

# NCN in 2009

## A Hard Look at Healthcare

APRIL 2009

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### Why Out-of-Network Is a Good Place to Start When Trying New Technology in Healthcare

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#### The Complexity of Healthcare Reform

Over the last few decades, healthcare in America has evolved into an expensive myriad of providers, insurers and administrators. Healthcare's complexity has caused most individuals to disengage in all aspects other than actually receiving the care, leaving the brunt of this financial burden on the shoulders of employers who provide healthcare benefits. Yet these employers, desperate for reform and significant cost reductions, are paralyzed from trying new technologies that may streamline the administration of healthcare.

#### Where Opportunity Lies

Many major employers have attempted to address rising healthcare costs through proactive approaches—wellness programs, on-campus clinics, prevention and early disease detection. They seem to shy away, however, from real innovation on the administrative side of managing the cost of treatment, which is where most of healthcare's opportunities for financial reform lie. The infrastructure that manages this tremendous flow of dollars has proven fragile and politically charged; dealing with an expensive status quo seems less risky than implementing real change.



#### The Risk in New Methods

Change usually involves overcoming a fear of the unknown. As a result of this fear, the only recent improvement in healthcare administration has been the expansion of complex networks that steer treatment to in-network providers, where prices are pre-negotiated and therefore contained. Any new methodology besides "in-network" seems risky to employers, since it typically involves new process, technology and the chance for something to go wrong. Employers want big reductions in healthcare costs, so their focus is on the biggest percentage of claims—the in-network procedures. Overlooked is the balance of claims that fall out-of-network.

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## The Out-of-Network Outcast

Out-of-network claims can represent as little as 5% or as much as 30% of an employer group's claims. While their percentage of overall claims may seem small, the dollars per claim they represent can be substantial. In a recent article by the Associated Press, the high prices of out-of-network claims drew national attention: Robert Zirkelbach, spokesperson for America's Health Insurance Plans, stated that "Consumers would be shocked if they knew the exorbitant rates that some nonparticipating providers charge."

Most out-of-network claims do result in painful out-of-pocket contributions for the patient, which employers strive to minimize on behalf of their employees. Yet many employers overlook the opportunity to make significant improvements in out-of-network processes because they feel it isn't worth the effort, or that improvements won't deliver material savings to the bottom line. If this logic is to be followed, however, then the out-of-network arena is poised as the perfect segment to implement new thinking while minimizing the risk of new methodology. Employers should embrace change in out-of-network process rather than reject it.



## From Outcast to Opportunity

Because out-of-network pricing can be so unpredictable, the need is great to bring it into accountability. The same article mentioned above sums up the feelings of Senator Jay Rockefeller and other lawmakers in that "more accountability and transparency is needed in how insurance companies determine out-of-network rates, and that patients need to understand how it's done to avoid sticker shock when they get their medical bills."<sup>1</sup>

The out-of-network environment is less limited by contractual parameters than the in-network realm, and it does represent a smaller volume of claims. Therefore, employer groups should see this as an opportunity to focus on new technologies and methodologies that, once proven in the out-of-network world, will grow to influence the in-network arena, ultimately improving healthcare's efficiency. And that *will* have a material impact on the bottom line.

**About NCN**—NCN is the national leader in cost management for out-of-network claims. We use cost-based data and transparent reporting to maximize savings on healthcare claims. At NCN we claim a better way for payers, providers and patients.

<sup>1</sup> Associated Press, "Senator Tackles Out-of-Network Insurance Issue," *USA TODAY*, March 28, 2009.



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