



Physician and other health care provider contracting toolkit

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This guide is not intended to be a source of legal advice. Advice from experienced counsel should be sought in the event of uncertainty or for assistance in negotiation. This guide applies to PPO medical networks offered by PPNs and payers, but **does not** apply to workers' compensation networks.



Introduction

Today, more than 69 percent of Americans with health insurance have coverage through a preferred provider organization (PPO). Physicians are constantly solicited to participate in preferred provider networks (PPNs) via participating provider agreements. Clarity and transparency in these agreements provide the foundation for building solid working relationships among PPNs, payers and physicians. In addition, clarity and transparency provide PPNs, payers and physicians with the foundation for a common understanding of the types of PPNs available, as well as the contractual implications in participating provider agreements.

The American Medical Association (AMA) and the American Association of Preferred Provider Organizations (AAPPO) are pleased to provide PPNs, payers and physicians with this joint educational guide on contracting. The guide includes information on the following topics:

- Identifying information that PPNs and payers should include in participating provider agreements and additional documents and communications that physicians need to support the contracting process
- Understanding key differences in the types of networks and the implications for PPNs, payers and physicians
- Identifying information that physicians should know prior to executing a participating provider agreement with a PPN or payer
- Defining a “silent PPO”

These joint educational documents provide a common ground for discussions between PPNs, payers and physicians. Advice from experienced counsel should be sought in the event of uncertainty or for assistance in negotiation.

The American Medical Association (AMA) is a national professional association of physicians. The AMA serves the medical community and the public through standard setting and implementation in the areas of science, medical education, clinical research and patient care, ethics, representation and advocacy, and policy development.

The American Association of Preferred Provider Organizations (AAPPO) is the leading national association of preferred provider organizations (PPOs) and affiliate organizations, and was established in 1983 to advance awareness of the benefits—greater access, choice and flexibility—that PPOs bring to American health care.

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Responsibilities of preferred provider networks and payers in providing transparency in provider contracting

Agreements among preferred provider networks (PPNs), payers and physicians cover complex relationships. Clarity and transparency in contracting documents are vital to creating and maintaining strong working relationships among PPNs, payers and physicians. PPNs and payers have various administrative approaches to managing their contracting process and resolving any issues or concerns. Transparency is key to these approaches. Physicians need advance information on how the PPN and payer will administer the agreement in order to determine whether their practice can support such an administrative approach.

The following key information should be included in participating provider agreements and/or provided during contracting discussions with physicians.

1. The agreement should identify the parties to the agreement.^{PPA}
2. The agreement should identify the arrangements contemplated by the agreement (i.e., whether the agreement may be subject to rental).^{PPA}
3. The agreement should identify the types of products (e.g., commercial PPO) that it covers.^{PPA}
4. Prior to contracting, the PPN or payer should provide the fee schedule for the codes reasonably expected to be billed by the physician for each product type or the method by which the physician may obtain the fee schedule for each product type. Once the agreement is signed, the PPN or payer should provide access to the complete fee schedule for each product in which the physician has agreed to participate.
5. The agreement should address the timeframe in which payment of covered services is required under the agreement.^{PPA}
6. The agreement should identify any benefits the physician is to receive as a result of agreeing to the contract, including any advertising that promotes the physician's practice, any incentives that patients will be given to choose the physician and any timely payment requirements.^{PPA}
7. The agreement should indicate when and in what manner the contract may be terminated, including how third parties that have rented the agreement will be notified of the termination. ("Third party" means an organization that enters into a contract with a contracting entity or with another third party to gain access

^{PPA} Information that should be included in the Participating Provider Agreement.

to a provider network contract.) Additionally, the agreement should address how the parties will ensure compliance with continuity of care requirements after termination.^{PPA}

8. The agreement should describe the claim or other dispute resolution process and procedures.¹
9. The agreement should describe how, where and in what manner participating physicians will be listed.¹
10. If the agreement is subject to being rented, the physician should be given a complete list of the PPN's current customers prior to signing. The agreement should state how the physician will be notified of future customers that will have access to the agreement.^{PPA}
11. The agreement should describe how the logo or network information will be identified on the health insurance identification (ID) card. The PPN should provide the physician with the ID card standards.¹
12. The participating physician should be provided with information on how pre-service notification of the patient's eligibility and underlying PPN agreement will be obtained prior to the delivery of care.¹
13. The agreement should describe how the PPN will require third parties (e.g., payers) that rent the agreement to identify the source of the contractual discount taken by the third party on each remittance advice or explanation of payment.^{PPA}
14. The agreement should describe how the PPN will require third parties (e.g., payers) that rent the agreement to adhere to the underlying contract terms.^{PPA}
15. Applicable credentialing requirements should be provided upon request prior to contracting and during the term of the contract.¹

^{PPA} Information that should be included in the Participating Provider Agreement.

¹ May not apply to secondary/wrap PPNs

Making informed contracting decisions as a physician with regard to rental network preferred provider network agreements

When a physician signs an agreement with a preferred provider network (PPN) or payer, the physician should understand that the agreement may include a provision that allows the PPN to rent the physician panel to a third party (e.g., an entity such as a payer, employer or another PPN). It is possible for a physician to sign a contract with a single PPN that then allows multiple payers to access the PPN's agreement with the physician and apply the physician's contracted discounted rate. Before signing any PPN agreement, physicians should understand the implications of the agreement for their practice.

Physicians are encouraged to review each PPN and payer agreement and accompanying documentation to ensure that they contain the following key information or that the physician practice has access to this information:

1. The agreement should identify the parties to the agreement.^{PPA}
2. The agreement should identify the arrangements contemplated by the agreement (e.g., whether the agreement may be subject to rental).^{PPA}
3. The agreement should identify the types of products (e.g., commercial PPO) that it covers.^{PPA}
4. Prior to contracting, the PPN or payer should provide the fee schedule for the codes reasonably expected to be billed by the physician for each product type or the method by which the physician may obtain the fee schedule for each product type. Once the agreement is signed, the PPN or payer should provide access to the entire fee schedule for each product in which the physician has agreed to participate.
5. The agreement should address the timeframe in which payment of covered services is required under the agreement.^{PPA}
6. The agreement should identify any benefits the physician is to receive as a result of agreeing to the contract, including any advertising that promotes the physician's practice, any incentives patients will be given to choose the physician and any timely payment requirements.^{PPA}

^{PPA} Information that should be included in the Participating Provider Agreement.

7. The agreement should indicate when and in what manner the contract may be terminated, including how third parties that have rented the agreement will be notified of the termination. (“Third party” means an organization that enters into a contract with a contracting entity or with another third party to gain access to a provider network contract.) Additionally, the agreement should address how the parties will ensure compliance with continuity of care requirements after termination.^{PPA}
8. The agreement should describe the claim or other dispute resolution process and procedures.^{PPA 1}
9. The agreement should describe how, where and in what manner participating physicians will be listed.^{PPA 1}
10. If the agreement is subject to being rented, the physician should be given a complete list of all third parties that have access to the agreement prior to signing. The agreement should state how the physician will be notified of future third parties that will have access to the agreement.^{PPA}
11. The agreement should describe how the logo or network information will be identified on the health insurance identification (ID) card. The PPN should provide the physician with the ID card standards.^{PPA 1}
12. The physician should be provided with information on how pre-service notification of the patient’s eligibility and underlying PPN or payer agreement will be obtained prior to the delivery of care.^{PPA 1}
13. The agreement should describe how the PPN will require third parties (e.g., payers) that rent the agreement to identify the source of the contractual discount taken by the third party on each remittance advice (RA) or explanation of payment (EOP).^{PPA}
14. The agreement should describe how the PPN will require third parties (e.g., payers) that rent the agreement to adhere to the underlying contract terms.^{PPA}
15. Applicable credentialing requirements should be provided upon request prior to contracting and during the term of the contract.¹

^{PPA} Information that should be included in the Participating Provider Agreement.

¹ May not apply to secondary/wrap PPNs.

How to assess the value of a preferred provider network as a physician

Physicians need to establish the value of a managed care agreement for their practice before agreeing to any discount arrangement. The size of the physician discount may vary based on the benefit provided to the physician. Such benefits may include one or more of the following: increased patient steerage, decreased collection costs, faster payment of claims or another benefit.

To determine the value of preferred provider network (PPN) and payer agreements that allow for rental to third parties (e.g., an entity such as a payer, employer or another PPN), physicians need to be able to differentiate the characteristics of a primary PPN and a secondary or wrap PPN.

Before signing any agreements, physicians should identify the characteristics and value of contracting with the PPN or payer. The following is a list of typical characteristics of primary PPNs or payers that rent primary PPNs and a list of typical characteristics of secondary/wrap PPNs or payers that rent secondary/wrap PPNs.

Primary preferred provider network

PPNs typically have the following features:

- In-network patient benefits apply.
- The name or logo for the applicable primary PPN contract appears on the patient identification (ID) card (if available) and the payer's electronic remittance advice (ERA) or explanation of payment (EOP).
- The primary PPN's customers can be identified (1) through a customer listing posted on the primary PPN's Web site, (2) by calling the primary PPN and/or (3) through another mechanism made available by the primary PPN.
- A physician credentialing requirement applies.
- A directory of participating physicians is published electronically or on paper.
- Payers must pay in accordance with the terms of the participating provider contract in order to be eligible for the physician discount.
- If an employer group uses multiple PPNs and more than one of these PPNs has a contract with the same physician, the primary PPN terms of the agreement will be applied to the subscribers of the employer group plan.
- The primary PPN provides a toll-free number for member service.

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- The primary PPN offers an appeals and dispute resolution process to assist in the resolution of claims and other issues under the agreement.

Secondary/wrap preferred provider network

Secondary/wrap provider networks typically have the following features:

- Out-of-network patient benefits usually apply.
- Depending on the applicable plan, the secondary/wrap PPN logo or name may appear on the patient ID card. The secondary/wrap PPN logo or name will appear on the ERA or EOP.
- The secondary/wrap PPN's customers can be identified (1) through a customer listing posted on the secondary/wrap PPN's Web site, (2) by calling the secondary/wrap PPN and/or (3) through another mechanism made available by the secondary/wrap PPN.
- A physician credentialing requirement may or may not apply.
- Depending on the applicable plan, the secondary/wrap PPN may direct its customers to physicians and other health care providers in its network. If the secondary/wrap PPN does not direct its customers to physicians and other health care providers in its network, then the secondary/wrap PPN should provide some other consideration (for example, prompt payment) in exchange for the physician discount.
- The secondary/wrap PPN may include a smaller discount than the physician discount that applies to a primary PPN, reflecting the smaller benefit provided to the physician. Be aware that the physician discount offered for the secondary/wrap PPN may be the same as the primary PPN discount if a single blended physician discount rate is offered for all listed plan types.
- Payers must pay in accordance with the terms of the participating provider contract in order to be eligible for the physician discount.
- The secondary/wrap PPN provides a toll-free number for provider relations.
- The secondary/wrap PPN may offer an appeals and dispute resolution process to assist in the resolution of claims and other issues under the agreement.

Primary and secondary/wrap preferred provider networks (PPNs): Similarities and differences

| Feature | Primary PPN | Secondary/wrap PPN |
|--|--|---|
| Patient benefits | In-network patient benefits apply | Out-of-network patient benefits usually apply |
| Patient identification card | Network name or logo appears | Network name or logo may appear |
| Electronic remittance advice /explanation of benefits | Network name appears | Network name appears |
| PPN client (for example, insurer) identification mechanisms | <ol style="list-style-type: none"> 1. List posted on primary PPN's Web site 2. Calling primary PPN 3. Other mechanism | <ol style="list-style-type: none"> 1. List posted on PPN's Web site 2. Calling PPN 3. Other mechanism |
| Physician credentialing | Required | May or may not be required |
| Physician steerage | Directory of participating physicians is published electronically or on paper | <p>May or may not provide directory of participating physicians</p> <p>If network does not direct its clients to network physicians, then it should provide some other consideration (for example, prompt payment) in exchange for the physician discount</p> |

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| Feature | Primary PPN | Secondary/wrap PPN |
|---|---|---|
| Physician discount | <p>May be larger than secondary network</p> <p>Note: May be same as secondary network if there is a single blended physician discount for all plan types</p> | <p>May be smaller than primary network</p> <p>Note: May be same as primary network if there is a single blended physician discount for all plan types</p> |
| Payers eligible for physician discount | Payers must pay in accordance with terms of agreement | Payers must pay in accordance with terms of agreement |
| Multiple PPNs | If an employer group uses multiple PPNs and more than one of these PPNs has a contract with the same physician, the primary PPN will be identified and the terms of agreement will be applied | If an employer group uses multiple PPNs and more than one of these PPNs has a contract with the same physician, the primary PPN will be identified and the terms of agreement will be applied |
| Member service | Toll-free number | Toll-free number |
| Appeals and dispute | Offers appeals and dispute resolution process | May offer an appeals and dispute resolution process |

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Silent PPO

Both the AAPPPO and the AMA agree that any entity that takes a physician or other health care provider discount without the contractual right to do so or without disclosing when a network contract is applied to a claim is a “silent Preferred Provider Organization” (PPO). Moreover, the AAPPPO and the AMA both support the disclosure of contractual intents, purposes and commitments, the disclosure of the network contract applied to a claim, and mutually agreed upon consideration in exchange for the provider contract discount, such as patient steerage, benefit differentials applicable to in and out of network providers, other financial incentives or prompt payment of claims. We believe it is in the best interest of physicians, other health care providers and PPOs to pursue contractual relationships based on fair business practices and principles to ensure a mutually satisfactory business association.

For additional questions, concerns, information and resources, AMA and AAPPPO may be contacted as follows:

American Medical Association (AMA) Practice Management Center:

- E-mail questions or concerns to practicemanagementcenter@ama-assn.org.
- Call (800) 262-3211 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.

American Association of Preferred Provider Organizations (AAPPPO):

- Call (502) 403-1122.
- E-mail Pat Coffey, member services manager, at pcoffey@aappo.org.
- Visit www.aappo.org to access the AAPPPO Web site.