SEASON 2, EPISODE 19

HOW PRIVATE PRACTICES CAN IMPROVE THEIR PAYOR CONTRACTS WITH BRETT SPARK

David Mandell:

Hello, this is David Mandell, host of the podcast. Thanks for joining us. I'm excited about today's program. We've got a guest that I've spoken alongside. We've got to know his company, and I think this is something that a lot of the physician audience is going to be quite interested in and some of you folks may want to be speaking with me and Brett after this.

So let me tell you about Brett Spark and then we'll bring him on. So Brett is the President of Aroris and we're going to talk a lot about Aroris and what they do. So stay tuned for that. He began his career with a large health system in Minneapolis and has since led several private practice groups as CEO. Brett is expertly positioned to guide practices to a more financially stable future. He is the current Chair for the Minnesota Medical Group Association's Conference and Education Committee and a board member of the Epilepsy Foundation of Minnesota. Brett and his wife have two young children and live in Minnesota.

So with that, Brett, welcome to the program.

Brett Spark:

Thank you.

David Mandell:

So I wanted you to come on after you and I and Jason have started to build a business relationship and we both spoke together in December, and I think a lot of the audience will have their ears up when they understand what you do and how you help medical practices.

But before we get into that, let's talk about you personally first. Where are you from originally? And give us a sense of your career path. Your bio mentioned it, but before you formed your Aroris, what've you been doing?

Brett Spark:

Yeah. Yeah. So as my bio mentioned, I'm Minnesota born and raised, grew up in the North Metro here of the Twin Cities in Minneapolis area. My mom and family were heavily involved in the education system in the Minnesota area here. So stuck around,

met my wife in Minnesota, as well, and so we've kind of formed our foundation in this part of the Midwestern country here.

Prior to starting Aroris, I went down a unique, but almost exclusively, healthcare path. I went to college for a management degree and then quickly moved into an internship with a large health system in the Minneapolis area and stuck with them for many years, for 14 years, working in various clinical operations.

And then lastly, before leaving there, was an administrator for their special [inaudible 00:02:45] neuroscience service line. So had a long extensive experience in the large healthcare space in Minnesota, and then was recruited actually from some of the contacts that I had made through some consulting companies into the private practice space.

And so then worked as CEO for a few different private practices and did some consulting work in the private practice space after that. So I've been solely in the healthcare realm, albeit touching on a few different areas, both large health system and then more recently in the private practice space and before forming Aroris.

And then have, since working in the private practice space, started Aroris that we are solely focused on the payer contracting aspect of the private practice or payer and provider relationship. Our focus is on giving resources to private practices to help better align them for the future and better increase their profitability through the relationships with the payers. And I think it's a challenging environment to be in but one that focusing our attention in that one area, we've become very competitive and very knowledgeable on the extensive amount of detail that goes into creating the perfect provider and payer relationship.

So a long path, but one that led me to an area of healthcare that I think is really important, one that's continuously evolving and changing, and we're just happy to be a part of that specifically with the private practice groups we work with.

David Mandell:

What experience makes sense to me, given what your focusing on with private practice physicians, and we'll get into that, and you mentioned it a little bit, helping them with their payer relationships and how you help docs get paid more, essentially, I mean, if you really want to narrow it down.

So being in the large institution space and then being in the smaller medical practice space, I'm sure you just got to see, "Well, these folks don't get paid nearly as much as the folks at the larger institution and can we improve that?" And probably battled a bit with payers as CEO or assigned that to someone in the practice and said, "Hey, maybe there's a gap in the market place?"

But what did motivate you to jump out, to become an entrepreneur and start something? Was it something you always wanted to do? Did you just see that there was a gap in the marketplace and said, "There's just really an opportunity for me and

it wasn't really what I was planning to do, but I just feel there's something we can really add value to." How did you get to that point?

Brett Spark:

Yeah, it's a good question. Realistically, I didn't set out to be an entrepreneur. It's not something that I planned early on in my career. I think even getting into the healthcare space was one that worked out well for me for opportunities at a young age and grew with that and liked the challenges with that, but never really expected that I'd have myself starting my own business and really working as an entrepreneur.

But when it really jumped out at me was through the experiences in the private practice space and when I started consulting with multiple groups. And I started to see a consistent challenge across the private practice space in, not only these practices having the resources, which can evolve from legal resources to analytical resources, to just time resources, practices are challenged with that, and I knew that going into some of these consulting experiences.

But seeing that, that there was so much of that going on consistently with the groups that I was consulting with, I felt there was a gap in the market specific to the private practice space and the relationship between payers and providers. And a lot of that stems from the fact that it still is ... The healthcare space, is still an environment where the larger you are, the more traction, the more leverage, the more ear of the payers you're going to have. And that really excludes a large population of the clinical healthcare perspective that is providing really high quality, really sub-specialized focus care, but can't necessarily get the reimbursement or get the attention of a lot of the payer market because they're smaller in size, in scope, to some of the larger health systems that are out there.

So we felt we could become really important and really skilled in that one specific area and that's really where Aroris evolved from a consulting firm, boots on the ground, into this independent contractor group that really supports that payer provider relationship.

David Mandell:

So it makes sense to me, just your big picture, and probably does to the docs listening, that if you're part of a large institution, you've got more business 101, you have more leverage if you're part of a thousand doc health system with the payers, et cetera, than the other extreme of solo doc.

You, I think, and we'll talk about this before we end, where the sweet spot is for you guys and what groups you can add the most value, but when you come into, say, smaller private practices, and I say "Smaller," maybe 50 docs or less, which doesn't mean small at all, but smaller compared to the large institutions, what struggles or what red flags do you see where, "Hey, we think we could add some value because of this is going on?"

Brett Spark:

I think that the biggest thing is just the complexity around how these contracts are structured with a lot of different payers. Whether you're one physician, 50 physicians or a large healthcare organization, the complexity is very apparent and it's challenging for practices to dive in and, like I had mentioned, have the resources to really peel back on a 50-page contract with a payer.

To do that with one payer would be challenging. When you have these 50-physician practices that have 10 to 20 different contractual relationships with payers, it's almost impossible to really understand the complexity and the variations between each of the contracts that they have.

And so I think that's where we bring the biggest amount of value, even before getting into the negotiation and the strategies we bring and the history and experience we bring there, just on the foundation of our relationship with a lot of these private practices, when we peel back on every single one of their relationships with the payers and output that information to their practices, they find it really valuable to understand when do these contracts renew? Are they working off of a historical fee schedule, which a lot of them are and they don't realize they're getting paid a percent of Medicare, but it's a percent of 2018 Medicare or 2015 Medicare, and that doesn't change.

And so I think it's the level of detail and complexity initially in our relationship with a lot of these practices that adds a lot of value. And then when you transition that into our actual negotiation strategies, that's where a lot of our historical understanding of different ways of structuring these deals can be valuable to get us to the finish line, as well.

David Mandell:

So you and I talked about this before, and I'm going to mention this here because the listeners, there's a fair amount of OJM clients, although there are a lot of folks listening who haven't gone through our planning process, but we use this common lexicon that physicians are, of course, extremely familiar with, which is diagnosis and treatment.

So in our area, it could be diagnosing their tax situation, diagnosing their asset protection, diagnosing where they are with their investments. Are they paying too much in fees or taxes, et cetera? Diagnosing their insurance. And then they can decide, hey, they want to do some treatment with us or another advisor, et cetera. But a lot of times folks are coming through, at least initially, with OJM, on a flat fee consulting process. And we'll talk about how clients get started with you in a minute.

But it sounds like what you're saying is, for a lot of practices, the first piece of value you can bring is actually diagnosing what they've got. Maybe say, "Okay, you've got these five payers who are 80% of your revenue and let's dig into their 50 page contract." That's 250 pages of legal leaves that we've got to go through. And your

office manager perhaps, or whoever you assign, and we'll talk about the folks who do it themselves, but some handle on it, but likely you're going to uncover some things that they're just missing.

And then they can decide, "Hey, are we going to use you guys to negotiate or not?" But at least they want to understand what the status quo is. Where are they today, vis-à-vis their contracts? Is that what you're finding that even that piece of value is valuable to them because they just really don't have a handle on all of the ins and outs of those various long-form contracts?

Brett Spark:

Right. I think that's a really good way to put it, that there's too much language, there's too much complexity, that initially our value is reviewing current state and it's exactly that with a lot of these practices we work with. Even the larger groups, we just started with a 200-physician group that our output on initial peel back of current state was extremely eye opening to their shareholders and to their board because you don't understand.

It's not only that 50-page legal document, like you mentioned, Dave, but it's the fact that the fee schedules and the price points are usually appendixes or amendments that can change year over year or not change. And there's so many variables that go into play with that, that we have the resources available to take it on and output that information to the groups in a very easy to understand formula before we even get into the contract negotiation.

So that's the two-pronged approach that we try to bring to the table, that initial discovery of what current state is for the business and then the contract negotiation on the back end.

David Mandell:

That makes sense. So let's talk about the contract negotiation. What's your approach? At a high level, what makes you guys different than what the practice might be doing already?

Brett Spark:

I think, initially it's the resources that we have available to truly understand what current state is. So during that discovery phase that we have, we have an account management team that collects all historical documents from the payers. We have an analytics team that digs into every part of the reimbursement methodology, and there's numerous ways that it could be structured with these payers. We have a full analytics team that peels back on every aspect of that so that we understand exactly how the group is getting paid. Are they getting paid one price point at a certain location versus a different price point at another?

And so I think that's the biggest piece that we bring to the table is a very clear understanding of what's going on with the group. And then we take that approach into our initial conversations with the payer, as well. And that is leverage in some categories. And we talked about leverage early on that larger organizations, higher volume, higher patient count, have leverage. And that is true in some of those cases.

We do create leverage in other areas too with our conversations with payers. When we go in with a higher level of detail of current state and market information, we utilize that to help us create some of the leverage points as we initially make contact with the payers. And on that initial contact with the payers, that piece is also the fact that we do this all day every day with groups.

And so we, generally, have a relationship with payers that is different than what a solo practice will have with their payers when they reach out once a year or once every five years, in some cases or longer. In some cases they're reaching out to an account rep, an entry level employee, at a payer. We do this day in and day out and we, generally, have a higher level relationship with some management or leadership level at the payers that can be helpful when we're describing the value add that these groups bring to the membership.

Speaker 1:

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David Mandell:

So in my world, and in most of OJM's world, we're dealing with the physicians. I mean, certainly we've been hired by practice CEOs and come in and done analyses for groups and hand out qualified plans and all of that. But, generally, our point of contact is the physician. And I think physicians and maybe executives, too, have some misconceptions or there's some common myths out there when it comes to payers. They're probably not positive, I would guess.

But what do you, in your world, run into in terms of misconceptions that a doc or a CEO might have and say, "Well, that's not true or that's partially true, but this is our experience and this is a little different." Give me a sense of that.

Brett Spark:

There's endless amounts of different myths, different challenges that we come across in our work and in working directly with physicians or practices. And I think some of them are just that there's no ability to change price points. There's more of a take it or leave it type of mentality. And that's really driven by how payers will communicate in some occasions with practices, and they lead the practices to believe that there's

no opportunity to adjust, and I think you need to know where your opportunity points are.

Part of it is that you're providing a service that is to the membership of these payers. So when you're working with a payer, there's value in that, especially if you have a sub-specialized focus or a surgical focus or something that sets you apart and gives you a unique advantage or a unique value add to the membership that is coming to see you, that should be shared with the payers so that they truly understand that if that was lost, their membership would notice that and they would see it as a disadvantage.

And I think that's one of the big pieces that there's this myth out there that you can't create leverage unless you're a big large health system or unless you are part of a larger academic center or something like that. You can create leverage in other areas that payers will see value in what you're providing to their membership.

And so I think that's one of the big misconceptions that we hear all the time that, "When I contacted the payer, they said, 'This is all we can offer.'" Or the one I most recently am hearing now is that payers are telling groups that their fee schedules are locked. It's under some mythical lock and key that you can't get past it at all. And that's simply not the case. I think you have to form a relationship with these payers and you have to share your value add, and that's an important piece of it that can be frustrating because you can spend the time to do it one year with a payer and then all of a sudden they have a different account rep or a different account executive that you're working with in the next year and you feel like you're starting from scratch again. And a lot of that's done on purpose with some of these payers.

But the more that you can continue to drive home the valuable points, and it might be quality, it might be service specific, it might be subspecialty specific, but the more that you can drive home those points with the payers and link it to the membership that's actually utilizing the service, that's where you'll get the attention of some of the payers.

David Mandell:

That makes sense. As a business owner who makes decisions on our firm's healthcare, I would love to say to the insurance companies, "Our premiums are locked this year. They can't go up ... They're locked. So we'll take what you're doing, but we can't pay you any more."

Brett Spark:

Exactly.

David Mandell:

That's not the case, ever. Anyway, so there's two things I wanted to make sure we covered before we got to place where we wrap. So, one, ... They're both related to

the same concept and the rest of my questions and how you work with physicians and medical practices, which is when we started learning about what you did, I think there were two elements that really impressed me and Jason and Carol, et cetera, in terms of the proof being in the pudding, meaning not only clients who had had successful situations with you, and we have some mutual clients doing that today going through your process in terms of coming out the other ... (a) learning, what they've got; and (b) then negotiating getting better deals.

But one was that you've been approached by and hired by investment firms, private equity firms, when evaluating practices to say, "Hey, what is the opportunity here? (a) Get in there and figure out what they're getting paid and then report to us what do you think a reasonable improvement on that is?" Because that makes a ton of sense to me if I'm investing, as everybody who's listening to this, we've got a lot of guests talk about private equity coming in, if they can see, "Oh, we could actually increase revenues without seeing any more patients, but actually by getting a better payer mix or better contracts with our payers." That just makes business sense 101 to me.

So tell us just a little bit about how that element of your business has come on board.

Brett Spark:

If you go onto our website and look at the services that we provide, practice valuation is one of those that's on there. And part of it is because of the relationships that we've had with practices. And we've actually been approached by practices that are thinking about they're either ready to sell because they're end of career or they realize that it's just too much, they want to look at a different opportunity and will come into the practice and look at everything and say, "What can we do to help before you go out and get that valuation?

David Mandell:

That makes sense too. The other side.

Brett Spark:

And how can you bring us to the height of some of these contractual relationships that we have?"

And so we've done that practice valuation analysis internally for practices, and then we've done it for private equity firms, investment banks, as well, as part of their due diligence phase.

And I think that, again, it goes back to doing this day in and day out for practices across the US in a number of different specialties and categories, we have a lot of information that can help value practices and also help identify gaps or opportunities that some of these private equity firms find value in before making evaluation and before looking into the route that they might want to go with a practice acquisition.

And that's part of the state of the healthcare space right now, especially in private practice. Private equity is a huge part of that. We want to keep the private practices that want to stay private, that's really important to us. And we think that there's really valuable care that's going on in the private practice space.

But we also have this pillar for those practices that want to look at alternatives. We can help with IPA models, collaborating with multiple groups, we can help with managed service organizations. We've helped combine these groups that are like-minded that want to look at different expense structures, look at reducing cost, looking at getting better contracts.

We've been able to help some of these private practices do that without giving up their autonomy or giving up the ownership structure that they really value. And that's where this is an exciting part of the private practice space too. It doesn't have to only be a private equity opportunity.

There's other avenues that you can look at. And so we've tried to be part of that valuation process on both spectrums, and we've found value in that, both with our partnerships with investment banks and with our partnerships with some of these private practices, as well.

David Mandell:

Yes, that's what I wanted folks to hear and to make sense that you would be engaged, not only on the investor side, but on the practice itself. Let's get ourselves ready for it or let's get ourselves to a point where we don't need it or want it because we have other opportunities, but at least we're maximized in terms of what we're bringing in based on our contracts.

So the other piece I mentioned, too, a couple of minutes ago in terms of your proof in the pudding, things that were attractive to me in terms of the concept of what you're doing, was how you work with practices and your fee model, having skin in the game, et cetera.

So why don't you talk a little bit about how you, typically, get engaged by a private practice, in this case? We talked about diagnosis and treatment. You can start with the diagnosis, how you charge a fee to do the status quo analysis. And then when you get engaged to do negotiation, and that's part of it, how does that work? Because I think that'll click with a lot of listeners, as well.

Brett Spark:

We talked a little bit about this earlier too. We have this early stage piece and then we have the negotiation stage.

So initially we have what's called a discovery phase and that's a fixed cost that we charge to practices and we come in and we peel back on everything in current state for all of the payer contracts that they have. And that's a $10,000 fee that we charge

that covers the cost of the analysis and everything that goes along with that. The part that I will say with that skin in the game, was one thing. That is part of it.

Two, we wanted to provide some value that comes with this and we feel it does. We talked about this earlier that there's a lot of either misunderstanding or just not truly understanding how a lot of your payer contracts are structured or the important details that are ingrained within them. And so that's part of this discovery phase. At the very minimum, the initial relationship with us is going to output something that will be very valuable, not only to the physicians within the practice, but to the administrative leadership team, as well, that we can output exactly what current state is with a lot of these payers. So that's our initial touch point with the practices.

It builds up a level of trust, it builds up a level of credibility that Aroris is coming in with a lot of history, we understand what we're doing, we're providing a lot of resources that are not available to a lot of practices. And then we get to the back end negotiation phase of it, and that's a different type of model that you could find a consulting firm or other groups that will pay an hourly rate. Where we're a little bit unique in that perspective is that we actually work on behalf of the practices.

We take the relationships we've created with a lot of these payers, we take our negotiation strategies and historical knowledge and bring that to the table and actually negotiate these deals for the practices. And the way that our compensation model works on the negotiation side is we take a portion of the incremental increase from current state to where you go into the future.

So it's very simple that if you get paid $200 today for a procedure and we get you to $220, we take a portion of that incremental increase based off of the historical volume of the practice. So if you did 200 procedures last year at 200 bucks and we get you to 220 bucks, we'll take our portion off that $20 just on the 200 procedures. And where that's been valuable to a lot of our clients that we're working with, is growing practices... practices that are adding physicians, they're adding locations, they're growing in certain subspecialties. It allows them to continue to do that at a higher price point without having us chip away at that piece for anything that they do into the future of the business.

David Mandell:

Yeah. You're getting the add, you have a success fee that's tied to what you folks are doing, which is the incremental difference in what you've negotiated, but the practice is retaining a hundred percent of the growth of the practice. If they go from 200 to 500 procedures, you're getting a piece, 20 in that example on the original 200, not on that next 300.

Brett Spark:

Exactly.

David Mandell:

They're getting a hundred percent of that?

Brett Spark:

Yes.

David Mandell:

So, I mean, I just think it makes a ton of sense and it is a success fee model with a diagnostic for a fee. It aligns with the way we work with our clients in a totally different way. And that's why I think that we built a business relationship.

And how do you typically start? And then I can talk about next steps. How do you start with a practice? You have an initial consult, how does that typically work?

Brett Spark:

Yeah. And it just depends on who our contact is there. Sometimes we have a physician contact, sometimes we're working directly with their administration team but we usually have an initial consult phone call with them. We'll get to know the physician, we'll get to know the administrator, whoever we're working with, we'll hear about what's important to them. Are there specifics of the business that are changing? They'll get to know what our process looks like.

And following that initial phone call, we have a very straightforward, independent contractor agreement that we're working on behalf of these practices as an independent contractor.

And then following that, we dive into the discovery phase. And the document collection phase is a big piece of this.

We haven't to date found a practice that has every single one of their payer contracts, every amendment, on hand.

We're waiting for the day when we have that practice that has every single piece of that available. And so it's very common that we're going out to the payers and getting contract language, getting amendments, getting current fee schedules. And that's part of that document collection phase that goes into the discovery piece.

And so that's where we kick it off there, where it's a lot of busy work that happens to level set current state. And that's, I think, why it's such an important phase of the process and an important piece to understand exactly what's going on with the business.

But that's initially it. We try and make it as administratively easy on the practices as possible. Part of the reason that our partnership exists with these groups is to take this off of the plate of the practice. And that goes to the CEO level, as well. Running these groups, I've sat in that seat before, and to be able to relieve yourself of this and still get an output to understand how the revenue comes into the business is an

extreme value add. And we do the busy side of the things and the challenging communications with the payers to get everything we need to go from there.

David Mandell:

And two comments: One is, yes, it's certainly a red flag, I would say, or an opportunity when a practice doesn't even have the documents, because how can you be knowing exactly what status quo is when you don't have all the up-to-date contracts? You can't, because you might say, "Oh, this thing, I'm getting paid $200. Oh, that amendment cut it to 190, but I can't find the amendment but that's, what's showing up in the bank account." So that makes sense.

And the other thing I want to just get out there, because you and I have talked about this, practices that have outside billing and collecting companies, that's not like a conflict for you. It was interesting. Sometimes they actually really enjoy it because they see the value would because it's not what they do. They're not negotiating, they're just executing whatever it is they've been told to do. Is that an accurate description?

Brett Spark:

That's a fantastic comment, as well. No, we are partners with these billing and collections agencies that are out there. Their lane is the billing and coding and claims and denials and AR, and we're not taking care of that. We have fantastic relationships and we leave that to them. The claims need to get out the door, the denials need to get reworked. We're working with these groups to make sure that we're getting the price point in a competitive area compared to markets and that we're keeping everything up to date from the contractual and fee schedule agreements there.

So we clean things up on the front end and they know what they should be expecting then on the back end when they're working these claims and working denials. So we want great resources in a lot of these outside billing partners.

David Mandell:

Makes sense. Yeah. I wanted people to hear that because they might think, "Oh, well, that's what they do already." No. Or "It's going to ruffle feathers." No. This is going to be ... It's synergistic. We've seen that.

So, Brett, thank you so much for being on. I want to tell all the listeners, if you're interested in taking the next step, we built a business relationship with OJM and Aroris, so just email me. Certainly we'll have Brett's bio in the show notes and we can set that up and we want to track people who are working with them and vice versa. We're trying to build a strategic relationship here.

So, hopefully, that was helpful. Really, Brett, thanks for being on.

Brett Spark:

Thanks, Dave. It was wonderful.

David Mandell:

So to all the listeners, thank you for listening. Tell any of your colleagues and friends to tune in.

And for the docs out there, if you think you would be an interesting guest or you have something that you're working on that folks could get some value with, you want to share some thoughts or insights with colleagues, certainly contact me, as well, because always looking for new guests as we continue.

So with that, thanks and look for another episode in the next couple of weeks.