 month process of educating your hospital in advance of finalizing Part A contract terms

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Improving Hospital Relationships: Pathology

Written by a Hospital CFO

The following is a list of suggestions to improve the relationship between Administration and Pathology Groups contracted with a hospital.

- **Once a new or amended contract is executed each party can't go off into their respective silo and not foster dialogue again until it's time to renegotiate a new contract.**
- Many Board Members treat agreements with hospital based physicians as a “commodity” that can be easily changed. I have been at meetings where discussions are raised as to why contracts are not bid at each renewal cycle.
- In Connecticut, Pathology is the only “franchised” service that has historically been paid a Part A stipend. The concept of paying this stipend is foreign to CFO's or COO's from other parts of the country.



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- The cost of the franchise to the Pathology group is the needed oversight in clinical and quality procedures of a Lab. Anesthesia and Radiology do not receive a Part A stipend in many hospitals.
- Many Hospitals do not know the value of the franchise. Most contracts do not require the groups to disclose the collections from hospital based services. This has been an issue that will eventually work its way into contracts in the future.
- Renegotiated contracts today will focus on quality and service.
- **One way to improve the relationships is routine meetings with the administrator over the service line that includes the lab**
 - **Open and frank discussion on billing and collection issues**
 - Not just complaints from patients
 - Both parties should be prepared to discuss revenues and trends
 - Analysis of revenues by physician and comparison to prior periods



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- Hospitals need to be kept abreast of managed care negotiations and where in the marketplace the pathology rates are compared to others. This could impact overall business to the hospital
- Compliance and Coding issues should be discussed and methods to have joint audits done to validate compliance
- Practice should come to table with ideas on how to grow the entire lab business not just Pathology services. Offer to become involved in overall business development of the hospital through decision support teams or quality improvement teams.



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- Joint Marketing calls to referring physicians
Address how to improve service

- Equipment assessment and capital budget planning should not wait until the capital cycle to start educating administration on lab needs.

- With routine meetings, there should be no surprises when it comes time to negotiate a new contract



6 – 12 Month Lead Time is Required

- The Part A **Educational Process** starts as soon as the contract is signed.
It then continues for the three year term of the contract.
- Time studies have to be completed, submitted and discussed **every year**.
With Department Administration and Finance
Modify subsequent time studies to clarify any concerns
- **Begin 12 months in advance** (minimum 6 months):
Part A ***Fact Book***
Proposal
 - Basic amount = RCE formula
 - Incremental = Performance Based Incentives



Part A Fact Book

1. Part A & RCE Calculation

(Medicare Reasonable

Compensation Equivalent) 2004

Metro < 1m = \$219.5k

Metro >1m = \$215.7k

Non-Metro = \$208k

This is the “*average*” compensation

- History of Part A Payments
- Time Study Summary
- Average Part A Hours
- RCE Calculation
 - \$219.5 (2004) @ 3% Inflation
= \$295 (2014)
 - + CME \$5,000
 - + Malpractice \$15,000 (Actual)
 - = \$315k / 2,080 hrs. =
\$151.60

- Medicare Published RCE Documents
- Part A Calculation



Part A Fact Book

2. Time Study Documentation
 - Detailed Time Study Worksheet
 - Minimum 4 weeks per year
 - Maximum 2 weeks per quarter
 - Customize the format

3. Department Responsibilities
 - Matrix of Responsibilities (Pages 11-12)
 - Department Organizational Chart
 - Goals & Objectives

4. Committees
 - List of Committees by Pathologist
 - List of PA Committees (if paid by Practice)



Matrix of Responsibilities - Department

	Chief	Pathologist A	Pathologist B	Pathologist C	Pathologist D
Medical Director					
Surgical Pathology					
Cytology					
Autopsy					
Chemistry					
Microbiology					
Hematology					
Blood Bank/Transfusion					
Coag Hemostasis					
Collections & Processing					
Point of Care Testing					
Molecular Services					
Department LIS					
Information Systems					
EMR Connectivity					
Informatics					



Matrix of Responsibilities - Department

	Chief	Pathologist A	Pathologist B	Pathologist C	Pathologist D
Medical Staff					
Administration Interface					
Human Resources/Incentives					
Equipment					
Technology					
Compliance Plan					
Revenue/Controls					
Finance Interface					
Budgeting					
Relations					
Sales Staff					
Web Site					
Goals & Objectives					
Department Fund					



Part A Fact Book

- 5. Part A Services
 - Description of Part A Services (customized for your Hospital)

- 6. Current Contract
 - Agreement for Pathology Services Contract

- 7. Annual Dept. Report
 - Annual Laboratory Quality / Department Report
 - Press Ganey Scores

- 8. Comparative Data
 - Average Weekly Part A Hours - Chief
 - Average Weekly Part A Hours – Associates
 - Current Part A as a Percentage of Calculated Part A
 - Medicare Cost Report Schedule A-8-2
FOI Request



Sample Practice Proposal

Documented Part A Services	\$400,000	
(Typical Hospital Reduction)	(40,000)	(10-15%)
(Adjustment PCCP Billing)	<u>(52,500)</u>	(15% of \$360k)
Net Part A Support	\$343,500	
Current Part A Support	<u>\$250,000</u>	
Variance	\$93,500	
<u>Practice Proposal:</u>		
Proposal Base	\$275,000	
Performance Incentives	\$100,000	% of Savings + Fixed \$

