

# Realizing the Power of Data in Payer-Provider Negotiations

Analytics are helping providers come to the negotiation table with far more leverage than ever before

Rajiv Leventhal  
Jan 5th, 2021

For most U.S. health systems, analyzing and modeling payer reimbursements has traditionally been a manual process that takes significant time involving the work of numerous analysts. Compounding the issue further for hospitals is that they have long been at the mercy of payers when it comes to determining a fair increase in reimbursement during the annual and mid-year contracting negotiations, as they often don't have the same transparency into medical claim and cost driver data that insurers have.

Payers, on the other hand, do have more of this data at their disposal than individual health systems, as well as larger teams of analysts, which can sometimes lead to them writing contracts in such a way that hospitals have to more or less accept the numbers being shown to them. Some providers, of course, come to the negotiating table with the applicable data in hand and a clear strategy to support their position. But for those that don't, they might be willing to agree to proposed terms without a complete and transparent evaluation of medical service and cost data.

Put altogether, as payer-provider contracts continue to become more complex, hospitals may have a hard time negotiating reimbursements if

they don't have a proper system for managing all of the contract terms. Without access to tools and workflows that automate this process—beyond simple spreadsheets, for example— organizations are often flying blind during payor negotiations, which can result in unfavorable terms for their organization.

Indeed, at a time when patient care organizations are struggling financially healthcare providers have to better understand both what their services are costing them and what those services are earning them. Decision support analysts at the Eastern Tennessee-based Covenant Health—a 12-hospital health system—and the Knoxville-based East Tennessee Children's Hospital, are doing just that, now using new contract analytics technology from Strata Decision Technology to do something they never could before: calculate whether the terms of a proposed new payer contract are fair or not.

Historically, notes Sonja Jones, a decision support analyst at East Tennessee Children's Hospital, the payers are the ones who see the data for all the services being provided, regardless of which system the information is in. "The payers have that data, but the providers really don't, and I think that's a struggle because you have to do the [analysis] manually," she says. Jones further notes that while data on services provided, and their specific cost, are collected in the electronic health record (EHR), the next steps are getting it all organized and then applying analytics to find out how much the services rendered "are costing us, how much we should get reimbursed, how much we *are* getting reimbursed, and what action we need to take [if there's a discrepancy]."

As relayed by Covenant in a [public webcast](#) via Strata's annual summit last year, officials offer one example in which Strata's contracting analytics software is paying off: one of Covenant's payers proposed new terms that they said would net the health system a 3 percent across-the-board reimbursement increase. Covenant was able to run the proposal through the new contract analytics solution to determine that it was actually only a 1.5 to 1.75 percent reimbursement increase, as opposed to the 3 percent outlined by the payer. With that data, they were able to

negotiate from a position of strength rather than blindly taking the payers' word for it, recounted Matt Smith, director of decision support at Covenant Health.

Another example involved Eastern Tennessee Children's Hospital, which used the analytics on a recent payment to discover the payer had short-paid the organization by \$150,000, reported Jones. That's just one of several examples of a case in which Children's wouldn't previously have known what they should have been paid, according to officials.

In the end, Jones believes that when both sides at the negotiation table are viewing the same data set, there isn't an unfair advantage allowing payers to build in more favorable terms in their written contracts. Arguments over whose data is more reliable also should be reduced, if not eliminated altogether.

So now, she offers, if the payer says the hospital's volume wasn't material, for instance, the business team "can take our data to the table and say, 'You said our volume wasn't material, but when I went back and pulled the volume data, we saw that it was material to us, and we don't want to give on this service.' So you're keeping them honest and accountable, rather than simply take their word on it," she says.