

Ask the Expert

In our Ask the Expert column, Dr. Sheila Dunn (AKA Dear Labby) dishes out accurate, concise, and sometimes hilarious answers to your concerns about diagnostic testing, regulations, and reimbursement for the physician's office.



So, come on ... ask the expert!

E-mail Your Questions to:

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Negotiating payment for lab tests from managed care plans

Q. In a prior Ask the Expert column, you mentioned writing managed care plans to get more reimbursement for in-house lab testing. Does this work? Do you have a sample of what such a letter should look like?

A. Yes, it works for practices that take the time to negotiate fair payment for their on-site testing program. As you know, some managed care plans require certain tests be sent out to a referral lab and maintain a short list of tests that they will pay for when performed in-house. More recently, we've seen some plans slash rates for some lab tests. It's very possible to both get increased payments for tests performed in-house as well as adding the tests you perform to the list of "allowed" tests.

One phone call to the medical director or provider representative will do the trick, right? Wrong. To win this battle, you must state your case in a way that appeals to the managed care plan. And, depending on your relative bargaining power, you may need to be doggedly persistent and not expect to be successful on your first try.

Managed care plans may tell you that their contract terms are set in stone, and may go so far as saying "take it or leave it", because until recently, many physician offices have signed contracts without question. As you know, if you've ever bought a car, nothing is set in stone!

Medical practices that succumb to this intimidation by agreeing to contract limitations that do their patients a disservice will watch their office lab testing programs erode in direct proportion to their managed care plan mix.

Put yourself in their shoes and assume that, as the managed health plan's contract negotiator, you don't know the difference between a CBC and a glucose test. If you were shown two fee schedules, one from a mega-lab bidding \$2.00 and \$1.00 respectively, and one from a physician office lab for \$12.00 and \$6.00, you would surely opt for the seemingly less expensive bid. Right?

So, to begin the negotiation process, write a letter stating what tests you want payment for and why. Be sure to emphasize how your office based testing contributes to better patient outcomes (which in the long run, saves money). Although the cost per test at the point of care is higher than for mega-labs, overall savings in the total cost per patient episode often far exceeds the initial expense. For example, due to prolonged turnaround time for lab results, some patients will receive inappropriate or delayed therapy which could cost the managed health plan additional dollars in the form of repeat visits or visits to other healthcare providers or emergency treatment facilities.

I provide a sample template you can use to construct a letter to managed health plans in the Quality America's Resource