

KZA Articles Guest Column

Games Payors Play: When a Floor is a Ceiling

By [David D. Marcus, MBA, PhD](#)

David Marcus MBA, PhD is a Nashville-based consultant on physician reimbursement and the founder of Physician Payment Resources, LLC. Prior to his consulting career, Dr. Marcus served for 10 years as Director of Health Care Financing at the Texas Medical Association where he developed payment advocacy programs that gained national recognition for their strong representation of TMA's members in their efforts to achieve fair and prompt reimbursement. He can be reached at 615.665.9738, and his firm's website can be visited at members.home.net/paymentresources.



The cover letter looks tempting, but this is an offer you should refuse.

In an unsolicited mailing to physicians, a Florida-based "Managed Care Network" promises "A competitive Fee-for-Service reimbursement (**75% Of Your Billed Charges**)" with "No complicated administrative procedures, fee structures or withholds." The accompanying list of clients affiliated with the network includes some of the largest managed care plans, insurance companies and self-insured employer groups in the country who are the actual payors under this contract.

But then you read the contract: "*Physician agrees to be compensated by Payor and Covered Person on a discount fee-for-service basis in accordance with Covered Person's Health Care Plan Benefits for Physician Services provided to Covered Person.*" In other words, you get whatever the health plan pays plus whatever the health plan specifies as the patient copay.

Hey, where did that **75% of Your Billed Charges** go? "Physician agrees to accept as compensation in full. . . amounts not to exceed those amounts specified in the compensation schedule set forth in Attachment A." In other words, you can't get more than **75% of Your Billed Charges**, but you will get amounts under that, most likely way under that.

And did I mention that there's a \$125 physician credentialing fee?

A "Reseller" in Disguise and Other Crafty Strategies

This contract illustrates a common problem with "networks" or "systems" whose actual business is reselling to managed care plans, health insurers, PPOs and self-insured groups the physician's open-ended commitment to accepting any fee the payor wants to pay. The practice that signs up thinks the fee schedule provides a floor for payment when in reality the fee schedule is a theoretical ceiling far-distant from the basement that best characterizes the fees that in practice are actually paid.

Other contracts take more subtle approaches. A network whose contract I recently reviewed arrived with two fee schedules, one for the year 2000 and an updated one for 2001. The fee schedule amounts for both years were at roughly 110% of Medicare, but at the bottom of the year 2000 schedule there was an interesting notice in small print: "A minimum ten percent (10%) discount is taken regardless of allowable amount."

I felt the floor opening under me. A sampling of the actual fees paid by this Network to the practice showed that taking into account both the patient and payor payments, the Network was actually taking discounts that ranged from 20%-28%, bringing fees substantially below Medicare.

How to Avoid These Contracting Snafus

Practices can avoid these contracts with some simple precautions:

1. Get knowledgeable advice. When looking at new contracts, review the payment-related provisions yourself or get a consultant with payment expertise to do it for you. While attorney review of contracts is helpful, very few attorneys even among those who specialize in health law are knowledgeable about physician payment.

2. Actively manage your contracts. Many contracts self-renew unless the practice takes some initiative. Every year, keep reviewing your contracts and look particularly at whether the contract has paid as expected. Practices that get lazy about culling the unprofitable contracts are paving the way for their own economic decline.

3. Cut your losses quickly. As soon as you see outrageously low payments coming from one of these networks or systems, send out the letter canceling your contract. If your billing staff gets on the phone to the network or system, they will simply be told that the PPO or health plan that actually insures the patient is the place to call. Don't waste your resources on running after the actual payors. Get out with as little damage as possible as quickly as possible.

If your practice is having problems with unscrupulous payers, KZA has the resources to help. Give us a call at 312-642-5616, or email karenzupko@aol.com.

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