**Tool: Checklist for Reviewing Lesser-Than Provisions in Payer Contracts**

Whether your organization is considering pricing changes or ensuring optimal revenue from payer contracts, this checklist can guide you through a lesser-than provision assessment, pointing out key steps along the way.

**When Reviewing Current Revenue Potential**

* Review all contracts and identify lesser-than provisions.
  + These could vary from payer to payer, so it may be helpful to create a spreadsheet of the different payers and amounts.
* Look at line-level lesser-thans and determine whether your organization’s prices for those line items are higher or lower than the lesser-than amounts.
* Calculate any potential revenue loss using existing pricing.
  + If your prices for specific line items are above the lesser-than provisions, then there is no loss.
  + If the prices are below the lesser-than thresholds, calculate the difference in payment.
  + Just because prices are below the lesser-than provision, does not mean they need to be changed. For example, if a lesser-than threshold for one payer is significantly higher than all your other payers, but this stipulation only applied to two patients last year, then it is not worthwhile to raise the price to capture those few dollars.
* Review all claim level lesser-than provisions and identify situations in the past year where charges were less than the negotiated fixed fee.
* Seek commonality across claims where lesser-than claim-level provisions applied.
  + What charges caused you to be under the contracted amount?
  + What are the financial ramifications of raising those charges?

**Before Making Price Changes**

* Before you decide to raise prices, consider the competitive position impact.
  + This may require you to check competitors’ prices to see if you are in line with current amounts.
* If you are considering lowering prices, model several new pricing structures to gauge the consequences. When quantifying the potential decrease in revenue, don’t forget to look at the following areas:
  + Line-level lesser-thans: Do the new prices fall below any/all lesser-than provisions? If so, what is the revenue impact?
  + Claim-level lesser-thans: Do the new prices cause the claim-level lesser-than provisions to kick in? If so, what is the revenue impact?
  + Claim-level greater-thans: Do the new prices limit outlier payments? If so, what is the impact?
* Once you determine the financial effect of a price reduction, decide if the competitive advantages are worth the hit.

*Source:* Based on an interview with William O. Cleverley, PhD, chairman and founder of Cleverley & Associates, Worthington, Ohio (bcleverley@cleverleyassociates.com).