

# UNWRAPPING YOUR WRAPS



**THE  
PHIA  
GROUP**

EMPOWERING PLANS

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[www.phiagroup.com](http://www.phiagroup.com)

[PGCReferral@phiagroup.com](mailto:PGCReferral@phiagroup.com)

## Presented By:

**Adam V. Russo, Esq.**  
CEO

**Ron E. Peck, Esq.**  
Senior VP and General Counsel

**Jon A. Jablon, Esq.**  
Director, Provider Relations

**Kelly E. Dempsey, Esq.**  
Legal Counsel



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**Contact PGCReferral for all your consulting needs!**

### Specialties:

- Plan drafting, review, analysis, custom amendments
- ACA compliance questions
- Network, provider, stop-loss, client dispute resolution
- ...and so much more

### Features:

- Simple submission process
- Same-day quotes in most cases
- Average turnaround of 8 business days
- Flat, transparent fees
- No surprises



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### PGCReferral: July's Most FAQ

#### Mental Health Parity and Residential Treatment Coverage Requirements

Q: Does ACA or MHPAEA require coverage of residential treatment facilities for substance abuse?

Q: Are there mental health parity concerns in negotiating mental health and substance abuse claims?

#### HIPAA Concerns: Employer vs. Plan Sponsor vs. Plan Administrator Role

Q: Prescription drug costs are astronomical. Can PBM data be reviewed for drug misuse?

#### Preventive Care Requirements and Generic Drugs

Q: Can the Plan limit preventive care drugs to generics only?



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Step 1. ~~Attend our webinar.~~

Step 2. Visit our LinkedIn or Twitter page.

Step 3. Post or tweet honest feedback about our webinar.

On LinkedIn, tag "@The Phia Group"

On Twitter, tag "@ThePhiaGroup"

Step 4. (Maybe) win **one free hour of consultative guidance!**

*Check out our LinkedIn for news, updates, and more...*



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## OVERVIEW

- Form 5500 Update
- What's Wrong with Networks?
- OON Claims: What Are the Options?
- Wrap Networks
- Network "Modifiers"
- Phia Unwrapped
- Carve-Outs
- General Best Practices



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## FORM 5500 UPDATE

- July 21: Proposed rules published
- August 24 (**TOMORROW!**) at 12pm EST: EBSA webinar
- October 4: Comments due



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## WHAT'S WRONG WITH NETWORKS?

- Arbitrary and inflated billed charges
- Unequal bargaining power
- “Insurance Company” mentality
- Network loyalty to providers, not to plans



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## OPTION CLAIMS: WHAT ARE THE OPTIONS?

- Wrap Networks
- Phia Unwrapped
- Carve-outs (i.e. dialysis)



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## WRAP NETWORKS

- Wrap Networks
  - Meager discounts off arbitrary charges
  - Limited or no audit rights
  - No balance-billing



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## WRAP NETWORKS

“Client shall adjudicate contracted Claims according to the terms of its Benefit Plan Document.”

*But that's not the whole story...*



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## WRAP NETWORKS

“Client shall not use any other savings or cost-containment arrangement that otherwise might be available to Client, including but not limited to, Client’s own usual, and/or reasonable, and customary criteria.”

“Payor may not apply any bundling, clinical editing logic or “reasonable and customary” limitations to Participating Provider claims.”



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## WRAP NETWORKS

- Talk about mutually exclusive...
- Plan forfeits its right to use “savings or cost-containment”
- SPD becomes no more than just a list of services



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## WRAP NETWORKS

“Company may not apply any bundling, clinical editing logic or “reasonable and customary” logic to claims from Participating Providers.”

“A ‘Clean Claim’ means a UB92 or UB04 or HCFA or any other form containing information sufficient to pay a Claim.”



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## WRAP NETWORKS

“A ‘Clean Claim’ means a UB92 or UB04 or HCFA or other form containing information sufficient to identify the claimant, provider and services rendered. A ‘Clean Claim’ does not include itemized bills, invoices or cost data.”

“Company must pay claim within 30 days of receipt of Clean Claim but in no event may Company pay any claim more than 45 days from its submission to Company.



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## WRAP NETWORKS

- Clean claim: essentially, *any* claim submitted by a provider
- 30 days to pay a Clean Claim – but 45 days to pay *all* claims
  - After 44 days, it doesn't matter whether a claim is Clean!



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## WRAP NETWORKS

““Covered Services”” means health care benefits and services which a Member is eligible to receive under the terms of the Benefit Plan...”

“...Client shall, when accessing such Networks, compensate Network Providers in accordance with Network Provider Agreements and using *only* Contract Rates.”



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## WRAP NETWORKS

- SPD governs Covered services...and yet...
- Plans never see the Network Provider Agreements
- No different than primary networks



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## WRAP NETWORKS

“Client will eliminate all current ‘wrap’ and/or out-of-area relationships and will utilize [this program] exclusively.”

Fees ranging from 20% to 35% of “savings”



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## WRAP NETWORKS

- Exorbitant fees and unknown discounts – wrap provider discounts as low as 2%
- Exclusivity: their way or the highway
- For an arrangement that's designed to help the plan save money...yikes.



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## NETWORK "MODIFIERS"

- **RBP** can yield great savings – but *it's not easy*
  - Replacing a primary network often isn't viable
- **Narrow networks** make the network "smaller"
  - Better discounts, better value
- **Wrap networks** make the network "larger"
- **Individual claim negotiations** are not efficient for *all* claims



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## PHIA UNWRAPPED

- Reduces cost to the plan (and therefore to the member)
- Virtually eliminates medical trend increases
- Provides reasonable reimbursement to providers for services rendered to members
- Utilizes accepted and understood rates as benchmarks



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## PHIA UNWRAPPED

- Keep the primary network – but ditch the wraps
- Built on the same chassis as a successful RBP program
- Reap the benefits of RBP without losing the primary network
- Unique balance-billing approach using accord & satisfaction
- Claims flow looks and feels like a PPO
- Provider sign-off on large claims



PHIA UNWRAPPED

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## PHIA UNWRAPPED: EXAMPLE

Example:

### Cochlear implant in Flint, MI

- Billed charges of \$184,000
- Wrap discount of 15% (\$156,400 payable)
- Phia Unwrapped yields 56% savings (\$63,735.30 payable)
- Savings of \$92,000.00 above and beyond the wrap!



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## PHIA UNWRAPPED: EXAMPLE

Example:

### Knee replacement in Manhattan, KS

- Billed charges of \$106,800
- Wrap discount of 40% (\$64,080.00 payable)
- Phia Unwrapped yields 77% savings (\$23,920 payable)
- Savings of \$40,000 above and beyond the wrap!



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## PHIA UNWRAPPED: EXAMPLE

Example:

### Air ambulance in San Antonio, TX

- Billed charges of \$55,895
- Wrap discount of 5% (\$53,100.25 payable)
- Phia Unwrapped yields 73% savings (\$15,002.37 payable)
- Savings of \$38,000 above and beyond the wrap!



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## PHIA UNWRAPPED: EXAMPLE

Example:

### Emergency physician in Fresno, CA

- Billed charges of \$7,500
- Wrap discount of 12% (\$6,600 payable)
- Phia Unwrapped yields 92% savings (\$582.26 payable)
- Savings of \$6,000 above and beyond the wrap!



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## PHIA UNWRAPPED: EXAMPLE

Example:

ER admission (trauma) in Orlando, FL

- Billed charges of \$220,000
- Wrap discount of 20% (\$176,000 payable)
- Phia Unwrapped yields 60% savings (\$88,000 payable)
- Savings of \$88,000 above and beyond the wrap!



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## PHIA UNWRAPPED: EXAMPLE

Net Result: For those five claims...

- Total billed charges of \$574,195
- Wrap rate of \$456,180 payable
- Phia Unwrapped rate of \$127,504 payable
  - **77.8% savings off billed charges**
  - **72.1% savings above the wrap rate**

Phia Unwrapped: Fee is only *15% of savings*



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## CARVE-OUTS

- Cancer, hemophilia, specialty drugs...
- Most common is *dialysis*
- Hospitals typically charge over 800% of Medicare allowable rates; freestanding dialysis facilities can be double that, or more



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## CARVE-OUTS

- Concerns about discrimination
- Balance-billing?
  - Medicare limitation on providers that accept Medicare



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## GENERAL BEST PRACTICES

- Education is key!
- SPD language, EOB language, ID card language
- Repricer must be accurate and accountable
- “Ground-level” patient advocacy and escalation
- Back-end support: balance-billing & fiduciaries?



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## THANK YOU

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