



**Note:** Susan is happy to field any questions and can be reached via email at <mailto:charkin@healthcents.com> or phone 800-497-4970 ext. 800.

## **Writing an Effective Proposal Letter**

*For starters, avoid excessive explanation and detail as the main points in the letter might be lost*

By Susan E. Charkin, MPH, Healthcents

In Part I, we provided guidance on the kinds of data you need to gather prior to negotiating reimbursement rates with third-party payers. Now it is time to put this information to work by preparing a simple but substantive proposal letter that is sent to the payers' contracts manager that introduces the practice, the request for a rate increase and, most importantly, the reasons for the proposed increase.

To begin with, avoid over explanation and unnecessary content. Sending a letter with too much detail may risk losing key aspects of the basic message. Letters that recount the qualifications of a single doctor in the practice, or even about the practice itself, lose their effectiveness quickly. Similarly, explaining the many subspecialties and educational background of each doctor can distract from the purpose, which is to get the payers attention to focus on who your practice is and why it should get an increase. An effective letter is no more than one to 1½ pages long. Remember that this letter is a sales pitch and attention getter, written from the perspective of payers explaining to the latter why they should increase your reimbursement. Payers need a good reason to give you more money.

To get payers' attention, consider the following structure of the letter:

- Start with the name of your practice, your book of business with the payer and the number of patients or cases you treat per year. The adage that “money talks” could not be more apropos here. Practices with large books of business and large patient loads have leverage. Payers want to maintain practices in their networks that keep their patients and large employer groups happy. This is where the payers get their business. To the payer, their most important customer is usually the large employer who brings in big premium dollars that can be invested to generate more profits.
- Next, talk about your geographic advantage, if there is one. For example, if you are the only full service orthopedic practice between Phoenix and Tucson, you have leverage. Payers will need to meet individual state licensure requirements to have a certain amount of specialty physician coverage within a specific geographical radius. It could be critical to a payer's coverage strategy to have you in its network.
- Talk about your specialties and qualifications, but be careful not to go overboard. We all are passionate about what we do and why we are deserving of recognition. In one to two paragraphs at most, describe the qualifications and specialties of your practice and what makes you different and unique from your competition if you have any.

- Explain that you cannot keep treating their patients at the current contracted reimbursement. Specifically, state that you have analyzed your current reimbursement levels and have determined that the rates in your current agreement are not competitive with your other payer agreements and you are losing money on many of the procedures you perform. As such, you have attached the following as a proposal for reimbursement.
- Provide a clear list of items that you are seeking. Keep it short. Depending on the structure of your agreement and your analysis, you may state that you are asking for an xxx% increase in Payer X's current fee schedule for all of your codes. Or, you may state that you are asking for xxx% of local Medicare rates for the following 40 codes, which represent your highest volume and highest priced procedures. You may also want to carve out high volume/priced ancillary and surgical codes since many payer agreements either pay these at substantially lower rates or no rate at all. The key, as explored in Part I, is make sure you have the data and the basis to ask for your increase and that you know what you are asking for and why. You may also need these data later in the process to finalize negotiations.
- List the physicians. If you have a large practice with prominent physicians, list who they are and mention if they have a longstanding relationship in the payer's network.
- Time is money. Remember to place a time table when you expect to hear back. For example, "thank you for considering this proposal and we are expecting a reply back no later than XX/XX/XX. Three weeks is a good rule of thumb.
- Make sure the letter is directed to the correct person and department in a payer's organization. To determine this can take many calls to the payer and different parts of the organization. If this is too drawn out, then call the corporate office or the president's office in the state you are in to find out where to direct a letter.

In summary, the proposal letter is the first correspondence with the payer which communicates your request for an increase and the reasons. Payers are business entities focused on generating profit. Many are publicly held corporations which trade stock. They need to understand the business value of why your practice needs more money and why they should give you that money to keep you in their network.

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