Pricing and quality

Pricing and Quality How can your healthcare organization with high levels of quality patient care benefit from higher quality than other organizations when

price is a determining factor in contract negotiations with a managed care organization?

Quality is something very important when it comes to healthcare. Health care organizations shall not ignore this factor just because price is a determining factor when negotiating with managed care organizations. When deciding the pricing there are three generic factors that should be kept in mind: the market structure, desired net income and competitive position. Quality is an important factor which comes under competitive position. Organizations that provide their patients with a higher quality of healthcare than their competitors can also charge their patients with higher prices. These firms can negotiate more constructively and can make the health plans and health care managing organizations to agree on more favourable terms. Hospitals and healthcare organizations can have different levels of Medicaid or managed contracts with change in payments.

What justification do you have for negotiating your rates with the managed care organization?

Managed care contracts are one of the main sources that can help in increasing profits. If organizations manage to negotiate reasonable rates of payments then this can help them in profit enhancement. Besides quality another reason for negotiation can be market share. If a health care organization has greater market share then it can gain leverage in the negotiation. While negotiating one also needs to make sure that a proper contract is drafted so that reasonable payments can be achieved.

Reasonable payments can have very less importance if significant numbers of claims are denied.

Reference

Cleverley, William O. und Andrew E. Cameron. Essentials of health care finance, sixth edition. Sudbury, Massachusetts: Jones and Bartlett publishers Inc, 2007.