



Promising Practice

Use Cost to Negotiate Rates

Problem

Providers don't know what it costs to do business. Having this information may help negotiate better rates with third-party payers.

Solution

Calculate the cost of providing services so you can use the information to negotiate rates with third-party payers.

Featured Stories

Iowa providers found that it was important to: (1) Know your cost basis; (2) Use cost knowledge to help negotiate; and (3) Don't be afraid to ask for a rate change.

Butte-Silver Bow Chemical Dependency Services in Butte, Montana calculated their Cost/Unit of Service using the [Dashboard](#) and learned that the Medicaid rates that they were charging other third-party payers did not cover their costs. See [Insights that resulted](#).

Lessons Learned

- Assess the benefits of being a preferred provider, considering reimbursement rates. Some payers contract with preferred providers at lower rates than when the provider is "out of network." On the other hand, some payers will not reimburse at all if the provider is out of network.
- A benefit of being a preferred provider may be getting reimbursed more quickly.
- Contract as an agency or facility as opposed to having individual clinician contracts.
- Check the insurance company's website for application requirements.
- Follow up with the insurance company frequently after submitting an application.
- Medicaid rates may not reflect actual cost.

Tracking Measures

Cycle Measure

Cost/UOS

\$ of revenue from third-party payers

NIATx Aims

- ✓ Increase admissions
- ✓ Increase continuation

Financial Impact

- ✓ Increase revenue

Data Collection Form

[Dashboard](#)

[Revenue by Payer Worksheet](#)

Action Steps

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Related Information

- [The NIATx Third-party Billing Guide, Second Edition](#)
- [Becoming a Tricare Provider \(a SAMHSA publication\)](#)

- [TRICARE](#)

- [Provider Market Profile Tool](#)

- [Contracting 15 Questions](#)

Related Promising Practices

- [Increase Collections from Insurance Companies](#)
- [Become a Preferred Provider](#)
- [Become a Certified Medicaid Provider](#)