2019 Revenue Planning
with Out-of-Network Opportunity

Understanding Third-Party Networks

Issues and Strategies for Managing Silent PPO's to Maximize Out-of-Network Reimbursements

Parts I and II of this Planning for 2019 Series reviewed how to build your out-of-network strategy and best practices to maximize reimbursements. Read on to learn more about third party networks, and how you can ensure the best return on your out-of-network practice.

Third Party Rental Networks and Silent PPO's

There is a cost containment tactic increasingly being utilized by payors to reduce out-of-network reimbursement: the third party rental network agreement, or so-called silent PPO (including continuous discount agreements).

Third party rental network agreements are agreements signed not with an individual payor but with a third party that contracts with a number of payors. They serve as middlemen of sorts.

INDIVIDUAL + THIRD PARTY + PAYORS

They bring together payors and providers to participate in contracts that are often not favorable from a provider perspective. Moreover, they are frequently offered to other payors in networks that the provider is not aware of, creating so-called “Silent PPO’s.”

At Collect Rx, providers frequently ask us to review their proposed or existing contracts to evaluate entering into or canceling them. The most important thing to understand is who the customer is in these agreements. It is not the patient, nor the provider. It is the insurance company. The reason this is important is they are not there to serve you but rather the insurance companies for cost containment purposes.

If they are helping the insurance companies save money, somebody must be losing money and that loss is being borne by the providers. The agreements seem easy and attractive because they are so seamless to implement but they have significant pitfalls to consider. ***Read on to understand the issues with these agreements, and best practices for managing risk.***

Much like the payor portals, third party rental networks or Silent PPO's seem an easy solution to managing out-of-network claims.

They allow you to contract with a number of different payors and more easily manage that complexity. However, most providers do not realize that the terms are almost always extremely detrimental from their perspective. Below are the top issues to beware of and tips on how to manage them.

01

Issue #1 Adequate Rates

The most important point to consider is the contracted reimbursement level compared to out-of-network.

Out-of-network reimbursements industry-wide are generally higher (and sometimes much higher) than contracted reimbursement, so evaluate how the reimbursement levels compare.

02

Issue #2 Stealthy Agreements

Many providers are not aware that they have entered into these agreements. Frequently the first time a provider realizes that they have had a variety of contracts in place for years is when Collect Rx does a review.

Because of the complexity and difficulty in reading EOB's, many providers do not rigorously check their statements and do not even know that at some point, they entered into the agreements, oftentimes years ago.

What is a third party rental network or Silent PPO?

An insurance company tactic to lower reimbursements by accessing the discounted rates of another insurer, typically without the provider's knowledge.

Issue #3 Payor Requirement

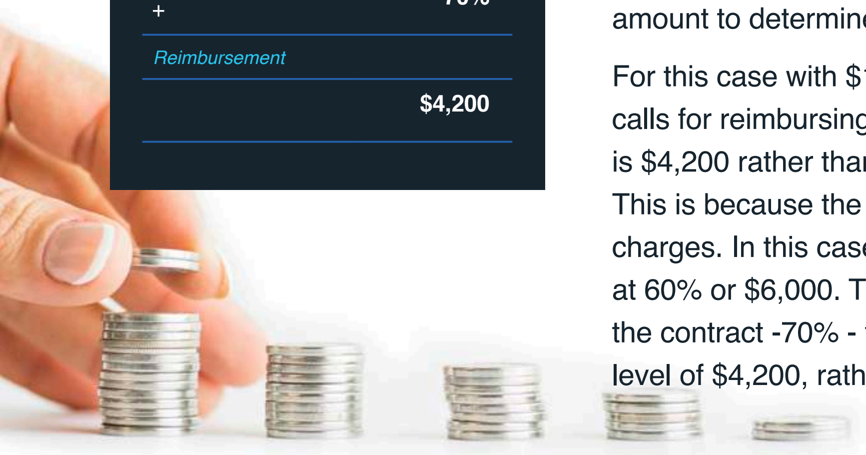
Payors have multiple agreements in place and they choose the one with the best rate. There may be claims, such as limited benefit policy claims, that they don't want to use the agreement to price. In other words, if the reimbursement level would be lower than the contracted rate, they won't take the contract. If the reimbursement level would be higher than the contracted rate, they will use the contract.

Issue #4 Patient Steerage

These agreements typically have no patient steerage. In the traditional managed care contracting, the "one provider, one payor" contracts, you are entering into what essentially acts as a volume discount agreement.

The provider is saying "I will accept patients at a discounted rate and in return you, the payor, will promote me to your customers." With third party rental network agreements, you have the discount without the volume of patients. There is no patient steerage.

BILLED CHARGES	
	$10,000
Allowed Charges - %	
+	**60%**
Allowed Charges - $	
+	**$6,000**
Discounted Rate Per Agreement	
+	**70%**
Reimbursement	
	$4,200



Issue #5 Rate Calculation

A point closely tied to the rate adequacy question is how the reimbursement levels are calculated, more specifically, are they based on a percentage of billed charges or allowed charges?

Sometimes providers do not realize that the reimbursement levels are being based as the percentage of allowed charges and not billed charges. This means that payors reduce the billed charges to arrive at the allowed amount, then apply the discount to that lowered amount to determine the payment level.

For this case with $10,000 in billed charges, and an agreement that calls for reimbursing at 70% of allowed charges, the reimbursement is $4,200 rather than the $7,000 that the provider would assume. This is because the discount is calculated based on the allowed charges. In this case, before the 70% is applied, the payor "allows it" at 60% or $6,000. The payor then applies the discounted rate from the contract -70% - to that $6,000, resulting in a reimbursement level of $4,200, rather than the $7,000 that the provider anticipated.

"...Oftentimes, the notice period in these agreements is 180 days, meaning that you must give at least six months' notice to terminate..."

Issue #6 Termination Provisions

Typically, these contracts are for one-year terms and are subject to what's called an evergreen clause, meaning that they automatically renew on a yearly basis unless terminated by the other party.

The catch is the notice period to terminate. Oftentimes, the notice period in these agreements is 180 days, meaning that you must give at least six months' notice to terminate. There is often another condition - the notice must be at least 180 days prior to the anniversary date of the contractual period, which can be tremendously onerous.

Issue #7 Applying In-Network Discounts with Out-of-Network Benefits

Are payors able to apply in-network discounts but use higher out-of-network deductibles and co-pays, applying in-network discounts with out-of-network benefit?

Most providers assume that since they've agreed to an in-network benefit that is what is being applied when they accepted the discount. This is we call it double dipping because the payor gets the advantage of the lower discounted rate within the higher out-of-network benefits.

Issue #8

Continuous Discount Agreements

These are related to the third party rental network. Sometimes on settlement proposals a check box is included that says “Check here if you want to accept these reimbursement levels going forward.” Oftentimes, providers are in these continuous discount agreements without their knowledge.

They have the same issues as the third party networks, with the exception of the cancellation clauses. Usually they can be terminated with 30 days’ notice, but it is critical if you terminate that you then follow up on your EOB’s to make sure that the change was implemented.

Conclusion

Think of these agreements as nothing more than fee caps. To illustrate, assume you are in an agreement and the reimbursement rate is 60%. If you have a case that would have been resolved above 60% but for the contract, the payor is going to apply the contract to get the lower rate.

If the case would resolve below the 60%, they will elect to not apply the contract. So, the reimbursement rate will never be above 60% when you have these contracts and sometimes will be below.

In conclusion, if you are in one of these agreements, you should be thinking of whether you should cancel it, and if you are considering entering into one, think hard before you do so. Generally, they hurt rather than help your payor reimbursement.
Collect Rx can help you evaluate your current reimbursement rates and determine the best strategy moving forward.

COLLECT RX

John Bartos, J.D.

Chief Executive Officer

John Bartos is a veteran in the field of healthcare and information technology. As President of DrFirst, Inc. and Executive Vice President of Prematics, Inc., Mr. Bartos has specialized in providing cost containment services to health insurers and various products and services to hospitals, health systems, and other healthcare providers. Previously, Mr. Bartos was an attorney at Kirkpatrick & Lockhart, LLP (now K&L Gates), where his practice focused on litigation.

Mr. Bartos' clients have included a wide range of for-profit and not-for-profit health insurers, including Blue Cross Blue Shield of Florida, Humana, Capital BlueCross, Kaiser Permanente of the Mid-Atlantic Region, CareFirst, and BlueCross BlueShield of Massachusetts. Mr. Bartos has also worked on behalf of numerous hospitals and health systems, including Henry Ford Health System and MedStar Health, along with hundreds of physician practices.

Mr. Bartos is a graduate of Princeton University and received his J.D. from the American University Washington College of Law, where he graduated Summa Cum Laude and was a member of Law Review.

Collect Rx is the leading provider of solutions that help providers maximize reimbursements on out-of-network bills, reduce patient billings, and eliminate the hassle of dealing with the insurance companies. Utilizing its proprietary CRXIS™ business intelligence engine and subject matter expertise, Collect Rx has delivered proven results for more than 1,300 providers across the nation.

As an innovator in data-driven professional services for healthcare providers' most complex billing issues, Collect Rx is the only company in the country that is laser focused on maximizing out-of-network collections, serving a variety of different provider groups including hospitals, surgery centers, labs, physician groups and behavioral health centers, among others.

For more information, please visit us at www.CollectRx.com

CollectRx™