

Discounting Out-of-Network Medical Claims- If Your Not You're Losing Money!

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In today's lagging economic environment most companies are being forced to look for creative ways to reduce medical costs and increase margins. Over the past 10 years PPOs and HMOs have successfully ratcheted down provider fees and squeezed savings. Likewise, utilization and case management companies have eliminated most, if not all, unnecessary services, and have effectively directed patients to less expensive and less invasive modes of care.

Luckily, there are still a few relatively new frontiers of cost-containment that can generate significant savings for the employer or insurer while also saving money for the patient. One of these in particular focuses on the ability to generate savings on medical claims from providers not participating with the PPO or HMO network(s) utilized by the employer or insurer. These out-of-area /out-of-network (OON) claims can be a significant source of cost for a plan, but alternatively an opportunity for savings.

Discounting those Pesky OON claims!

No matter how effective your analysis and selection of PPOs or HMOs for your covered employees or insureds there will be out-of-area/ out-of-network (OON) claims. Even the best network configuration can leave 10-30% of claims OON. The result is that significant dollars are left undiscounted on medical claims that must be paid at retail or the Usual and Customary Rate (UCR) is applied resulting in the patient being responsible for the balance.

Example: A 5,000 employee company with 80% of their claims being from in-network providers can experience over \$6,000,000 in OON claims per year

Example: A 100,000 member HMO with 95% of their claims being from in-network providers can experience over \$15,000,000 in OON claims per year

These are significant dollars that can dramatically impact the bottom line of any organization.

However, there is good news! There are companies that can assist you in reducing your costs associated with claims that are OON.

Example: a patient incurs a \$30,000 claim that is from an out-of-network provider and the cost-containment vendor is able to obtain a 20% discount, (or gross savings of \$6,000). Now, instead of paying an OON benefit of 70% on \$30,000 the employer is responsible for 70% of the \$24,000. **This can also have a significant impact on stop-loss premiums by reducing your medical loss ratio.**

NOTE: There are even some reinsurers / stop-loss carriers that will provide more aggressive premiums when using such companies to discount OON claims.

Additionally, for employees participating in a PPO they will see reductions in their costs, even though the claim is paid at the OON benefit level.

What to do

First, check with your Third Party Administrator (TPA), insurer or HMO to see if they offer OON claim repricing solutions. If so, find out what percentage of your OON claims are being discounted and at what average savings.

Second, if they are not offering this service or the savings are not satisfactory, there are companies that specialize in gaining discounts on OON claims.

***Savings on \$6,000,000 in OON billed charges
can be as high as \$500,000 to \$1,000,000!***

What to look for

- √ Companies with several avenues for gaining discounts including Wrap PPOs, Supplemental PPOs, continuous discount agreements (CDAs) and negotiations.
- √ Do they offer access to multiple Supplemental PPOs for repricing- *If one PPO is good isn't 5 or 10 even better?*
- √ Do they rank their networks in each state by historical savings? *Are you getting the greatest savings possible, or using the network with the best fee to the vendor?*
- √ Do they handle all service issues related to the discounted claim, including provider inquiries- *or are you put in the middle between the provider, the PPO and your employee or insured?*
- √ Does the vendor have direct contracts with all the networks they are accessing, or are they using discounts for the PPOs through another source? *No "silent or blind" PPOs!*
- √ Confirm the vendor's contract with the PPOs allows for supplemental discounts - *no "silent or blind" discounts that lead to lost savings and employee dissatisfaction.*
- √ Can they provide a detailed analysis of projected savings based on historical results- *or do they "guesstimate" your savings?*
- √ Look at the percentage of OON claims they are able to discount AS WELL AS average discount per claim -*High savings but a low success rate will not generate the savings available in the market.*
- √ Where are they successful-*If they are great in the northeast but all your employees are in the midwest- is the company your best solution?*
- √ Check for thresholds on negotiations – *many companies only negotiate on bills over a certain amount (e.g. over \$1,000 for physicians or \$5,000 for hospital) - you may be losing savings opportunities!*
- √ Do they offer preset discounts to previously negotiated providers, reducing turnaround time and increasing savings?
- √ Do they have HIPAA-compliant electronic solutions or real-time Internet access?
- √ Can they deliver average savings per discounted claim of 20% or higher?
- √ Is their average success for discounting claims 50% or higher?
- √ Do they price on percentage of savings basis (no savings, no cost)?
- √ Do they have a disaster recovery plan including third party hosting?

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Continued

One of the best mechanisms to determine if the vendor can truly provide value and increased savings is through a detailed savings analysis. This allows the vendor to take actual claims from your organization and run an analysis against historical data to determine the estimated savings through their services. This is an “apples to apples” comparison that will tell you immediately if there are additional savings opportunities.

In the final analysis, there are no magical solutions for managing healthcare costs. However, we do know that through a wide range of services, including a focus on out-of-area/out-of-network claims, companies can yield significant savings and increase margins.



Coalition America, Inc. is the leader in medical claim savings providing out-of-network claim discounting and Primary PPO management solutions. For more information contact Libby Roper, director of marketing and public relations at 404-459-7201, ext. 5265, or via e mail at libbyroper@coalitionamerica.com, or visit their website at www.coalitionamerica.com