

# Negotiating With Insurance Companies

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If you have tried to negotiate rate increases with an insurance company, chances are you are familiar with some common excuses for your request being denied: (1) your rates are the same as other dermatologists in your area; (2) the insurance company needs to maintain competitive rates; (3) increasing your rates would increase member cost shares and hurt employer groups that have to opt for bare-bones benefit packages or even drop their coverage for employees because of the rising costs; (4) increasing premiums with your proposed rates will result in a loss of customers for the insurance company.

After receiving the initial denial, most physicians get discouraged and give up, which is exactly what insurance companies want you to do. Even the most persistent physicians will receive multiple rejections unless they know how to effectively communicate the insurance company's requests. When negotiating with an insurance company, your proposal must be carefully crafted and clear (Table). It should address the reasons why your request previously was denied. Your communication should be brief and to the point with the addition of supporting facts and data where appropriate.

Requests for rate changes frequently are met with resistance. For instance, it is common for insurance companies to respond that your current rates are the same as those offered to your local peers; however, just because other physicians accept these rates does not mean the rates are fair. Remind the insurance company of this point and prepare to defend your proposal by

## An Effective Request Letter for Rate Changes

- Clearly state your rate and contract change requests
- Provide evidence to support the change you requested
- Be brief and congenial
- Ask for follow-up within a specific time period

stating the reasons why your rates should be higher than those of your peers. If you cannot present an effective case, why should the insurance company give you more?

Insurance companies frequently cite rising costs and increasing self-insurance arrangements as reasons to reject rate changes. Briefly explain to the insurance company (in writing) what financial pressures your practice is facing and how you are dealing with them. For example, many physicians are struggling to manage the increasing cost of supplies, equipment, and skilled labor, and continue to provide the same high-quality patient care as insurance companies' rates decline. Insurance companies cannot be expected to address your financial concerns unless you tell them what is going on.

When you request a change to your rates, the contract negotiator relays your situation to senior members of the insurance company who ultimately will make the decision regarding your request. Therefore, it is important for the negotiator to have all of the details to support your proposal when presenting your request. If you are not prepared with strong evidence and thoroughly researched reasons supporting your rate changes, the insurance company will not negotiate.

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As professional business negotiator Chester Karrass<sup>1</sup> said, “In business . . . you don’t get what you deserve, you get what you negotiate.” If you need help, get it. When negotiating with insurance companies, knowing how to effectively communicate and defend your proposal for rate increases will save you time and ultimately will yield a greater profit for your practice. Other factors

may limit what you can change, but your actions can increase what you receive.

### Reference

1. Karrass CL. *In Business As in Life, You Don't Get What You Deserve, You Get What You Negotiate*. Beverly Hills, CA: Stanford Street Press; 1996. ■

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