VBP/VBC Domain – Contract Negotiation

DESCRIPTION

The Contract Negotiation domain addresses the health center's ability to negotiate with different health plans, like Medicaid, Medicare, and commercial plans for favorable terms. Since FQHCs have PPS rates set by Medicare and state Medicaid, health plan negotiations for these patients are focused on VBP models. Negotiating fee-for-service (FFS) and VBP terms are included in contract negotiation with commercial health plans. Contract negotiation includes understanding key terms for VBP and fee-for-service arrangements such as quality payouts, Medical Loss Ratio (MLR), gap closure payments, data provided by payers, SDOH, etc. Additionally understanding the relationship between credentialling, prior authorization, termination provisions, insurance, and regulatory penalties and how these terms affect a health center's ability to perform in VBP contracts is important. VBP terms also include the Health Care Payment Learning & Action Network (LAN) categories of VBP, including current efforts to pivot these VBP models to address social drivers of health (SDoH) and improve health equity. Even health centers that are participating in LPCACO will need to evaluate VBP contracts that have been negotiated by the ACO to make sure the contracts meet the specific needs of their individual health center.

As stated above, Health Center contract negotiation with health plans focuses on increasing revenue by negotiating VBP terms for Medicaid and Medicare members since FQHC PPS rates (or FQHC APM rates in Medicaid) are determined by state Medicaid programs and Medicare. However, it's important to understand the relationship between PPS rates and VBP models, particularly when Medicaid has delegated the full payment of FQHC rates to Medicaid Managed Care Organizations through an FQHC Alternative Payment Methodology (APM).

Capabilities in the Contract Negotiation domain include:

- Negotiating and managing fee-for-service and VBP contracts.
- Identifying the up-front costs of participating in a proposed VBP model in order to assess whether revenue from the model at least covers the added costs of participation.
- Analyzing the health center's ability to engage in downside risk contracts.

The health center's ability to leverage enough revenue to support its current and evolving care model to improve health outcomes is covered in another domain entitled *Financial Health & Planning*.

RATING YOUR HC LOW, MEDIUM, OR HIGH FOR THIS DOMAIN

Attributes of HCs that are rated low, medium, or high for capabilities in this domain.

1. The Health Center has experience and capacity to manage performance-based contracts (from NACHC's Payment Reform Readiness Assessment Tool)
    a. Low – The HC has experience negotiating and managing fee-for-service/volume-based managed care contracts.
    b. Medium – The HC has experience negotiating and managing VBP models with quality bonuses, and/or contracts with upside risk only for shared savings.
    c. High – The HC has (in house or contracted) experience for negotiating downside risk-bearing contracts for shared savings. The HC has analyzed its success under past contracts to inform current contracting strategies.
2. The Health Center has identified the upfront costs of participation in a proposed VBP model (from NACHC's Payment Reform Readiness Assessment Tool)

a. Low - The HC has used historical costs to identify up-front costs associated with VBP models including staffing, space and HIT costs. Cost estimates for service delivery are based on historical HC per-visit costs.
b. Medium - Cost estimates have been adjusted to account for patient population to be served (vis-à-vis average HC patient) and specific health needs and/ or utilization patterns they experience.
c. High - The HC has developed a per-member-per-month cost for the full scope of services to be offered. The HC has analyzed this cost in comparison to expected reimbursement.

3. The Health Center has analyzed its ability to engage in downside risk-based contracts (from NACHC's Payment Reform Readiness Assessment Tool)
    a. Low – The HC has not conducted an analysis of its ability to bear downside risk, other than identifying reserves available to cover risk. The HC has limited its interest to upside risk (sharing in cost savings or profit) only.
    b. Medium – The HC has identified the size of its patient population that would be served, and the potential for variation in cost and performance measures. The HC has analyzed its ability to benefit from upside risk for shared savings and absorb downside risk on its own.
    c. High – The HC has the ability to be grouped with additional partners for performance assessment and downside risk sharing. The HC is able to set aside revenues from existing reimbursement methodologies to prepare for downside risk-based reimbursement.
4. The Health Center has analyzed the relationship between VBP models and FQHC PPS or FQHC APMs for Medicaid (from NACHC's Payment Reform Readiness Assessment Tool)
    a. Low – HC staff have a thorough understanding of how the current PPS or APM rate was established, the costs and services it includes, and how it relates to actual average per visit costs for the HC.
    b. Medium – The HC has analyzed the degree to which VBP incentives would result in revenue exceeding PPS and/or APM rates. The HC has experience navigating state rate setting, managed care reconciliation, and/or change in scope processes for PPS or APM, when applicable.
    c. High – The HC has analyzed the impact of proposed APMs and VBP models on HC revenues and operating cash flows.

If you are interested in your HC taking a more comprehensive VBP assessment, below are some options:

- Delta Center's MAHP 2.0 Assessment Tool https://deltacenter.jsi.com/resources/road-ahead-model-advancing-high-performance-primary-care-and-behavioral-health-under
- NACHC Payment Reform Readiness Assessment Tool NACHC Payment Reform Readiness Assessment Tool https://www.nachc.org/resource/payment-reform-readiness-assessment-tool/

RESOURCES FOR CHCS TO IMPROVE THIS CAPABILITY

LPCA, LPCACO programs/support:

- LPCA contract negotiation and training work for member HCs.
- LPCA's education on VBP models via training and technical assistance sessions
- LPCACO, LLC – FQHC led Accountable Care Organization with experience and success in Medicare, Medicare Advantage and Medicaid contract negotiations and implementation.

Other partners that can help CHCs improve this capability:

- PCA Value-Based Care Collaborative and Online Resources – Collaborative focused on advancing clinically integrated networks connected to PCAs and providing VBP/VBC trainings.
- Feldesman, Tucker, Leifer, Fidell – Law firm that provides trainings on contract negotiation.
- Starling Group – Consulting group that supports network formation and contract negotiation.

- National Association of ACOs (NAACOS) - member-led and member-owned nonprofit of more than 400 ACOs in Medicare, Medicaid, and commercial insurance working on behalf of health systems and physician provider organizations across the nation to improve quality of care for patients and reduce health care cost.

Links to resources for this capability:

- HCP-LAN Framework for VBP models: https://hcp-lan.org/workproducts/apm-refresh-whitepaper-final.pdf
- HCP-LAN paper on pivoting VBP models to improve health equity: http://hcp-lan.org/workproducts/APM-Guidance/Advancing-Health-Equity-Through-APMs.pdf
- Louisiana's Medicaid Managed Care Quality Strategy, March 2023 https://ldh.la.gov/assets/docs/MQI/MQIStrategy.pdf
- Medicare 5 Star Ratings for health plans https://www.cms.gov/files/document/2023-medicare-star-ratings-fact-sheet.pdf
- What is a Medical Loss Ratio (MLR)? https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Medical-Loss-Ratio
- What is a Medical Benefits Ratio (MBR)? https://www.acumenlearning.com/post/explaining-and-breaking-down-medical-benefits-ratio-mbr
- NACHC payment and delivery reform resources https://www.nachc.org/policy-advocacy/health-insurance-reimbursement/payment-and-delivery-reform/
- Commonwealth Fund publication of FQHCs and VBP: https://www.commonwealthfund.org/publications/2022/jan/perils-and-payoffs-alternate-payment-models-community-health-centers
- Medical Economics article, "10 Tips for Successfully Negotiating Payer Contracts": https://www.medicaleconomics.com/view/10-tips-for-successfully-negotiating-payer-contracts
- National Library of Medicine article, "How to Negotiate with Health Care Plans": https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2900878/
- AAFP article, "Negotiating a Contract with a Health Plan": https://www.aafp.org/pubs/fpm/issues/2006/1100/p49.html