HEALTH DECISIONS, INC.

The Loss of Fiduciary Control:
How National Insurers are Re-shaping Self-funding

Presenter:

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About Health Decisions, Inc.

Pioneering Specialists in

Group Health Care

Post-Payment Administration

For Over 25 Years

Customer Philosophy

Respect for Existing Procedures

Emphasis on Customization

Focus on Solutions

Terminology Used

- National Insurers:
  - Blues, United, CIGNA, Aetna, etc.
- TPA:
  - Specialty service organizations
- Fiduciary:
  - Plan Sponsor or Trustee seeking to meet “Prudent Person” standard

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What's Happened in Self-funding

25 Years Ago	Today
TPA were innovative, entrepreneurial and market disrupters on a national scale.	TPA services are viewed as a commodity judged almost solely on price and seen as geographically limited.
National insurers were reacting and losing market share in the 100+ market.	National insurers are seen as offering better value based largely on the myth of provider "discounts" offsetting higher administrative fees.

How did this happen?

- National insurers simply outsold TPA.
- TPA adopted a “me too” approach to what they offer (especially regarding “discounts”) and stopped highlighting their differences.
- National consultants went along with National Insurer policies and other consultants/brokers followed.
- Fiduciaries for both employer and union plans accepted what others told them with few questioning the National Insurer logic of “higher fees but better discounts.”

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National Insurer Version of Self-funding

- National Insurers rarely use the term “self-funding.”
  - They refer to their arrangements as Administrative Contracts or Services. This appears to be a conscious decision.
- National Insurers pursue very similar policies.
  - Not collusion but common practices that make very good business sense for them.
- National Insurers may not be doing anything illegal.
  - But the collective effect of their actions tends to shift fiduciary control away from the Plan Sponsors.
- Employer and Union Plan Fiduciary interests suffer.
  - Place a distant second to provider interests.

National Insurer Policies

1. Block Fiduciary control of data.

2. Put limits and conditions on Fiduciary oversight.

3. Shield provider payment policies from Fiduciary review.

4. Alter plan liability after claim payment with little or no explanation to Fiduciary.

Block Fiduciary control of data.

- Common National Insurer Practice:
  - Flood Fiduciary with reports and internet access.
  - But block direct Fiduciary or Plan data control.

- Data Control is the “canary in the coal mine.”

- TPA do not block client data control demands.

Put limits and conditions on Fiduciary oversight.

- Common National Insurer Practice:
  - Only “allow” annual or bi-annual reviews of a limited number of claims.
  - Declare that these limits are binding on Fiduciary.
- Service limits are fine but using them to prevent additional Fiduciary review is crossing a line.
- TPA understand this distinction.

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Shield provider payment policies from Fiduciary review.

- Common National Insurer Practice:
  - Provider contracts are strictly off-limits.
  - Financial consequences of these contracts borne by Plan but the basis for provider payment is “proprietary”.

- Supports fiction of “discounts” which is used to justify higher administrative fees.

- TPA often in same position as Plan if they “lease” a network but they do expose what they know.

Alter plan liability after claim payment with little of no explanation to Fiduciary.

- Common National Insurer Practice:
  - Use of post-payment financial settlements (often quarterly) and separate from stop-loss reconciliations.
  - Adjustment fees "disclosed" but buried.
- Compounds hidden provider payment policies.
- Incentives from Medical Loss Ratio limits likely to make this worse.
- TPA (and even some National Insurers) do not do this.

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Regaining Fiduciary Control

National Insurer Policy	Fiduciary Response
Block Fiduciary control of data.	Tell Payer you want to house data behind a firewall you designate and that data will be the sole source for documenting claim payment liability.
Put limits and conditions on Fiduciary oversight.	Once you have data control, let the Payer know you plan other reviews; their involvement is welcomed but not required.
Shield provider payment policies from Fiduciary review.	Once you have data control, let the payer know you plan to do independent provider payment reviews using Medicare standards as a minimum.
Alter plan liability after claim payment with little of no explanation to Fiduciary.	Once you have data control, require that any change to claim payment liability be documented using the claims data you control.

Past Webinars Available

Recordings of past webinars are available upon request, including:

- January 2013 – Top 10 Do’s and Don'ts of Data Warehousing
- December 2012 – Union Trusts: Health Reforms Most Overlooked Winner?
- November 2012 -- Year-end Renewal and Bidding: Opportunities for Control and Savings
- October 2012 – The 5 Most Important Things an Effective Dependent Audit Should Include
- September 2012 - Old Question, New Twist: Is Self-funding Right for Your Group Health Plan?
- August 2012 - Are You Ready to Manage Your Health Plan Costs?
- June 2012 - Group Health Brokers’ Future: Disintermediation or Re-intermediation
- May 2012 – Five Levers of Management Control
- April 2012 – How the AMA Can Help You with Plan Oversight
- March 2012 – Health Data Control
- February 2012 – Health Reform: A Contrarian’s Perspective
- January 2012 – The Road to 100% Transparency
- December 2011 – 2012: What Does it Hold for Self-funded Health Plans?

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