

Implementing Cost Controls Over Runaway Health Benefit Expenses

By Robert J. Frcek, CPA

Health care expenses are rising at an alarming rate. From 2000 until 2006, the inflation rate for medical care in the United States increased nearly 35%. And even worse, health insurance premiums rose 78% during the same period. At the same time, wages were up only 20%.

Most employers and benefit plan sponsors do an excellent job controlling their direct human labor wage expenses. But, controlling benefit costs, whether the benefit plan is self-funded, with the employer or plan sponsor bearing the health benefits cost, or insured, with the employer or plan sponsor paying insurance premiums, is far more complex.

Health benefits are a major operating expense for most companies and plan sponsors. Typically, third party administrators (TPAs) or administrative service only (ASO) firms process massive dollar amounts to pay your plan's health claims. Yet, very few employers and plan sponsors know how well their TPA or ASO is performing. Employers and plan sponsors very seldom have appropriate safeguards functioning to verify that their money is being handled properly in their best interests.

As a result, claims representing millions of dollars are overpaid every business day. This can be due to human error, plan complexity, incorrect benefit set-up on the system being used, or a variety of other reasons. Some of the more common mistakes are:

- Paying claims more than once by issuing duplicate payments or paying duplicate charges, due to making errors, such as entering incorrect coding, keying incorrect service dates or other data, paying charges under the incorrect patient's account (such as, member instead of spouse), and paying the incorrect provider
- Not taking PPO discounts, applying

incorrect PPO discounts or allowances, paying incorrect PPO per diems, or entering incorrect repriced amounts

- Paying charges for non-covered services
- Paying charges that should have been denied due to workers' compensation
- Incorrectly paying non-PPO benefits because the PPO tapes had not been loaded timely by the data processing area
- Not taking the pre-certification penalty
- Not coordinating benefits or incorrectly coordinating benefits with the primary carrier
- Incorrectly taking a percentage discount instead of paying the per diem rate, using incorrect per diem rates, or not applying per diem stop loss benefits
- Paying claims for individuals who are not eligible for coverage by incorrectly overriding eligibility
- Releasing payment for surgery charges before case management negotiated a discount
- Paying for unbundled surgery charges
- Setting benefits up incorrectly on the system, for items such as coinsurance percentages, benefit maximums, deductibles, and mental nervous, substance abuse, and chiropractic limits

So, what should employers and plan sponsors do about this enormous waste of their money? How can they minimize health care costs by avoiding unnecessary claims overpayments? The best way is by performing a claims audit to identify claims payment errors so that discrepancies may be resolved.

Employers and plan sponsors audit their health claims payment process to control costs. They have not only a right, but a fiduciary obligation, to make sure their health benefit programs are being managed properly, and to make sure they are controlling their costs and recording their plan benefit liabilities properly.

In addition, regulatory requirements,

including the Sarbanes-Oxley Act, places increased responsibility on public companies to assess internal controls and the associated risks. This includes internal controls over their health benefits, which typically are out of their control, since in most cases the TPA or ASO is responsible for designing, implementing, and monitoring the controls over the employer's money.

As a result, complying with today's regulatory requirements can overwhelm employers. By hiring a firm with qualified, seasoned professionals in health care auditing and consulting to review their TPAs or ASO's internal controls over benefit plan payments, employers can obtain documentation for the controls in place. This helps employers negotiate improved controls and better contracts, to minimize future payment errors.

Good business practice dictates that regular claims audits should be required by every employer and plan sponsor. To minimize health care costs, money must not be spent on unnecessary claims overpayments. A professional claims audit firm finds payment errors, so plans can recover the overpayments.

In choosing a claims audit firm, look for one with the experience, expertise, and resources needed to conduct a thorough review of health claims benefit plan payments, procedures, and controls. It takes experience to understand the complexity and intricacies of benefit plans. Knowing what to look for helps maximize savings. Hiring a firm with a proven track record will usually achieve a positive return on investment.

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