

Administrative Fee Inflation: Causes and Consequences

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February 24, 2011



Pioneering Specialists in Group Health Care

Post-Payment Administration for Over 20 Years

- First with 100% claim audits
- Introduced the use of claim audits for recovery
- Originated linking of enrollment reconciliation with claim audits
- Started dependent audits 15 years ago
- Revolutionized data intake with payer-defined downloads – always successful
- Unblemished track record – no HIPAA violations or employee issues

Attendee Survey Responses

Self-funded Experience

Average = 14 years
20+TPAs Listed

Fee Levels

Average = \$38/ee/month

- <\$25 15%
- \$25-\$50 54%
- \$50+ 31%

Views		
Use of Automation		Change to Fees
86%	Increase	88%
14%	No Change	12%
0	Decrease	0

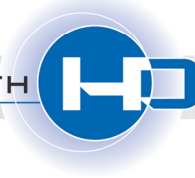
Administrative Fee Inflation: Cause #1 Automation

Two Fallacies

1. Automation improves accuracy.
2. Automation reduces staff.

Two Realities

1. Automation creates and hides new errors.
2. Automation shifts and expands staffing to address new errors.



Administrative Fee Inflation: Staffing Pre and Post Automation

Pre-Automation staffing done by adjudicators who reviewed each claim and worked in client teams.

Post-Automation claims processed quickly by computer and then reviewed by multiple, independent, redundant and duplicative staffs.

Payment Verification

COB Recovery

OPL Inquiries

Medicare Compliance

Subrogation Identification

Case Review

Stop-Loss Enforcement

Provider Billing Review

Plan Compliance

Enrollment Verification

But, there is no going back.

**Electronic claim submittal and processing is now
the norm.**

Administrative Fee Inflation: Automation Pros and Cons

Pro	Con
Speeds up claim payment processing.	Introduces new types of errors and complicates detection.
Supports service specialization.	Complicates accountability by eliminating client teams for all but the “jumbos”.
Makes data more accessible.	Obliterates transparency. Even payer staff don’t know how software works.

Administrative Fee Inflation: Cause #2 New Services

Service Fees from Actual Plan Contract

- Base Fee
- FSA
- COBRA
- HRA
- High Deductible
- 2nd Payer Waiver
- Utilization Review
- Case Management
- Network Access
- Disease Management
- Wellness
- Maternity Review
- 24 Hour Nurse Hotline
- Claims Fiduciary Fee

87% of Attendees reported new fees.

Administrative Fee Inflation: Cause #3 Other Fees

State Mandates

ERISA pre-emption

Discount “Savings” Withhold

Unsupportable

Contingency Fees

Confusing

Data Fees

Unnecessary

Administrative Fee Inflation: Cause #4 Hidden Fees

Provider Adjustment Fees

Claim payment amounts adjusted as part of separate settlements under provider contracts.

Observed at \$60,000/month for 1,000 employees.

Administrator Discretion Fees

Claim payment amounts caused by administrator policies not known to or endorsed by the plan.

Observed with provider billing reviews and non-covered benefits enforcement.

Administrative Fee Inflation: Impact of Medical Loss Ratio (MLR)

- **What is MLR?**
 - Health reform regulations that limit payer income to 15%-20% of claim payments.
 - Aligns payers with providers financially.
 - Makes staff specialization costs a BIG issue.
- **Does MLR apply to self-funded plans?**
 - If yes, what services will be cut?
 - If no, will self-funded plan fees go up?
 - Whether yes or no, will payers pay more claims to make more money?

Administrative Fee Inflation: Where Is Your Plan?

Attendee Survey

Change in Service Quality

- Improved: 36%
- Declined: 28%
- No Change: 36%

Negotiated Performance Agreements

- Yes: 31%
- No: 31%
- Use TPA: 38%

Administrative Fee Inflation: What Can You Do?

1. Document **All** fees currently being paid.
 - Base fees
 - Service fees
 - Other fees – reported separately if at all
 - Hidden fees – not reported but of growing importance
2. Include **All** fees as part of any RFP.

Administrative Fee Inflation: What Can You Do?

3. Do Not accept Payer contract without question.
4. Require Administrator Performance Contract (APC). Tie fees to results that are defined and verifiable.
5. Monitor independently and routinely.

For More Information
Contact

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We offer no-cost consultations
to answer questions and discuss options.