

(MORE THAN 40 SHORT-TERM DISABILITY PRODUCTS)

BENEFITS SELLING™

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CORE. VOLUNTARY. RETIREMENT.



*Regulators are clamping down.
Carriers are scaling back.
And young brokers have just vanished.
Is it because of a changing landscape?*

*← Not according to broker Don Hansen,
who simply insists that*

**BROKERS
HAVE LOST
THEIR WAY.**

Health benefit audits: the right prescription

The interaction between an agent and a customer who is looking for affordable health care benefits too often focuses on the negative. With prices rising, the annual renewal exercise can become a matter of picking over the least-worst options to find something that will work. Cost containment typically results in skimpier coverage. Passing on the pocketbook pain to the work force saps morale and erodes employee retention.

With so much bad news on the agenda, the agent who can produce a silver lining will stand out from competitors, burnish his credentials as a savvy consultant, and more often than not, open the door to cross-selling opportunities. Teaming up with an auditing firm allows a business to reduce costly billing errors that drive up the price of health insurance and can be that silver lining.

THE PROBLEM

Millions of dollars are wasted each year due to erroneous health care claims that occur because of faulty technology systems, human error or misunderstood benefit rules. For example, auditors nationwide have found that 3 percent to 5 percent of pharmacy benefit claims are processed incorrectly. One auditing firm reports that 7.6 percent of plan expenditures can be saved based on an examination of billings across 12 review categories.

Errors are also prevalent in billings for medical procedures and hospitalization. *The Washington Post* quoted one medical billing reviewer as saying that she finds multiple errors in eight out of every 10 hospital bills reviewed. *Consumer Reports* magazine surveyed 11,000 people and found that 5 percent discovered major mistakes after examining their bills.

What kinds of errors are uncovered? Some samples:

- A person who appeared to have had six colonoscopies within one week, based on the procedure codes charged by multiple physicians. The reality: one colonoscopy and follow-up reviews by five consulting physi-

cians — a far less expensive medical event than the billings indicated.

- A 700 percent markup of dispensing fees for regular drugs, such as Motrin, because the pharmacy had been set up as a specialty-drug company.
- An improper technology system that resulted in co-payments being charged. For those claims, the plan overpaid an average of 50 percent on the prescriptions.

Medical Billing Advocates of America, an advocacy organization, has estimated that these kinds of mistakes may account for more than \$10 billion of the \$50 billion-plus experts believe is wasted annually on medical billing fraud and errors.

THE SOLUTION

A company might believe it has no stake in finding errors because the insurance company certainly can be counted on to catch overcharges. But carriers deal with such a large volume of claims that they may put more effort into bargaining for steep discounts than in finding errors. Since health-care premiums are linked to claim trends and loss records, it is critical for companies to keep payouts as low as possible. That means monitoring billings.

An audit that scans records to find anomalies and identify suspicious trends can be invaluable.

A pharmacy audit can check a long list of categories, including pricing, dispensing fees, claims basis, claims summary, drug cost, administrative fees, co-payments, exclusions, eligibility, prescriptions filled too soon, unsupported therapy and the maximum daily dose.

Similarly, medical audits can examine elements such as mechanical duplicates, clinical duplicates, assistant surgeon overpayment, multiple conditions, mutually exclusive codes, non-specific codes, paid-in-excess-of charges and prepaid leakage.

Several different scenarios demonstrate when auditing can be particularly helpful. For example, when carriers delay paying providers on a timely basis, there is the opportunity for multiple billings

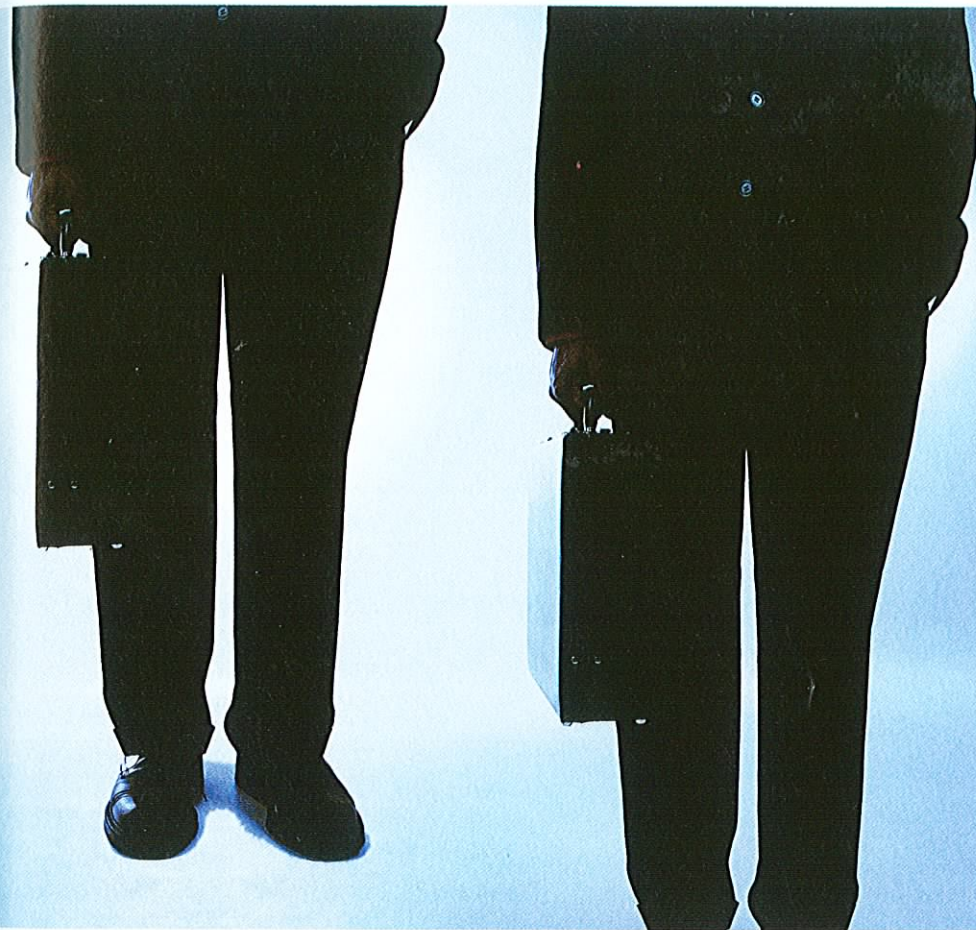


that may lead to expensive duplicate payments. When an individual doctor in a physicians' group sees patients, billing may be inadvertently submitted under both the doctor's ID code and the group code — also making duplicate payments more likely.

Another practice that increases the potential for incorrect billing is the growing trend for doctors to use specialized assistants to deliver care. While medically appropriate, the charges for physician assistants versus full-fledged doctors should not be the same.

Audits also can be used to catch service levels that have risen beyond the norm. While lab testing is justified for many conditions, there is the question of how frequently tests should be repeated. Com-

for an agent's tool kit



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panies want their employees to receive high-quality care, but reasonable limits that support cost containment goals are also important.

When a well-designed audit is used, an agent can help customers identify plausible issues, support a refund negotiation process and assist in preventing future mistakes.

THE AGENT OPPORTUNITY

Not merely a method of checking billings, audit programs also can provide a clear view of how well contract terms are being implemented.

When an agent recommends an audit tool to a customer or potential customer, the payoff comes in several ways:

- **Value-added service.** By offering an audit option, an agent demon-

strates his involvement in managing healthcare vendor relationships and helping customers meet requirements, such as the reviews mandated by Medicare Part D and ERISA plans.

- **Winning new customers.** By illustrating effective strategies to save costs, an agent can show potential customers that he is more capable than his competitors in keeping health care premiums at a manageable level.
- **Cross-selling opportunity.** When an audit reveals that vendors are lax about overseeing benefit restrictions and requirements, an agent can provide alternative services and products.

From eliminating fraud and waste to ensuring faster, more accurate claims processing, auditing is a tool that every agent should have in his or her portfolio.

Audits are not only a way for customers to save money, but also give agents an opportunity to shine and rise above a gloomy environment of rising costs and competitive pressures.

Samuel H. Fleet is president and CEO of AmWINS Group Benefits of Warwick, R.I., a leading wholesale broker of comprehensive group insurance programs and administrative services. Fleet can be reached at sfleet@nebenefit.com.