

At a Glance

Organization

Stamford Pathology Group, PC
Stamford, Conn.

- Serving one teaching hospital, one surgical/endoscopy center; vigorous outreach program
- Four pathologists
- 400,000 clinical procedures and about 80,000 anatomical procedures annually

Solution Spotlight

- McKesson Practice Consulting Solutions

Critical Issues

- Expiring managed care agreements
- Establishing suitable contract terms
- No disruption in managed care participation

Results

- Renegotiated seven major managed care agreements
- Average annual reimbursement increases of about 5%, approximately 15% increase over three years

Stamford Pathology Group, PC Calls on McKesson's Managed Care Contracting Expertise and Wins

With some of its biggest contracts about to expire – which just happened to occur right in the middle of an extremely perilous economic climate – Stamford Pathology Group, PC (SPG), Stamford, Conn., was faced with losing a substantial portion of its group's revenues.

However, using the expertise and industry knowledge of McKesson, the group not only maintained agreements with seven major payors but also secured across-the-board rate hikes of 15% over three years.

Challenges

SPG is a four-physician group associated with Stamford Hospital, a community teaching hospital affiliated with the Columbia University College of Physicians and Surgeons. The practice performs about 400,000 clinical procedures and about 80,000 anatomical procedures annually.

In 2006, SPG took over the hospital pathology contract from an existing group. As part of SPG's start-up, McKesson was engaged to negotiate all of SPG's initial payor contracts. The contracts were with seven major managed care companies and a handful of midsize-to-smaller regional payors.

The majority of the agreements included an initial term of two to three years. McKesson was selected to negotiate the contracts on the strength of its local and national market expertise in pathology.

The new contract rates obtained by McKesson for SPG were significantly higher than those paid to the prior pathology group.

Three years later, with expiration of the major contracts approaching, McKesson again was called in, this time to renegotiate all agreements with these various payors. Collectively these seven commercial managed care contracts constituted about 70% of the group's revenues.

"The original contracts negotiated by McKesson already were at rates well above what the prior group had earned, and given the economic climate, little improvement was expected," says Robert C. Babkowski, M.D., president of SPG.

"At that point, the economy was in shambles and all the payors were running scared," Dr. Babkowski adds. "They were really ratcheting back in anticipation of healthcare reform and continued problems with the economy. I had low expectations in terms of our negotiating position, and I thought we'd be lucky to get cost-of-living increases."

Answers

The same consulting team from McKesson that secured SPG's original managed care agreements took charge of negotiating the renewals. Dr. Babkowski believed this continuity was important, both in helping ensure constructive discussions with the payors

Case Study

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Robert C. Babkowski, M.D.

President

Stamford Pathology Group, PC

and because McKesson was familiar with the group’s procedures and payor mix as well as other practice details.

McKesson quickly went to work. The analysis included reviewing key provisions, such as term and termination, amendments, resolution of under and overpayments, claims submission deadlines, timely payments, and penalties. In addition, overall local and national reimbursement trends were evaluated to help determine reasonable market rates.

Results

McKesson negotiated with the seven managed care companies over a four-month period. Despite the payors’ reluctance to boost rates significantly, McKesson negotiators were able to demonstrate the value SPG provided to patients. In addition, negotiators had knowledge concerning pathology reimbursement rates both in the region and across the country, thanks to McKesson’s national presence.

The homework paid off; rate increases of at least 5% per year for three years were secured from each payor. In fact, the reimbursement rates from some

carriers were even higher, including one payor whose rates had decreased significantly since the inception of the original agreement due to the acquisition of another payor. In this case, McKesson was able to not only restore the original payment terms but also secure a reasonable increase above these original terms.

After these new contracts became effective, McKesson continued to manage the agreements to ensure that payments were consistent with the agreed-upon terms of reimbursement. Specifically, McKesson compared allowed amounts from the various payment vouchers (explanation of benefits) to the updated contractual terms of reimbursement.

“McKesson was able to negotiate very effectively on our behalf, and the outcomes were far better than anything we expected,” Dr. Babkowski says. “I was surprised, but their knowledge and experience made all the difference. There’s no way we could have reached the same agreements on our own. We are very happy with the result.”

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