

Outsmarting Contract Complexity:

Why Payers Seek to Expand the Role of Automation in the Provider Contracting Lifecycle



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CONTENTS:





Intelligent automation for provider contracts	3
No. 1: Complex reimbursement models	4
No. 2: Financial modeling of provider contract variations	4
No. 3: Rewarding value-based outcomes	5
Success throughout the contract lifecycle	6

In a rapidly evolving healthcare landscape, the payer with the most agile and seamless approach to provider contracting has the distinct financial advantage.

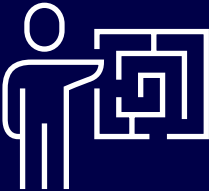
As payer relationships with providers are redefined, the contracts and workflows guiding those relationships grow increasingly complex. New market realities require healthcare organizations to manage different kinds of contracts with different providers, and legacy systems struggle to keep up with these changes.

Ultimately, increased complexity forces payers to rely on manual processes that introduce additional resources and payment errors, contributing to an estimated \$361 billion in annual spending on healthcare administration in the U.S.¹ Payers who use intelligent automation to administer provider contracts improve payment efficiencies and reduce administrative costs.

Intelligent automation for provider contracts

WITHOUT AUTOMATION	WITH AUTOMATION
 Slow manual processes for negotiations and claim payments	 Increased payment efficiency and accuracy
 Rising costs associated with more labor and errors	 Lower administrative costs

Payers can reduce manual workload and achieve an overall smoother administrative approach when industry-leading pricing software automates complex pricing methodologies, ensuring accurate payments to providers the first time the claim is processed. To achieve complete automation, it is most effective to utilize the same pricing software capabilities during contracting to ensure accurate pricing and automation when pricing claims submitted under the provider’s contract. To add to the complexity, value-based contracts require capabilities beyond traditional claim adjudication systems.



Payers must be prepared for...

- Complex reimbursement models
- Financial modeling of provider contract variations
- Value-based payments

1. “Optimisation of Healthcare Contracts: Tensions Between Standardization and Innovation,” International journal of health policy and management, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4737537/>

Payers also unlock a holistic approach to contracting that allows them to be more flexible, accurate and adaptable. This process prepares payers to be flexible in the changing healthcare administration landscape, addressing new variable reimbursement models, and achieving new capabilities for contract modeling and administration of value-based payments.

No. 1: Complex reimbursement models

New billing and reimbursement models continue to gain popularity in healthcare, from risk-based models to value-based payment models that tie financial risk and rewards to patient outcomes.² There's also increased interest in payment bundling, and risk models that add even more nuance and complexity to the contract administration process. Without the flexibility to administer multiple reimbursement methodologies on a single platform, payers will continue to be slowed down by the inability to automate these reimbursements.

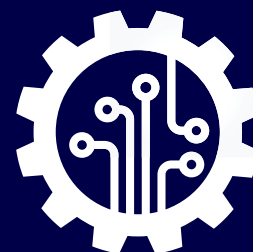
"To be prepared to handle any and all contract requirements that come along, payers can now fully automate complex provider contracts through a software that specializes in automating payment methodologies," says Jennifer Mann, Associate Director of NetworX Product Management at Cognizant. "Claims adjudication systems have difficulty in automating advanced pricing methodologies now prevalent within the industry."

No. 2: Financial modeling of provider contract variations

Comparing financial exposure for contract negotiations is a critical part of the process. But when negotiating or projecting future cost changes, manual methods are too slow and prone to error to secure the best possible terms. Payers need to be able to quickly and easily model various fee schedules to understand the financial impact of their choices on current and future medical loss ratios (MLRs).

Intelligent modeling software empowers quick comparisons and demonstrations of network competitiveness to make it easier for payers to understand true contractual implications and deliver precise financial analyses quickly. Technology immediately improves the speed and accuracy of the process already in place; then, when negotiating new contracts, payers can use the same pricing engine to negotiate the terms as they do to develop their contract.

2. "How physicians can untangle the web of relationships essential for value-based care success," Medical Economics, <https://www.medicaleconomics.com/view/how-physicians-can-untangle-the-web-of-relationships-essential-for-value-based-care-success>
3. "Automation at scale: The benefits for payers," McKinsey & Company, <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/automation-at-scale-the-benefits-for-payers>



McKinsey & Company estimates that process automation, combined with next-generation digital tools, will allow payers to reduce operational costs by as much as **30%** in the next five years.³

Payers can model their provider contracts for optimized financial performance with access to fast, accurate claims pricing regardless of complex terms; easy configuration of reimbursement payment criteria; and the ability to eliminate redundant maintenance by using a single base schedule of fees. The most effective contract negotiations are supported by iterative software that emulates the financial result of historical claims repriced based on proposed contract terms. Unlimited what-if scenarios support multiple offers and counter offers during the contracting lifecycle are possible utilizing advanced modeling software.

“Using the same technology throughout the entire contracting lifecycle bakes speed, accuracy and confidence into every decision along the way,” Mann says. “From the start of negotiations through ongoing financial analysis, payers can take a truly holistic approach to their contracts administration.”

No. 3: Rewarding value-based outcomes

As fee-for-value payment models become more prevalent,⁴ payers need tools for documenting and supporting value-based contracts with up-to-date data and analytical capabilities. Claims adjudication systems typically cannot identify multiple claims, providers and dates of service as part of a single episode of care or medical event for a patient. Episodic software puts the necessary systems in place to help payers identify claims and offer analytics based on bundled claims data, allowing end users to evaluate episode opportunities, provider performance and manage contracted episodes of care. Payers must have the ability to identify claims during claims adjudication in order to offer the prospective payment methodologies gaining significant traction in the bundled payment contracts. Retrospective payments are losing favor as payers move toward a prospective payment model.

When documenting value-based payments is more seamless, payers can reward better outcomes by providers who are efficient with their care treatments and expedite payments based on accurate contract details, ultimately achieving the shared goals of reducing medical cost, increasing quality of care and enhancing patient outcomes.

“Value-based contracting for episodes of care is incredibly complex, with multiple providers, claims and significant costs associated with each episode,” Mann says. “Intelligent automation through episodic software allows a payer to design varying bundled payment arrangements; recognize them real-time when they occur; and manage a successful program with integrated financial, operational and quality data.”

4. “The Future of Value-Based Payment: A Road Map to 2030,” University of Pennsylvania, <https://idi.upenn.edu/our-work/research-updates/the-future-of-value-based-payment-a-road-map-to-2030/>

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Management at Cognizant.

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Success throughout the contract lifecycle

Benefits of intelligent automation for the healthcare administration ecosystem

 PAYER	 PROVIDER	 MEMBER
<p><i>With pricing automation in place, payer operations do not need to pend claims for manual pricing.</i></p> <p><i>Claims filed under new contracts are paid accurately the first time, and payer operations do not need to investigate inquiries on accuracy of claims or adjust claims.</i></p>	<p><i>Providers are comfortable and assured of agreed-upon payment rates during the contracting phase.</i></p> <p><i>The provider billing team does not need to challenge payments or repost adjusted payments, because claims are paid accurately the first time.</i></p>	<p><i>Because the contract payment rates and pricing are confirmed, members are not balance billed by providers or forced to follow up on delayed claim payments.</i></p>

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Intelligent contract automation is more than a time-saver. It reshapes the payer business and operating models, and enables payers to introduce innovative new products and services to the markets they serve. And as provider contracting grows into a pivotal competitive advantage, payers and providers alike will need more flexibility in systems that support the increasingly unique and complex requirements of the contracting administration process.

Moving forward, it will no longer be enough to automate simple tasks and handle exceptions manually. To be as competitive as possible, payers need to be able to build contracts the way they want and in the way that's best for the organization — not be limited by the way a given system allows contracts to be built. In this way, intelligent automation also acts as the gateway to what's next. There's no end point of ultimate automation: There's only the next great opportunity for innovation and efficiency.

About Cognizant

Cognizant's Healthcare Business Unit works with healthcare organizations to provide collaborative, innovative solutions that address the industry's most pressing IT and business challenges — from rethinking new business models to optimizing operations and enabling technology innovation. A global leader in healthcare, our industry-specific services and solutions support leading payers, providers and pharmacy benefit managers worldwide.

Cognizant offers a full suite of proven and scalable TriZetto® provider reimbursement solutions that include NetworX Pricer®, NetworX Modeler®, and NetworX Payment Bundling Administration®. The full suite enables fast, flexible and successful implementations and takes the risk out of developing provider contract pricing. The Pricer, Modeler and Payment Bundling administration solutions fully integrate with each other to enable instant deployment of pricing models and bundles into operations. The solutions are fully integrated with the Facets® and QNXT™ core claims systems, and they're architected to easily integrate with other claims systems to reduce integration and maintenance expense.

For more information, visit <https://www.cognizant.com/trizetto/provider-reimbursement-solutions>.