

Medicare Based Pricing -- For Smart Payors

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Medicare Claim Repricing makes sense -- is transparent, consistent, fair, rational, defensible, predictable and eliminates provider price creep. Groups contemplating converting to a Medicare Claim Repricing program should consider the following:

Can Medicare Repricing save your groups money?

Absolutely! Plans that cover benefits at a percent of Medicare experience significant savings. Take the example where a dialysis patient is dialyzed three (3) days a week over a period of seven months and that patient's charges to the plan totaled \$580,094. That's right, \$6,905.88 per treatment. The actual Medicare payment per treatment would have been \$254.20 cents; or, an overall savings at a specific multiple over the Medicare rate of \$545,905. That is a 94% reduction in Dialysis charges. At best, national PPO network savings realizes 20-25% savings per treatment.

Is basing coverage on a multiple of Medicare arbitrary?

Basing a benefit payment on a percentage of Medicare is basing it on the real costs associated with that treatment as Medicare utilizes panels of physicians, actual provider cost data, geographical factors, and patient factors (all updated on an annual basis) to determine a fair provider reimbursement amount. In addition, there is transparency with Medicare, as Medicare rates are public information and can be reviewed by providers and beneficiaries.

Companies that reprice claims to UCR attempt to do the same thing. However, their numbers are based on much less information. Further, unlike basing payment on Medicare, companies that utilize UCR base their numbers on select providers' costs. Medicare bases its payments on the costs of all providers participating in the Medicare program as well as other specific provider costs, geographical and patient factors.

Is there potential for legal challenges?

As is the case with any action or inaction, there is the potential for litigation or legal challenge. In fact, legal liability is at least equal if not less than when plans pay claims at Medicare rates as opposed to UCR. As stated previously, UCR numbers are based on much less information than Medicare rates and therefore more likely to be criticized as arbitrary. Ironically, the leading argument of the lawsuit cited in previous Medicare repricing articles in *MyHealthGuide Newsletter*,

In *re Wellpoint, Inc.* Out-of-Network "UCR" Rates Litigation, questions the objectivity of the UCR rates that were utilized. So, whether your plan bases reimbursement on UCR, or a multiple of Medicare, it is our contention that the possibility of legal challenge is about

the same. The potential for legal challenges can never be eliminated. But, health plans can take steps to limit their exposure to potential legal liability based on having a clear and concise plan document.

How can clear and concise plan documents minimize the potential for legal challenge?

- **(a) Amend and pay claims according to the terms of your Plan** as the Plan document is critical to making sure that it spells out clearly how benefits are paid.
- **(b) Work with a vendor that has experience and can reprice to Medicare.** As noted in Mr. Christiansen's article, "*Medicare payment calculations can be complex... vary regionally and by other factors, and change frequently.*" (Christiansen, *Medicare Plus Repricing of Dialysis Claims: Not for the Faint of Heart* -- of the Prudent Administrator, *MyHealthGuide Newsletter*, Jan. 2013).
- **(c) Educate your members.** Members and your groups should understand how their benefits are paid and the potential for balance billing. If members understand their plan, they can communicate openly with their care providers about payment and select providers that are less likely to balance bill or appeal.

Conclusion

Medicare claim repricing saves money, is fair, rationale and defensible. Groups interested in reimbursing based on Medicare payment should consult with Medicare Repricing specialists to ensure their claims are repriced accurately and their plan documents are clear.

If you are interested in exploring reimbursement based on a multiple of Medicare, please contact **Joe Michaud**, H.H.C. Group's Executive Vice President of Sales at (301) 963-0762 ext. 110 or jmichaud@hhcgroup.com. H.H.C. Group's General Counsel can work with your attorney to ensure your plan addresses coverage determinations for services not covered by Medicare or covered differently in commercial scenarios. Also, H.H.C. Group employs attorneys to review all Medicare statutes, update all fee schedules, and work closely with the HHC IT Department to ensure that our repricing is accurate and up-to-date.

About H.H.C. Group

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H.H.C. Group's services include; Medical Peer Reviews/Independent Reviews, Independent Medical Examination Administration (IMEA), Case Management

Utilization Review, Medicare/DRG Based Pricing, DRG Validation, Claims Negotiations, Repricing, Medical Bill Review (Audit), Disease Management and Pharmacy Consulting.

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