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H.H.C. Group

Health Insurance Consultants

Providing Current Information on Health Insurance Industry Issues and Legislation

Medicare/DRG Based Pricing Replacing PPO Discounts - We Can Help

To better control provider costs and improve competitiveness, more and more payors are starting to reimburse providers based on a multiple of the Medicare payment rate.

Many insurers utilize preferred provider networks in an effort to control rising costs. In return for inclusion in a payor's network, providers agree to accept payment based on a discount off their billed charges or based on fees set by Preferred Provider Organizations. While the discount rates are contractually set as a percentage of the total amount charged, some networks place few or no limits on what providers can charge. Consequently, providers can unilaterally raise the "discounted" amount owed by hiking the charges they bill.

The Centers for Medicare and Medicaid Services projects that healthcare spending will grow at an annual rate of 5.8% for the period from 2010 through 2020.

Medicare/DRG based pricing offers a number of advantages over pricing based on a percentage off billed charges alone. First and foremost, it eliminates cost increases due to providers artificially inflating their prices for services delivered. Second, it ensures similar payment (Medicare makes adjustments based on geographic and other factors) for the same or similar services. Third, Medicare/DRG based pricing enables predictability for pricing and planning. Using modeling, payors can project the number of claims for various services and their resulting total expenditures (losses). Using DRG Validation, Data Mining and Predictive Modeling, payors can make sure that providers are not up-coding their services, identify patients before they become case management problems and determine trends in a group's utilization of medical services.

As with any change, there are a number of issues to be considered. First is provider acceptance. To maximize acceptance by providers, the multiple chosen must generate a fair return for the services provided. Second is balance billing. Providers must be willing to accept prompt and reasonable payment as payment in full for their services. Securing agreements with key providers will be essential for success. Third is implementation and maintenance. Medicare rates are constantly changing. Payors must utilize companies like ***H.H.C. Group*** to secure agreements with key providers, ensure the latest rates are being used and consistently process all claims on an expedited basis.

To learn more about ***H.H.C. Group's*** Medicare/DRG based pricing program, or to have ***H.H.C. Group*** assist you in converting to Medicare/DRG based pricing, please contact your ***H.H.C. Group*** sales representative or Joe Michaud, Executive Vice President of Sales either by e-mail (j_michaud@hhc-group.com) or phone (301-963-0762 ext. 110).

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Circuit Courts Split on PPACA Legality

"Under the law, starting in 2014, almost all Americans must prove they have health insurance or face a penalty on their income taxes. In a divided decision the three-judge 11th Circuit panel found that this portion of the law relies on an unconstitutional expansion of federal power."

The 4th Circuit Court of Appeals has rejected two challenges to the Patient Protection and Affordable Care Act (ACA). The three-judge panel based its decision on procedural grounds, finding that neither of the plaintiffs, the state of Virginia in one and Liberty University in the other, had standing to challenge the law.

Earlier this summer the 11th Circuit Court of Appeals in Atlanta struck down the individual mandate in the ACA while the 6th Circuit in Detroit upheld the law. The 11th Circuit allowed the remainder of the broad reaching law to stand. The arguments made to both courts were nearly identical.

Under the law, starting in 2014, almost all Americans must prove they have health insurance or face a penalty on their income taxes. In a divided decision the three-judge 11th Circuit panel found that this portion of the law relies on an unconstitutional expansion of federal power. The panel agreed with the plaintiffs' argument that Congress' ability to regulate interstate commerce cannot be expanded to include a power to force private individuals to purchase health insurance.

"What Congress cannot do under the Commerce Clause is mandate that individuals enter into contracts with private insurance companies for the purchase of an expensive product from the time they are born until the time they die," the judges wrote.

U.S. Circuit Judge Stanley Marcus dissented stating that the majority opinion ignored decades of Supreme Court precedents to expand and define the scope of Commerce Clause powers to include over-arching regulatory schemes.

"The individual mandate was designed and intended to regulate quintessentially economic conduct in order to ameliorate two large national problems: first, the substantial cost shifting that occurs when uninsured individuals consume health care services-as virtually all of them will, and many do each year-for which they cannot pay; and, second, the unavailability of health insurance for those who need it most-those with pre-existing conditions and lengthy medical histories," Marcus wrote.

In practical terms, it is not clear whether the law is workable without the mandate according to legal observers. Proponents of the law believe that the mandate is necessary to offset insurers' costs, given that the law removed their right to turn away sick patients.

Given the split decisions and the fact that Thomas Moore Law Center, which lost the 6th Circuit appeal, has filed a writ of certiorari with the U.S. Supreme Court asking it to hear oral arguments in its lawsuit, the fate of the individual mandate and the entire ACA appear headed to the U.S. Supreme Court for final resolution.

NAIC Considers Restricting or Prohibiting Some Stop-Loss

The ERISA (B) Subgroup of the National Association of Insurance Commissioners (NAIC) has recommended the organization amend its stop-loss model act. Specifically, the Subgroup proposed that:

- The sale of stop-loss insurance to small groups be prohibited, or as an alternative,
- The minimum allowable specific attachment point be raised to $40,000.

Aggregate attachment point minimums would be based on the greater of $4,000 multiplied by the number of group members, 120% of expected claims, or $40,000.

NAIC's models, including its stop-loss model, are not in and of themselves binding on the states. Only Vermont and New Hampshire have adopted NAIC's stop-loss model act. Other states use NAIC models as a guide when crafting legislation, taking the pieces that fit their individual situations.

The Subgroup had met to discuss reclassifying self-insured plans purchasing stop-loss policies under what they defined as "low-attachment points" as commercial insurance products. Subgroup members maintained that self-insured plans purchasing these levels of stop-loss do not meet the spirit of ERISA's definition of a self-insured plan because they bear very little risk. One member of the Subgroup went even further, stating that if a self-insured plan buys stop-loss at any level it should no longer be considered a self-insured plan.

The Subgroup also discussed the possibility that more and more groups will self-insure once the State Insurance Exchanges become operational in 2014. The argument being that self-insured plans will enjoy a more advantageous regulatory situation due to their exemption from the Medical Loss Ratio, ratings restrictions, the requirement to provide Essential Health Benefits and other requirements. The fear voiced is that groups with "healthier" populations would self-insure resulting in the exchanges suffering from adverse selection.

In commenting on the Subgroup's recommendations SIIA Chief Operating Officer Mike Ferguson wrote, "The National Association of Insurance Commissioners (NAIC) has never been known as an organization where the self-insurance/alternative risk transfer industry is treated fairly, but its penchant for bias became even more visible this past week. Worse yet, this bias is now being fomented by an 'ivory tower' expert."

"Professor Timothy Stoltzfus Jost is the designated 'consumer representative' on the NAIC's ERISA (B) Subgroup , which is tasked with developing various policy recommendations related to how states should adapt their insurance regulations to better coordinate with PPACA implementation."

"His central thesis is that smaller employers should not be allowed to self-insure because they do so primarily to escape state regulation, and going forward to sidestep new PPACA regulation. He also pushes the dubious argument that self-insured plans contribute to adverse selection."

The Sub-group's recommendations will likely be on the agenda of NAIC's Fall Meeting the first week in Novem-ber in Mary-land.

Captive insurance, discussed in the August issue of the ***H.H.C. Group*** newsletter, may be an economic solution to any self-insured groups potentially impacted by the Subgroup's recommendations. ***H.H.C. Group*** will monitor these discussions and report their outcome.

Make H.H.C. Group Your IRO Solution

New health reform rules requiring insurers to contract with at least three (3) accredited Independent Review Organizations (IRO) are quickly coming into effect.

As a URAC accredited IRO since 2006, ***H.H.C. Group*** is well equipped and qualified to service all of your Independent Review needs. Whether you require a review to determine the medical necessity or appropriateness of a particular claim, or there are questions related to the service or treatment being covered by your plan, ***H.H.C. Group*** is here to meet your needs.

For more information on our Independent Review Program, contact your sales person or the MRP Department at MRP@hhc-group.com.

Medical Review Program

While costs may be increasing, ***H.H.C. Group*** continues to find savings for our customers through our many cost containment programs. For more information on how our programs can assist you, contact your sales representative or Joe Michaud, Executive Vice President of Sales, at 301-963-0762 ext. 110, or via e-mail at j_michaud@hhcgroup.com.

The examples shown demonstrate recent savings achieved through our *Medical Review Program*. If a claim is unusually high and the provider will not negotiate or does not participate in any of our 230 *plus* contracted PPOs, the claim may be a good candidate for a *Line Item or Comprehensive Bill Review.* Please contact your sales representative or the Medical Review Program Department, at 301-963-0762 ext. 102 or via e-mail at mrp@hhc-group.com for more information on these programs.

Line Item Bill Review Savings Examples:

Case A: Bilateral Sinus and Nose Surgery

Case B: Parental Infusion Neonate

Case C: Mitral Value Replacement

	Bill Amount	Recommended Denial
Case A:	$142,462.00	$93,250.79 or 66%
Case B:	$255,034.41	$31,454.00 or 12%
Case C:	$162,228.17	$16,411.00 or 10%

Negotiation and Repricing Savings Examples

The examples shown below demonstrate recent savings achieved through our *Negotiation and Repricing Services.* If you are currently using only one of our many services, please contact your sales representative or Joe Michaud, Executive Vice President of Sales, at 301-963-0762 ext. 110 or via e-mail at j_michaud@hhcgroup.com, to find out how to access all of our health care cost containment services.

August 2011 Examples

Type of Service	Amount Billed	% Saved	Savings
NEGOTIATION			
	$121,528.63	40.0%	$48,628.63
	$65,430.00	65.7%	$43,016.56
	$105,125.32	40.1%	$42,125.32
	$49,725.00	61.5%	$30,587.51
REPRICING			
	$110,119.50	66.4%	$73,067.78
	$32,022.62	97.2%	$31,127.62
	$142,462.00	20.0%	$28,492.40
	$24,975.00	96.3%	$24,059.66

Three Star Preferred Provider Program Additions

One of the strengths of ***H.H.C. Group*** lies in its relationships with providers. We are pleased to announce the following new program members.

Albany Health Care
Albany, LA 70711

Bagdig Baghdassarian
Great Neck, NY 11021

Beacon Behavioral Hosp
Slidell, LA 70458

Brookhaven Radiology
Brookhaven, MS 39603

Cardiodx, Inc.
San Jose, CA 95161

Carlos R. Hamilton III, MD
Belfast, ME 04915

Crescendo Bioscience, Inc.
San Francisco, CA 94083

Eunice Medical Laboratory, Inc.
Eunice, LA 70535

Forterus
Temecula, CA 92591

Greater Florida EM
Atlanta, GA 30384

IV Solutions
Deerfield, IL 60015

Lake Norman Surgical Assisting
Mooresville, NC 28115

Lawrence A. Wright, MD
Houston, TX 77027

Leger James W., DC
Prairieville, LA 70769

Mount Nittany Physician Group
Hermitage, PA 16148

Northern Michigan Anesthesia
Iron Mountain, MI 49801

Nursing Specialties
Lafayette, LA 70508

Oh Sei C, MD
Vidor, TX 77662

Orthopaedic Ambulatory Surgery
Canton, OH 44718

Paige Carson
Winnsboro, LA 71295

Rebecca Dimundo
Santa Monica, CA 90404

Reprosource Fertility Diagnostics
Woburn, MA 01801

Robert Gordon
Dublin, OH 43017

Robert S. Lee, PAC
Irving TX 75063

Snezana Zubic
Chicago, IL 60694

St. Charles Surgical Hospital
Metairie, LA 70011

Steven Harrell, MD
New Albany, IN 47150

TGZ Acquis Co
Cherry Hill, NJ 08034

Tristate Anesthesia Solutions
Evans, GA 30809

Vision Pro
Spring, TX 77379

Weil Michael
Slidell, LA 70461

Contact Information

Additional product/services information: visit www.hhcgroup.com or call 301-963-0762 ext. 110.

Repricing support/assistance: please e-mail appeals@hhcgroup.com or call 301-963-0762 ext. 212.

Medical Review Program support/information: please e-mail mrp@hhcgroup.com or call 301-963-0762 ext. 102.

Claim referral submission: please e-mail referrals@hhcgroup.com or call 963-0762 ext. 131.

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