

NCN in 2009

A Hard Look at Healthcare

MAY 2009

2009

What Constitutes a Fair and Reasonable Reimbursement?

JANUARY

All over the map

It is no secret that healthcare suffers greatly from erratic pricing. Consumers will find that, even among providers within the same city, substantial differences may exist in pricing for the exact same procedure. The price fluctuation becomes even wider once different cities and regions become part of the comparison.

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No other industry in American culture sees such inconsistency in its pricing structure as healthcare does, and the end result is that consumers and employers pay more than twice as much for quality healthcare than any other industrialized nation in the world. With such great variances in healthcare costs to consumers, how can any one party determine what is a fair price to pay for a specific procedure?

An unsustainable model

Through the development of complicated HMO, PPO and wrap networks, carriers have attempted to normalize the cost of treatment for employee groups and the lives they insure. Over the past two decades, however, these networks have saturated the industry so much that some carriers have attempted to set their own standards for what they will reimburse providers, trying to bring the cost of care down while maximizing their own competitive advantage. The result has been a disastrous and expensive litany of lawsuits and angry providers who claim that bad data and old reimbursement tables have left them underpaid and taken advantage of by carriers. Andrew Cuomo, New York's attorney general, sees this as an "industry-wide scheme perpetuated by some of the nation's largest health insurance companies to defraud consumers."¹ Clearly, the carrier-sided model for setting reimbursement values has proven itself both biased and unsustainable.

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¹ Abelson, Reed, "Inquiry Set on Health Care Billing," February 14, 2008, Nytimes.com, http://www.nytimes.com/2008/02/14/business/14health.html?_r=2&ex=1360731600&en=e29dcf08468b3ab3&ei=5088&partner=rssnyt&emc=rss&oref=slogin



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An unbiased benchmark

The healthcare industry needs an unbiased method for establishing the price of care, without undermining a provider's ability to seek more profit for providing better service, for realizing efficiencies in their own operations or for developing specialty services for which patients are willing to pay more. Such a model would allow the consumers of healthcare to be engaged in the cost of care before services are rendered, giving them access to the same type of pricing information that consumers in other industries use to make informed decisions among competing brands. Certainly, the adoption of a consistent benchmark would foster competition among providers, which can only encourage facilities toward greater efficiencies and better transparency.

A solution in true cost

The basis of fair and reasonable reimbursement must begin with a provider's true cost. Using cost-based data as a starting point brings into balance the variances of regionality, specialty care and severity. Allowing a margin above the benchmark cost assures fairness to all providers without over-charging the payer; ultimately, the patient benefits, too, as the consumer of the care.



A fix that makes sense

Without a doubt, fair reimbursements remain one of healthcare's biggest challenges. Mr. Cuomo sums up the dilemma by saying, "There is no disclosure; there's no transparency; there's no accountability."¹ Not quite as apparent, the search continues to reach a fair and reasonable solution for all payers, providers and patients involved. Proposed solutions that seek only to calibrate charges and delineate who pays those charges overlook the genesis of the obstacle—cost. Charge-based methods clearly produce winners and losers. However, cost-based methodology, like that of NCN, is fair and reasonable to everyone.

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.



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