

15 questions to ask before signing a managed care contract

1. How important is this contract to your practice?

- What does the contract mean in terms of revenue and expenses?
- How would you replace any patients and/or revenue you might lose?
- What are your alternatives to this contract?

2. How does the contract define “medically necessary” care?

- Does the contract use an objective standard, such as a “prudent physician” standard, or does it give the managed care organization (MCO) wide flexibility in determining what is medically necessary?

3. How does the MCO verify that a patient is enrolled in a plan?

- When a patient comes into your office, is there a quick and efficient mechanism to verify that the patient is covered by the MCO and to determine whether the patient is an enrollee covered by an MCO plan (e.g., telephone line or Web site)?
- Is this clearly spelled out in the contract or a policy manual that you have reviewed?
- Does the MCO stand by this information, or does it reserve the right to reverse itself?

4. How do you determine whether medically necessary services are covered by a patient’s benefit plan?

- Does the MCO have a quick and efficient mechanism to determine whether medically necessary services you intend to provide to a patient are covered under the patient’s benefit plan?
- Is this clearly spelled out in the contract or a policy manual that you have reviewed?
- Does the MCO stand by this information, or does it reserve the right to reverse itself?

5. Does the contract (or administrative manual) clearly designate any and all services and procedures subject to prior authorization requirements?

- If not, physicians should insist on getting this information in writing.
- Does the MCO provide for an efficient and reliable mechanism to obtain prior authorization, which is available 24 hours a day, seven days a week?

6. What is your claims payment under this contract?

- Does the contract provide enough information for you to determine what you will be paid for the services you provide?
- Does it include a comprehensive fee schedule? If not, insist that the MCO provide fee schedules for the 20–50 most commonly billed procedures. Also insist that the MCO provide you with detailed information on payment methodology, including recognition of CPT® codes and guidelines. MCO reimbursement policies should be transparent so that you can determine your reimbursement under the contract.

7. Is claims payment sufficient?

- What are your costs to provide the services required under the contract? While this is not an easy determination, you should have a general idea of the overhead and other expenses associated with running your practice.
- If the contract does not compensate you beyond your practice expense, you may lose money on the contract. If you think that you are losing money on some of your contracts, it may be a worthwhile investment to retain a practice management consultant to determine why and to reconsider those contracts.

8. What are your rights to appeal a claims payment decision?

- Does the contract provide specific procedures to appeal a claims payment decision? If the contract refers to administrative policies and procedures, review these procedures specifically to determine your appeal rights.
- Is the appeals process fair, or is it weighted heavily in favor of the MCO?
- Is there any independent review permitted as part of the internal appeals procedure?

9. Can the MCO change claims payment terms unilaterally?

- If so, does the contract require the MCO to provide you notice of any claims payment changes?
- Is there a mechanism for you to terminate the contract if you object to the changed reimbursement terms?

10. Does the MCO have an obligation to pay you promptly?

- Does the contract include a specific payment time period, and does the MCO agree to pay interest if it delays payment beyond that time period? Many states have laws that require prompt payment of claims.
- If your state has a prompt payment law or fair business practice act, does the contract comply with the time frames and interest penalties and other claims processing and payment provisions?

11. Does the contract give the MCO the right to unilaterally “offset” alleged “overpayments” from amounts otherwise due?

- If so, does the contract require the MCO to explain such offsets to the physician? Is there a mechanism for the physician to appeal offsets? Does the contract limit the time frame for these payment offsets?
- Many MCOs conduct retrospective audits of physician practices several years after services are rendered and then either demand return of sums allegedly “overpaid” or automatically deduct payment without explanation to physicians.

12. What products are you required to participate in?

- Does the contract allow you to select which products you participate in? Or does the contract require you to participate in “all products?”
- Does the contract allow you to terminate one product, or does termination in one product automatically terminate your participation in all products?

13. Does the contract require compliance with a prescription drug formulary?

- If so, what flexibility do you have to go off-formulary when your medical judgment dictates a non-formulary drug?

14. Does the contract allow the MCO to “rent” you to other entities?

- This relates to so-called “silent PPOs,” where a physician signs a discounted fee-for-service contract with an MCO, and then, without informing the physician, the MCO “sells” or “rents” its physician network to a third party, such as a third-party administrator. The third party gets the advantage of whatever discount the MCO has negotiated with the physician. Broad definitions of the term “payer” or “participating entities” are signals that the contract may permit this type of activity. Clarify this with the MCO.

15. How can you terminate the contract?

- What are the provisions for terminating if the MCO breaches the contract?
- Does the contract renew annually, or is it an “evergreen” contract, which means that the contract automatically renews every year? If it is an evergreen contract, what provisions are there for termination?
- Is the MCO obligated to provide notice of your rights to terminate every year?

Remember: Read and understand your contract before signing it. Consult and compare your contract with additional products from the American Medical Association (AMA) Private Sector Advocacy (PSA) unit, such as:

- *AMA Model Managed Care Contract*
- “Fee schedule analysis: Using your complete practice cost as a guide”
- “Read your contracts: Is your practice losing revenue through rental network PPOs?”

Visit the AMA-PSA Web site at www.ama-assn.org/go/psatools to access these documents.

Questions or concerns about practice management issues?

AMA members and their practice staff can e-mail the AMA Practice Management Center at practicemanagementcenter@ama-assn.org for assistance.

For additional information and resources, there are three easy ways to contact the AMA Practice Management Center:

- Call **(800) 621-8335** and ask for the AMA Practice Management Center.
- Fax information to **(312) 464-5541**.
- Visit www.ama-assn.org/go/pmc to access the AMA Practice Management Center Web site.

The AMA Practice Management Center is a resource of the AMA Private Sector Advocacy unit.