NiiS 25th Annual Medical Excess Claims Conference

Line in the Net: How a Market Approach to Cost Management Drives Higher Net Savings

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Speaker: Matt Davis, Green Light, Founder and CEO

We were pleased to have Matt Davis, Founder & CEO of Green Light present at the 25th Annual Northshore International Insurance Services, Inc. Medical Excess Claims Conference. Matt discussed the mission statement of Green Light: to develop a marketplace for stakeholders/payers to find healthcare cost containment vendors that essentially bid on payers' claims, using the fundamental approach of supply and demand, with an outcome that benefits all parties participating in the cost containment transaction.

Currently, cost containment vendors saturate the market, providing different versions of the same cost savings tools: negotiations, medical bill review and audit, which operates on a claim by claim basis. Claims drive the market. Some vendors are better than others; some vendors have better exposure/marketing strategies, but in all cases, how do stakeholders leverage their claims? A stakeholder must use their claim volume to leverage the savings to be acquired. There is money to be saved and made when claims are used as a bargaining tool with the cost containment vendor. So what's behind this?

Claim costs drive the need for cost containment vendors – billed charges are often excessive and some providers' fees need to be scrutinized. Cost management fees can also be exorbitant. One option to combat this abuse is to leverage technology and use a market based approach to find the best discounts with the lowest fees based on historical savings performance by vendors so that stakeholders can better forecast cost outcomes.

Traditional cost management relies on the limited resources available through contracted partners to negotiate a settlement. This is considered a single vendor approach. There's no transparency and the stakeholder doesn't have access to historical discount data. More resources provide an opportunity for greater savings. Using a hierarchical approach, the payer can choose from multiple vendor options.

Traditionally, vendors will review all claims submitted to them, but good vendors use a data approach; analyzing sets of data to determine historical discount percentages. Vendors need to use a secondary repricing method that is not solely based on billed charges. Vendors need to use a data approach, to benchmark claims that help to secure greater discounts that providers are willing to agree to.

In economics, the market allows buyers and sellers to facilitate an exchange and the price for the goods or services is determined by the forces of supply and demand. The marketplace can also dictate the costs for vendors' fees by the same laws of supply and demand. When vendor competition is introduced, payers can achieve maximum savings.

So what are the goals of the cost management industry, a relationship driven business?

Payers want to maximize net savings; identify partners who can deliver the best value; and reduce costs. Vendors want to increase claim volume so revenue increases; build relationships that will help to procure future discounts; and elevate themselves as valuable partners in the industry.

But there are problems to overcome. The industry is saturated with cost management vendors.

No one vendor has the best discount on every claim, but those with good relationships have greater success with discounts. Matt provided an example of 2 discounts for the same billed charges, to highlight vendor performance based on a data approach vs. a historical approach.

Technology can be a barrier to finding the best cost management vendor. What prevents payers from attaining the best discounts?

Difficulties working with 20+ vendors, as it is time and technology consuming; often, quality vendors do not have marketing resources to reach needy payers and are overlooked for nationally recognized vendors.

By creating a single marketplace technology, limitations are removed and the industry workflow is streamlined into one channel to allow transactions by participants. Centralization of workflows gives rise to opportunities to engage with multiple vendors, and gives payers greater buying power. Additionally, small quality vendors can compete with those nationally recognized vendors.

Lack of transparency makes it difficult to identify where the best discounts can be realized. The same provider can have varying discounts with different vendors. Establishing a marketplace eliminates transparency by making more vendor options available. When the traditional cost management hierarchy is flattened, more vendors are available on the same playing field. That makes more competition with the vendors' fee structure.

Once vendors are selected, there's an additional savings opportunity, to commoditize the selected vendors which them must compete with one another. Claims opportunities become an access to incremental revenue, which would otherwise be lost.

To ensure accountability on the part of the vendor, and to prevent overbidding and underperforming, vendors must deliver on the agreed amounts or face a penalty by the market place, equal to the % difference they could not deliver. The marketplace can publish data tends for vendors who do not perform. All settlements agreed upon are always subject to approval by the payer, the plan and the Insured.

In review, the limits of competition for claim opportunities are removed when insurers market their claims to multiple vendors. As claims increase and the size of a claim increases, demand also increases. In turn, vendors want to compete for these desirable claims. Payers want to benefit from larger claims by realizing smaller fees for discounts, and this is achieved in the marketplace.

Matt ended the session with an example of the market driven approach and asked for audience participation.

Matt then answered questions following his presentation.

Q1: How does Green Light get paid?
A1: By a transaction fee (based on the vendors' fee for savings discount) per individual claim.

Q2: Does the marketplace approach work for In-Network claims?
A2: Yes, although out of network claims were the original source of cost management discounts. Green Light has 12 vendors in the marketplace, which favors small and mid-market vendors. Of these, 5 or 6 are skilled in negotiations with in-net providers.

Q3: Is there a fee for PPO based claims?
A3: No.

Q4: Does Green Light have a dialysis based vendor?
A4: Green Light is seeking to include specialty vendors, but has to balance the number of vendors with the claim volume/payers. As volume increases, the number of vendors will also increase over time.

Q5: What is the average turnaround time?
A5: Claims must be returned within 5 business days. The claim is in the marketplace for 24 hours, giving the vendor who wins the claim about 3-4 days.

Q6: Are vendors identified in the marketplace?

A6: Yes, at the point of implementation, payers can identify the vendors. And payers can filter out any vendor and control who can bid on the claim.

Q7: What's the success rate with TPAs?
A7: Most TPAs are resistant to use the marketplace, mostly because cost management is one of their own revenue sources. TPAs have claim payment processes in place that are automated, and having to stop this process so the payer can have a claim sent to the marketplace disrupts their automation. However, Green Light does get claims from TPAs.