



Entrance requirements are a recognised three-year tertiary qualification or recognised prior study equivalent, proficiency in English and mathematics, computer and internet literacy, a minimum of three years' relevant management experience (e.g. in private practice). An AMP or other management course qualification would be recommended.

For more details about the modules, course material and enrolment, contact Annaline on tel: (012) 481 2034 or email: annalinem@samedical.org.

MANAGED CARE

NEGOTIATING A MANAGED CARE CONTRACT

An integral part of managed care is the negotiation of agreements with funders such as medical schemes, insurers, managed care organisations and plans.

The review of contracts is particularly important because of the increasing number of funder insolvencies and the complexity of remuneration proposals. It is recommended that all agreements be legally, ethically and economically reviewed, the latter by a financial adviser.

Furthermore, doctors should acquaint themselves with the administrative requirements of the specific funder and should ensure that all aspects of the agreement are covered by their professional indemnity insurance.

Conflict is inherent in any relationship where the contracting parties have divergent goals. Providers want to maximise their income while maintaining clinical independence. Managed care organisations want control to utilise services, reduce expenditure, spread financial risk to providers, restrict choice and enforce clinical guidelines.

There is no ideal format for a contract. The terms are likely to vary depending on the nature of the funder and the objectives of the parties.

Contracting principles

The following nine principles should guide the contract negotiation and promote a fair and equitable agreement. Contracts should be tested against these principles to determine their acceptability to the medical profession.

1. Negotiation

Every contract should be negotiated between the parties although they can be assisted by consultants, such as attorneys.

A negotiated contract ensures that contracts do not favour one party and that the agreement reached is mutually acceptable. Before entering the negotiation process, each party should identify the negotiable issues, an initial position on each issue and the extent to which the party will compromise. Parties should not rush into contracts before they have had sufficient time to study the proposals of the other party. It is also important that all parties are absolutely sure they understand the provisions of the contract. An unacceptable and inappropriate contract term should not be traded for an increase in payout.

2. Clarity

Contracts need not be complex or lengthy to be legally binding and enforceable. A contract should be easily navigable and clear to any reader, using commonly understood terms and avoiding legal and technical jargon.

3. Disclosure

The parties responsible for the payment and the delivery of the health services must be identified, and the way and form in which appropriate information is shared must be defined.

The contract should contain:

- a clear disclosure of services to be covered by benefits;
- administrative procedures;
- all the financial requirements;
- arrangements that may limit services;
- exclusions, services requiring authorisation;
- procedure for authorisation;
- referral procedures;
- additional services such as dispensing;
- treatment options;
- location of services and geographical area if applicable.

4. Grievance procedure

The contract should make provision for an adequate procedure for grievances to be addressed and resolved between the parties. There should be provision for the resolution of grievances formally and informally e.g. through mediation, arbitration and peer review procedures. Meetings between the parties should be encouraged to identify problems and methods that promote cost-effective, quality health care.

5. Remuneration

The criteria put forward relating to tariffs should not only be economic but should take into account issues such as quality, appropriateness of treatment, and professional competence. No



single criterion should provide the sole basis of excluding a doctor from participating in any agreement. However, provision should be made for incentives for the promotion of access to cost-effective care. The contract should define:

- who pays whom;
- how the amount is determined;
- when payment is made;
- incentives and bonuses applicable;
- how risk is spread;
- patient base to be served;
- frequency and method of review of remuneration, and
- administrative requirements.

6. Professional and clinical independence

Professional and clinical independence should be maintained and entrenched in the contract. Providers should always conduct their profession in accordance with ethical, professional and clinical norms in the best interests of their patients.

7. Freedom of choice

Although it is recognised that managed care systems restrict choice to varying degrees, SAMA has always supported the principle that a contract should provide freedom of choice for the patient and the doctor.

This means that all doctors in an area who are willing to abide by the conditions negotiated, should have the opportunity to contract with a funder at any time. Furthermore, the patient should always be entitled to claim a benefit irrespective of where the service has been obtained. Likewise, doctors should be free to contract with members of the funder at terms agreed to between them and the patient.

The Health Professions Council has determined the following criteria in terms of which practitioners may participate in preferred provider arrangements:

- All practitioners in the area concerned should be informed that they can apply to be preferred providers for the funder and that no practitioner should be unreasonably excluded from being a preferred provider for that funder.
- The patient is not deprived of his/her right of freedom of choice of practitioner, even if it costs more.
- In so notifying its members, exact details of the contract with preferred providers (e.g. the extent of discounts or comparative details of costs) need not be furnished.

However, members could be informed in general terms that the use of preferred providers may result in greater benefits to them.

- It is the responsibility of the participating practitioners to ensure that the preferred provider arrangement complies with the abovementioned criteria.

8. Confidentiality

The contract should respect doctor/patient confidentiality in accordance with the ethical rule of the Health Professions Council, with breaches only in exceptional circumstances. The regulations in terms of the Medical Schemes Act changed this position significantly in the event of written managed care arrangements between funders and providers.

9. Termination

Termination of the contract should not be unilateral and grievance procedures must first be exhausted before consideration is given to termination. The goal should be to prevent wrongful and arbitrary termination of contracts that will leave the doctor without any means of redress. Preferably, there should be a mechanism whereby proper notice is given prior to the initiation of actions that may lead to the termination or non-renewal of the contract. Such a notice must specify the reasons and grounds and should give the doctor an opportunity to rectify the activities that might have given rise to the notice.

The regulations in terms of the Medical Schemes Act provide specific regulation of this aspect of contractual relationships.

Conclusion

A carefully negotiated and drafted contract will achieve more than a mere recording of the rights and obligations of the parties. Clarification of issues that may later become contentious can promote positive relationships and provide protection to the parties in the event of future problems. It is important to foster a win-win relationship where all parties perceive that they will gain from a long-term mutually satisfactory relationship. Providers must not only consider the requirements of a given managed care contract, but the cumulative impact of the compliance of multiple contracts. The management of managed care contracts can and will result in a significant time commitment on the part of providers.

This article is derived from notes of the Foundation for Professional Development's course on Managed Care.