

NCN in 2009

A Hard Look at Healthcare

JULY 2009

2009

Medicare: The Wrong Prescription for Appropriate Reimbursement

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

JULY

AUGUST

Our national dialogue is focused on the cost of healthcare more than ever before. As a result, all parties in the healthcare debate are finally scrutinizing ways to eliminate long-term disparities, particularly between actual treatment costs and the prices charged for care. In a system where the average markup on in-network claims alone can be several times the original cost of services, out-of-network claims often hit insured consumers the hardest. Unfortunately, one of the growing trends is to base negotiated out-of-network claims on Medicare reimbursement rates, which creates a flawed equation from inception.

The Wrong Start

Medicare reimbursement rates were designed as an allowable-based system, not one based on agreed-upon rates of cost, and using it as the model on which to calculate out-of-network charges ensures that pricing will continue to be erratic. Estimated cost data is used to determine rates. However, those amounts are neither required to “reimburse” at cost nor—at the very least—constrained to reside in a specified and acceptable near-cost zone. When combined with other governmental pressures and concerns, an inherent bias is inevitable.

Medicare rates are also not directly translatable to all schedules and services offered through other providers. Provider Explanations of Benefits rarely include any language referencing Medicare rates. Only the Medicare-using population and certain procedures specifically allowed under the Plan are taken into consideration when calculating rates. Even Medicare alternatives like “usual and customary” provider schedules fail to be an appropriate substitute as they rely on inconsistent, charge-based data.

continued on back >

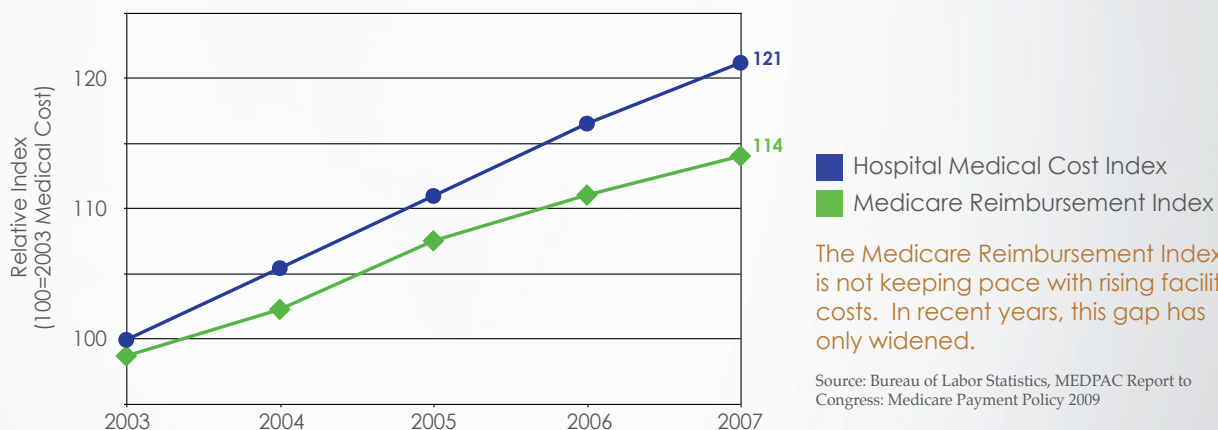
SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Medicare Reimbursement on an Unsustainable Path



Claim a Better Way™

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

The Regulators' View

The issues caused by discrepancies like these, as well as an obvious lack of transparency, have led to increasing litigation and government investigation over the past few years. Provider groups have filed class-action suits in New York, New Jersey, Connecticut and California, and ongoing investigations by the U.S. Senate Committee on Commerce and New York State Attorney General Andrew Cuomo have recently announced findings that tools and data being used to calculate out-of-network charges have been deliberately skewed, resulting in billions of unnecessary charges to consumers.

Senator John Rockefeller, who has been leading the Senate investigation into these practices, stated that he believed the subjective data used in these instances “deliberately” enabled a lack of transparency or “understandable language,” allowing the process to go unchallenged by consumers.¹ The need for greater transparency in healthcare is obvious. Medicare reimbursement rates, although government-administered, do not reflect the third-party objectivity or cost-based figures necessary for an effective solution.

The Right Answer

This negative and suspicious climate only underscores the need for moving to an objective model for rational and appropriate reimbursement, and “cost is where the middle ground is.”² A cost-based model provides inherent transparency, objective figures and a consistent standard from which to calculate.

Variations can be accounted for by allowing an agreed-upon margin above provider costs (such as for procedures performed at a teaching hospital vs. a rural hospital) and consumers will have the ability to make better-informed healthcare decisions for themselves and their families. Replacing a Medicare-based model with cost-based methodology is the best and most efficient way to ensure reimbursements are rational and appropriate for both service providers and consumers.



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.

¹ Associated Press, “Use of Faulty Insurance Data Pervasive,” June 24, 2009, <http://www.google.com/hostednews/ap/article/ALeqM5g4s2x4w7hv-cWoKaCbdWmE1sQecAD991BJ000>

² Blum, Mark “Concern grows that healthcare reform won’t cut costs,” July 13, 2009, Los Angeles Times, <http://www.latimes.com/news/nationworld/nation/la-na-healthcare-costs13-2009jul13,0,5228047,full.story>



Contact us today at:
1-800-499-9708 x199 or e-mail kbattaglia@ncnelink.com
To view the series of articles, visit www.ncnelink.com.