NiiS 25th Annual Medical Excess Claims Conference

Changes in Hospital Reimbursement Strategies & Practices

May 7, 2014

Speaker: Jack London D.D. President/CEO

We were pleased to have Jack London D.D. President/CEO and founder of London Medical Management, Inc., PatientPal.org and Patient PAL Urgent Care/Family Practice, present at NiiS' 25th Annual Medical Excess Claims Conference. Jack frequently speaks at Healthcare Industry Seminars and has authored many articles on medical management, Wellness initiatives and Patient Advocacy.

The first issue discussed was how hospital reimbursement practices must change. The cost of healthcare in this nation is astronomical because prices charged by providers, health systems, manufactures, and suppliers are mysterious. Their prices are excessive which hinders market competition for both patients and providers from making fully informed decisions regarding healthcare.

The first cost effective strategy is Negotiation. Patients have little to no idea how much each procedure or hospital stay actually costs, prices usually reflect only one aspect of care. Physicians are not always aware of the the costs of supplies which dramatically increase the cost of the procedure. This lack of transparency adds approximately $36 billion in cost each year.

Data for the fiscal year 2011, showed that DRG pricing represents almost 7 million discharges AND 60% OF Medicare IPPS discharges. What happens with this type of pricing? Invisible charges, overpricing, double billing and overbilling the uninsured. An example of how charges billed but reimbursed by DRG payments can vary was for DRG 469,-Major Joint Replacement. The lowest hospital in Akron, Ohio was $20,098 and in Upland Pennsylvania $321,918.00.

Excessive billing being addressed with direct negotiations and contracting. Some hospitals have aggressive direct contracting with self-funded employer groups. One example is Christi Hospital System of Kansas /Oklahoma. Their organization represents hospitals, health services, physician clinics, immediate care and senior villages. The biggest growing division in healthcare is elderly care.

Another example is Mercy Healthcare. They have 550 physicians' employed, aggressive contracts for self-funded employers, additional direct contracts for specialized care services, comprehensive back surgery and comprehensive knee and joint surgery.

The most aggressive center in America is the Surgery Center of Oklahoma. Fees for the surgeon, anesthesiologist and facility are all included in one low price. There are no

hidden costs, charges or surprises. An example of a cost from the Surgery Center of Oklahoma is bilateral hernia surgery for $4,325.00.

Hospital are taking control of their future, changing healthcare, which means cost savings for clients. Rather than depending on PPO networks, they are capturing groups of clinicians and merging them into their systems and aggressive direct contracting.

Patients need to look for a choice. Self-funded employers need to look for most cost effective quality treatment.

Questions from the audience:

Q: Is there follow-up care on domestic tourism?

A: Yes, for doctors outside the U.S. Foreign facilities focus on facility amenities not on the quality of the doctor.

Q: How can this information be relayed to the public, employers and employees?

A: It is a challenge, but it takes lots of communication.

Q: What is the success rates for smaller employer groups?

A: Hospitals prefer direct contracts with employers rather than working with the carriers.

Q: How does this work with the broker community:

A: It is frustrating to work with brokers as their loyalty is sometimes suspect because of large commissions.