Infection Control Contracting for Success

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Disclosure: Nothing to Disclose

MIDC Founding Partners- Preparing to Negotiate

MIDC

Founded in July 1994

8 ID ----------now 34 ID Physicians

52 Hospitals

>20 contracts ~750K revenue

Chicagoland Market

Very few hospitals without at least 2 groups providing ID services:

- minimal <u>leverage</u> available

- pay minimal $ for contracts - if at all!

CONTRACTING PARTNERS

Hospitals – pay for performance is here!

ECF's – need to keep pts. in facility

LTACH's – most MDRO on earth

Preparation for Negotiation

Internal

Define your needs

Establish your wants

Delineate your costs

Structure your BATNA

External

Define their needs

Delineate their BATNA

Review past obstructions to success

Define Fair Market Value (FMV)

Internal Preparation (It's All About You)

Define your **needs** – a requirement, necessity

Define your **wants** – a desire, wish

Delineate your **costs** – personnel - ?physician

"lost" profee revenue

Know your **BATNA** - **B**est **A**lternative **t**o **N**egotiating **a**n **A**greement

Needs/Wants

Need/Necessity	**Want/Desire**
Increase Revenue	IC contract
Decrease antibiotic $$	Pharm D hired
Decrease BSI	Chlorhexidine towels

COSTS

3 Types

1. Present Costs – costs at the present time with no program in place

2. Cost of Inaction – costs incurred by doing nothing – usually not the same as present costs

if problems are present- inaction breeds escalation

if problems don't exist – you're probably not looking hard enough

COSTS

3. Cost of Definitive Action – costs incurred by achieving the goal

- hospital/facility
- your costs
  - a. personnel
  - b. lost clinical revenue
    - lack of time
    - loss of relationship

Cost Example

Empiric Antimicrobial Therapy for Nosocomial Pneumonia

Present cost – ($40,000/mo) and escalating

Cost of Inaction – ($60,000/mo)

Cost of Definitive action –

Pharm D	(7,000/mo)
Ab savings	10,000/mo
Net savings	**3,000/mo**

BATNA
(Best Alternative to Negotiating an Agreement)

Strong = Positive leverage

Group favorable terms

No need to offer accommodations

Weak = Minimal or no leverage

Hospital favorable terms

Must offer accommodations

BATNA EXAMPLES
BEST ALTERNATIVE TO NEGOTIATING AN AGREEMENT

Strong - NO INCREASED COSTS

NO DECREASED REVENUE

A "WANT" BUT NOT A "NEED"

Weak - SUICIDE

DIVORCE

SELF MUTILATION

USE "DEPENDS"

BECOME A HOSPITALIST IN ELKART,IN

MY BATNA
SUCKS!!
NOW
WHAT?

Strengthen your BATNA:

A. Turn Needs into Wants

B. Develop Options

- Investigate alternative revenue streams
- Consider alternative staffing for Ab stewardship program
- Review "Bundle" for BSI

C. Discuss "walkaway" scenario – Define impact of saying NO

- IT FEELS GOOD, BUT ………………

Strengthen your BATNA

D. Gain Local Support

Pharmacy Director

IC Chair

Chrmn of Medicine

E. Gain Sharing Approach??

LEGAL, BUT WHO'S GOING FIRST?

Preparing to Negotiate
Example

Need – Increased revenue for an ID doc

Want – IC/PT contract for at least 30K/yr.

Costs – LOW – physician already employed

BATNA – WEAK - If we don't get contract, group will lose money or we'll have to let physician go!!

External Preparation (It's all about them)

Most people don't care what **YOU NEED,** so………….

Define THEIR NEEDS –

Decreased nosocom. Infx.

Decreased FTEs

Improved public/family perception of hospital safety

Their boss' attention !!

FOCUS OF YOUR PRESENTATION

Delineate Their BATNA

OPTIONS:

FIRE PHARM D TO SAVE MONEY

HIRE ANOTHER ID DOCTOR/GROUP

DO NOTHING – NO PERCEIVED NEED

External Preparation

Review past obstructions to success

Money – everybody has a budget

Personality conflicts – underappreciated problem

- relationships make/break deals

Perception of increased work for no benefit

What's in it for them?

Beware the middle management sand bag!

MIDC *Puca Shells*

P = PRETTY

U= UGLY

C= CONTRACTING

A= APHARISMS

ie. Not good enough to be “pearls”

PUCA # 1

YOUR ABILITY TO SATISFY YOUR ***NEGOTIATING PARTNER'S INTEREST*** IS DIRECTLY RELATED TO THE LIKELIHOOD OF NEGOTIATING A SUCCESSFUL DEAL

External Preparation

Define **Fair Market Value** (FMV)

actual definition**:** a price at which buyers and sellers with a reasonable knowledge of pertinent facts and not acting under any compulsion are willing to do business

functional definition: what people/groups in the same region are paying for the same services.

- directly related to the perceived need and value of the service in question

The Presentation - Showtime

DEMONSTRATE NEED – watch your verbiage

"You must have known…."

"I'm sure we're both concerned about…."

ARTICULATE VALUE

DELINEATE REIMBURSEMENT

Understand your costs

Understand FMV

Understand BATNA – yours/theirs

-defines leverage available

Real Men Don't Need Leverage

Defining Leverage

Contracting partner has no alternative – no one wins in a hostage situation

You bring unique skill – how long can you hold your breath?

You're willing to do something nobody else does – ex. Service hosp with poor payer mix, ECF, LTACH

You're willing to go someplace nobody else goes – the "Hinter lands"

What Value are we Selling?

Knowledge? – infx.control, antibiotic stewardship, (assumed unfortunately)

Skills? – most can be purchased elsewhere

Availability? – cash will make most people available

PUCA # 2

WE **ALWAYS** HAVE AN ELEMENT OF **LEVERAGE** BECAUSE WE POSSESS A UNIQUE ABILITY:

LEADERSHIP

(Combines above with willingness to communicate and passion to make a difference)

LEADERSHIP EXAMPLES

CHANGE PHYSICIAN BEHAVIOR

ANTIBIOTIC UTILIZATION

DIRECT PATIENT CARE

IV TO PO

DECREASED LOS

UTILIZATION OF RESOURCES

Contract Presentation "Less Leverage"

Demonstrate **Need** – if they already knew this, they would've *called you*

Objectively **Articulate Value** - see "Value" article in CID from IDSA CAC; "SELL" LEADERSHIP

Agree to **Reasonable Reimbursement** – self defined and largely a function of past experience, your costs, your BATNA, and FMV

Alternatively,………………………………………

Assume the “WE’RE NOT WORTHY” position and plead for mercy!!

Hourly Contract Evaluation

Ex. – Most IC/PT contracts; Avg. $100-110/hr.

Incremental Costs – Usually none – you usually have the physician capacity to service contract

Incremental Time – You need to be physically present to service the contract

Relative cost – 4 inpatients seen/hr coded @ 32 level or 2 pts. @ 33 generates $180-200

MIDC Approach to Contract Evaluations

- Contracts are not only revenue generators, they're revenue protectors
- Some of our best contracts actually "cost" us money when viewed unilaterally
- Contract evaluation must occur in light of overall benefit to group from both contract net revenue and "other" opportunities brought to the group through the contract

Preparing to Negotiate for LTACH IC Contract

NEED – to maintain clinical revenue base; don’t **need** contract

WANT – IC/PT/Wound care contract

COSTS – None – we’re already fully staffed in the institution

BATNA – PITIFUL!!

MIDC Contract Evaluation – Example

LTACH – Only ID group invited on a closed staff but needeed to provide contracted administrative services

Contract stipend - $40K/year

ID services – IC/PT, QI teams, Peer Review, and any other random perceived administrator need: Rate <<$100/hr.

Clinical ID Census ~ 50 patients/day

PUCA # 3

- SOME CONTRACTS WHEN VIEWED UNILATERALLY ARE FINANCIAL LOSERS....BUT PROTECT A LARGE CLINICAL REVENUE BASE

Contract Presentation "More Leverage"

Demonstrate **Need** – They may or may not know

Objectively **Articulate Value**

Agree to **Preferential Reimbursement**

Alternative – Walk away – if you've got leverage, by definition, you must have a strong BATNA

"Leveraged" Contract

Underserved areas: No or few ID's

Agree to provide high level of service – both clinical and contractual, with the following contingency:

A. Multi-year contract

B. Preferential (~$150-200/hour)

SO, IF IT'S SO EASY, WHY DOESN'T IT ALWAYS WORK?

1. NO/INSUFFICIENT PREP or GREAT PREP……….with

   HAPLESS PRESENTATION!

2. UNDEFINED BATNA –how do you know when to say "Yes" or walk away?

3. IDIOT SAVANTISM – know literature but can't define goals or make presentation

4. RIGIDITY – No role unless afflicted with PD/MS;

   be flexible and practice answers to difficult questions

Flood Insurance –Answers to Difficult Questions

1. “Our Pharm D does antibiotic control and Pathology runs Infection Control! What do YOU offer??

2. “What should we do about C. Difficile?

3. “We’ve tracked your antibiotic utilization, and it’s higher when compared to others.”

4. “What experience do you have in ___________________?”

PUCA # 4

HE/SHE WHO PRACTICES ANSWERS TO DIFFICULT (AND SOMETIMES UNFAIR) QUESTIONS WILL DIFFERENTIATE THEMSELVES FROM OTHER CANDIDATES

CONTRACTS

Contracting entity – group or individual?

Payment – hourly or flat fee

Term – usually 1 yr; ? Automatic rollover

Responsibilities

- hours, committees, etc.

- beware the open ended clause - ?QA

PUCA Review

1. Satisfying your **negotiating partner's interests** will increase the likelihood of a successful negotiation
2. **Leadership breeds leverage**
3. Not all contracts are **profitable** when evaluated unilaterally
4. Practicing **diplomatic answers** to difficult questions will differentiate you from others.

References

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THANK YOU

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CLINICAL AFFAIRS COMMITTEE

MY MIDC PARTNERS