

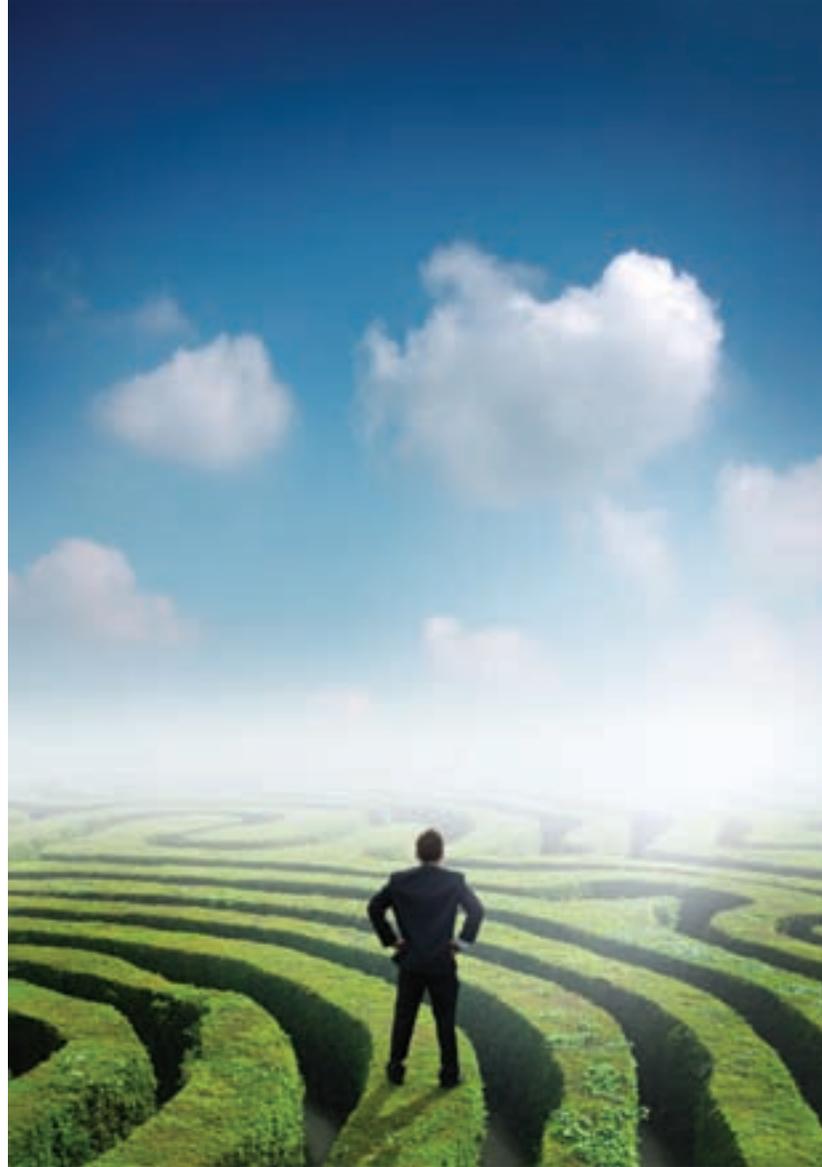
Working together I

The relationship between payer and provider is complex and often impersonal. Colin Plotkin remedies the divide

Talks, editorials, articles and the like have flooded the industry with why hospital bills for travellers carry a greater expected rate of reimbursement when compared to indigent citizens receiving the same care in a given locale and hospital. For reasons that lack any rationale or explanation, this misconception targets only medical providers in the US and seems to ignore the rest of the world. However, the same applies for any country including the UK, Europe, Spain, Israel, or South Africa. It is definitely not just in the US where this is the standard.

Nevertheless, in the US, international insurers, on behalf of their clients, have an unrealistic mindset and expectations, and increasingly demand (yes demand!!) to pay the Medicare reimbursable equivalent on US provider billings. This would be analogous to a US insurer demanding reimbursement at the NHS rate for UK medical services, or the Provincial Government rate from Canadian service providers. By whatever means or premise utilized, where such a level of reimbursement by international insurers is attempted, it is most unlikely to be acceded to on any legitimate or sustainable basis. Well informed insurers are, thus, increasingly turning to those sources of loss mitigation that not only yield the best loss ratio results, but dispense with the inevitable spectre of subsequent legalities where the validity of a discount is questioned, audits occur, and balance billing for the discounted amount is the inevitable outcome.

In an industry described by many appellations – such as convoluted, complex, layered, incestuous, and dishonest, to name a few – the only two variables that have remained constant over time are those that provide medical service



to international patients (the 'providers') and those insurers and underwriters who are ultimately responsible for paying the bills for these services (the 'payers'). Everything in between is comprised of variables made up of ever changing organisations who are responsible for

the current distrust that permeates and continues to erode the provider-payer relationship.

This article focuses on the role intermediaries have played in creating the distress of these increasingly strained relationships, and what the only two

constants (i.e. the providers and the payers) can do to remedy the situation and recreate an environment of trust where both are content.

Loss prevention, cost containment, discounting of provider bills, or whatever you wish to call it, boils down to a basic triangle between the various and ever changing landscape

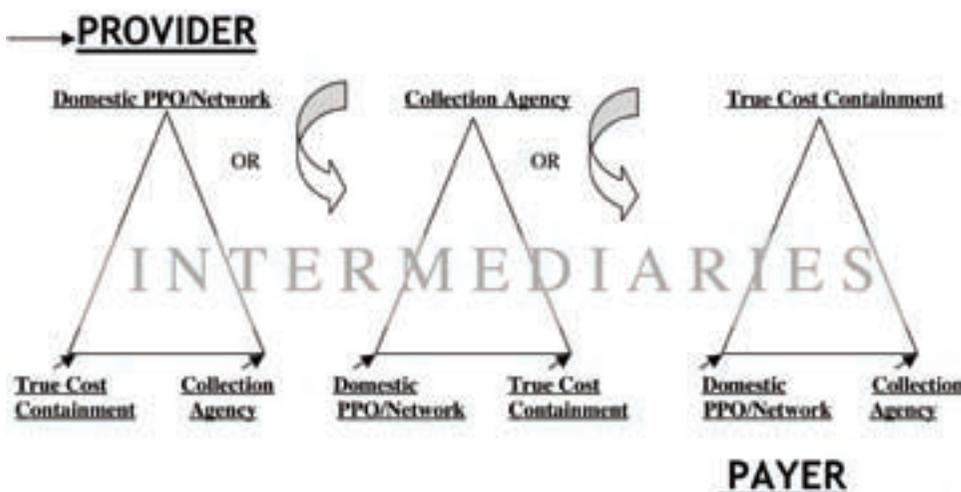
of intermediaries. Pivotal to, and layered between the two constants of provider and payer, are three mutable intermediaries comprised of domestic PPO networks, collection agencies, and true cost containment companies. While ancillary intermediaries such as assistance companies and third party administrators add to the convolutions and layers, it is really only the above mentioned three who are directly responsible for the level of reimbursement a provider receives. Based on this, any given medical provider will be confronted with a level of reimbursement, depicted by the following diagrams:

Domestic PPOs

There are local networks, familiar examples of which are Aetna and United Healthcare, who market and sell insurance to the American population through employer groups and other avenues. Their volume purchasing power, steerage of local patients, guarantee of timely payment (usually 30 to 45 days from date of final bill), upfront identification of their beneficiaries, plus other ancillary contractual obligations, have enabled such organisations to negotiate extremely favorable rates with providers for their domestic patients.

In a supersaturated local environment, by channeling bills sourced from international insurers through such domestic PPO contracts, these entities have recognised the apparent opportunity posed by the international medical insurance market. But while yielding extremely favorable discounts to an international insurance underwriter who is undisclosed to the medical provider, the provider is deprived of a fair and reasonable rate of reimbursement for services rendered to international patients. In small volumes, and for a short life span, this avenue seemingly worked for some. However, current federal legislation that is due to come into effect on 1 January 2009 will herald yet another change in the ever altering landscape of intermediaries. Also, hospitals, with their declining revenues and the looming face of Chapter 11 bankruptcy, have wised up to what is an extremely lucrative cash cow for domestic PPOs.

The realization of this practice has understandably soured the relationship between providers and international insurers and underwriters, who are the ultimate payers. As intermediaries, domestic PPOs in reality offer no value added function to the provider in relation



to internationally insured patients or travelers. Indeed the opposite occurs. The hospital gets reimbursed at a fraction of estimated amounts, more often than not payment gets delayed way beyond the contractual requirements, and denied cases make a mockery of any guarantee and coverage undertakings. Moreover, enticed by promises of huge savings by domestic PPOs, international insurers, by being participants in the deception, have enabled the word 'fraud' to creep into the litigation instituted by hospitals against the ultimate payer.

Interestingly, very recent case law lays claim and responsibility squarely at the feet of the ultimate payer (i.e. the international insurer/underwriter) and NOT the PPO who acted as the intermediary. Recovery of discounts obtained through this modality is now commonplace, and will occur with even greater frequency as processes evolve to expose and ultimately close this avenue of bill discounting. In fact, the 1 January legislation specifically requires managed care companies to prohibit silent PPOs, or the leasing of domestic networks to out-of-network and international patients, specifically where this occurs without the prior knowledge and consent of the medical provider.

In anticipation of this, companies such as Sentauro Corp., and other US-based recovery firms working on behalf of hospitals and physicians disadvantaged by the current activities of intermediaries in the marketplace, have sprung up. Their mandate is to expose and supply medical providers with:

1. A complete assessment of contract loopholes and system inconsistencies that the payer may be taking advantage of.
2. A detailed and thorough forensic review of suspect receivables and accounts.
3. Active recovery efforts of identified illegitimate discounts.

In addition, some very aggressive lawyers equipped with the armamentarium of this new legislation, are about to have a feast of even greater proportions than in the past. The most interesting aspect of current case law in this regard, and indeed which has fostered the new legislation, places the blame squarely at the feet of the ultimate payer (the international insurer), exonerating any of the intermediaries including the domestic PPO's who have facilitated and allowed the practice to occur.

Collection agencies

Fed up with international patients and their insurance companies, hospitals are increasingly turning to collection agencies in order to secure this source of international revenue. International



patients are traditionally recognized at the time of service on a number of modalities – but providing a local domicile address (sometimes a local hotel) is no longer sufficient to assume that international patients will be recorded as a resident of the city or state where they were visiting. This may have in the past sufficed and added to the disguise of being a domestic patient and enabling channeling of bills through a domestic PPO.

Bringing this to an abrupt end, international patients are now being identified by hospitals' requisitioning of driving licences, social security numbers, and other identifiers, collectively used to categorize international patients. As soon as a patient is identified as international their bill is automatically sent to an appointed collection agency. Most will have seen the intermediary market already flooded with an ever increasing number of so called 'collection agencies', oftentimes under the guise of 'billing companies' in order to avoid the red tape and legal requirements associated with the true collection of bad debts. Names such as OVAG International, Global Recovery Alliance AG, Gallaghers, BMD and R & R, if unknown at this point, will become household names on any international insurer's hate list.

Operating from countries far removed from the US, these organizations, in direct contrast to domestic PPOs, earn their revenue on how much money they can collect in for a provider. Both the chances and amount of discount available to an international payer are negated or diminished considerably once a collection

agency becomes involved. PPOs, on the other hand, earn their revenue from international insurers by charging a percentage of the savings they obtain, so we are left with a perfect example of yin and yang.

True cost containment

From an early age, we are taught the saying 'honesty is the best policy'. Professional, true cost containment companies operate in an honest, upfront manner with both provider and payer. The provider is informed, upfront, of who the payer is, and at the same time, is fully aware of the role that the company plays in the sustainability of affordable travel insurance. Professional companies who offer their services as this type of intermediary add value to both provider and payer, and do so in an environment that provides fairness and longevity for all parties. Settlement is based on the fair premise of what a provider can reasonably charge for a service, and what a payer can reasonably expect to pay for that service. Both sides know precisely who they are dealing with, and a conduit is formed between the two parties who are the only constants in the fascinating world of international medical insurance. The spectre of balance billing is entirely eliminated, as is that of litigation and recovery of improperly sourced discounts. The payer's clients are welcomed into the provider's care, and a positive relationship ensues.

Interestingly, those professional organisations that comprise a true, disclosed cost containment function enjoy,

and are able to foster, relationships with the collection companies described in this article. Perhaps, with the passage of time, the function of collection agencies will be reduced to those cases that are denied or truly categorised as being bad debts in default. In such cases, there is understandably a need for such a service, as opposed to the generic handling of all international bills as bad debts. It is often said that 'greed is the destruction of mankind'. It is perhaps this quotation that underlies the basis for the current unfavorable relationship between provider and international payer. For any relationship, of whatever nature, to survive and endure the good and bad times, it is the constants of the relationship that require the comfort of openness, honesty, fairness and goodwill. The international insurance industry has the opportunity now, more than ever, to play its role. It can continue on its destructive path of a short term gain with a long term loss, or it can embrace the necessary change by facing reality. ■

Colin Plotkin & Sons Consulting Inc. is an intermediary representing numerous hospitals, insurers, underwriters and third party administrators. Based on experience spanning 25 years in the health insurance industry, the company specialises in the settlement of large and catastrophic claims in a fair and equitable manner. Founded by Dr. Colin Plotkin, together with his four sons, occupy both professional and executive positions within this organisation, providing medical, legal, insurance, business and luminary advice to providers of medical service, health insurers, underwriters, reinsurers, and assistance companies.