



Success in North Carolina
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Volume 24
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THE SELF-INSURER™

America's Leading Alternative Risk Transfer Journal

**Welcome to
Chicago**

A nighttime photograph of the Chicago skyline, featuring several prominent skyscrapers illuminated with lights. The Chicago River is visible in the foreground, reflecting the city lights. The text "Welcome to Chicago" is overlaid in large, bold, yellow letters.

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Consumerism is good, Right?

By: Mary Orms, Sr. V.P., GM&A

Itried to be a good health care consumer recently. Here's my story...

My 14 year old daughter recently had a biopsy on a suspicious spot on a birthmark. The pathology report indicated Basal Cell Carcinoma. That was good news because Basal Cell is usually a non-malignant, slow growing cancer. The Dermatologist sent us to a Plastic Surgeon for removal because of the size and placement (forehead and scalp) of the birthmark. At the initial visit with the surgeon, it was determined that my daughter would be restricted from physical activity for 3 or more weeks after surgery and we were told to decide on a preferred date and call back for scheduling. We decided on a date and when I called the surgeon's office to schedule the surgery, I was presented with the following "good news"...

Not only could we schedule the surgery for the date that was our 1st choice but it was good because the surgeon would be operating at his preferred independent surgery center that day. The only problem was that the center was not in my provider network. This was followed by

more “good news”. The out-of-network surgery center would accept our in-network allowable as payment so our cost would be the same as it would be if the surgery was done at an in-network facility.

I am in the benefits business so I had to question how the cost could be the same if my coinsurance was 10% in-network and 40% out-of-network. My Plan was only going to pay 60% after a \$300 deductible. Even if the allowable amounts were the same for both in and out of network, my math shows a 30% difference in my out-of-pocket. Someone was going to have to either pay or write off some extra money if we chose the out of network facility. The scheduler assured me that the cost would end up being the same. I asked for something in writing from their office and the surgery center stating that I would not have to pay the 30% difference. She said that she could not give me anything in writing. I asked for a written estimate of my costs from both an in-network provider and the out-of-network center to compare my costs (trying to be a good consumer). She said that she could tell me what the surgeon’s estimated charges were but that I could not get an estimate from the surgery facilities until I scheduled the surgery because the providers would not know what codes to use until it was scheduled. I asked if she could just send the codes over to the surgery centers for comparison purposes and I was told that could not be done. When I asked, “Why not?” I was told... “because that is just how the system works. The facilities do not get the codes until the surgery is scheduled”. I guess I could have pulled a few more teeth and spent some more time waiting by scheduling with both facilities and canceling the one that cost more. We chose to change our date and scheduled the surgery for 5 days later at an in-network facility.

Here are some questions that came to mind during this process:

1. Did the scheduler, who was giving out the “good news” understand how coinsurance works?
2. How many individuals understand that coinsurance is based on allowable amounts and not billed charges?

“The key that will unlock the door to success for “Consumer Driven Health Plans” is re-identifying the “Consumer” as the employer.”

3. How can we (consumers) be expected to compare price and service if we are not given access to either before a procedure is scheduled?
4. How many consumers would have accepted that the cost would be the same only to be surprised by a bill for the 30% balance after the surgery?

I concluded that consumerism, as it applies to all other markets, is not currently applicable to the business of health care at the patient level. In order for market forces to work, individuals would need to have leverage and knowledge. Individually we have neither.

The key that will unlock the door to success for “Consumer Driven Health Plans” is re-identifying the “Consumer” as the employer. Employers who have 500+ employees in healthcare markets that have two or more competing hospitals or hospital systems, can have both leverage and access to knowledge if they are willing to allow genuine competition to work.

There are Health Plan Managers who have had careers in the business of healthcare and will use their expertise to build custom provider networks for

employers with self-funded health plans. With their insider knowledge they are able to negotiate significantly lower, long term, fixed rates. Consistent monitoring of service reporting, billing and paying complete the total effectiveness of this model.

It has been proven in health care markets in several areas of the country that custom networks and continuous monitoring for accuracy in recording, billing and paying gives a health plan and its participants the power of leverage and knowledge. A wonderful side effect of total accountability is overall quality of service. If the provider who is responsible for patient service, medical records and billing, and the claims administrator who is responsible for paying the bill correctly, know their work is consistently reviewed, they tend to be more careful and attentive.

Employers and providers alike should see this as a way to preserve benefits. The last thing anyone wants, especially providers, is for employer sponsored health benefits to continue to erode away because of cost. Eventually, small employers and individuals will reap the benefits of large employers who initiate a positive change in the way we all purchase health care.

Consumerism is a good thing. Let’s open our eyes to the truth that health care is a business and a service commodity. Think about it...

All we have to lose is our current lack of control.

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