

Medical Bill Review

Finding Savings Beyond Fee Schedules

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Medical costs now comprise approximately 60 percent of workers' compensation claims costs. Managed care is the primary way for reducing those costs, and a key component of any managed care program is an insurance carrier/third party administrator's (TPA's) medical bill review program.

Simply put, the goal of medical bill review is to maximize savings for employers by making sure they are paying only the appropriate medical fees of their injured workers. An effective, multi-faceted medical bill review program has earned its place as a linchpin in managed care strategies.

It's little wonder why. A quality bill review program can produce average savings of 50 percent or more on medical bills.

In this **PMA Executive Briefing**, I'll discuss the overall medical bill review program, complex bill review and how savings are gained. Network and out-of-network programs, the other primary components of a medical bill review program, will be the focus of an upcoming issue.

Before we start, it's important to note that medical bill review programs vary significantly among carriers/TPAs. Each has a different model for the many aspects of medical bill review, including fee schedule reviews, utilization reviews, PPO networks, automated vs. manual nurse/coder review, denials, duplicate handling, etc. Thus, savings achieved are highly dependent on the models used and strategies of the carrier/TPA.

Medical Bill Review by the Numbers

An effective program can **eliminate 10-15%** of bills *prior* to formal bill review.

Savings of 50% or more is possible with a quality medical bill review program.

15-20%* of billing codes aren't in fee schedules and need complex bill review.

* Can vary by state.

Realizing Savings Early

An effective managed care program needs to be fully integrated with claims services and this integration includes medical bill review. In fact, claims adjusters eliminate a significant number of provider bills *prior* to the “formal” bill review function. Typically, the bills intercepted by claims adjusters are unrelated to the claim (i.e., treatment for non-work-related injuries). About 10 to 15 percent of medical bills may be eliminated in this way.

When evaluating total bill review savings, it’s important to note that some carriers/TPAs include these rejected bills in their reported savings. Others do not, since the savings are not achieved through the “formal” bill review process. When evaluating reported savings achieved by different programs, make sure you’re comparing apples to apples.

Fee Schedule Reductions

The start of the bill review process is typically an automated comparison of each medical bill’s procedure codes and fees to the appropriate state fee schedules and rules.

Workers’ compensation is complex, with each state having different fee schedules (rates that workers’ compensation payers are obligated to pay for each procedure), as well as codes and rules that enable bills to be reduced further. Additionally, changes are continually being made by states to the hundreds of thousands of injury-specific codes, state-specific codes and procedure codes. Failure by a carrier/TPA to keep up to date on these changes and accurately apply fee schedules and rules diminish savings.

Adding even more complexity to this process is the fact that many rules are subject to interpretation and 15 to 20 percent* of billing codes are not included in fee schedules. Many of these bills need to be addressed in complex bill review, which is discussed below.

3 Keys to Maximize Bill Review Savings

1

Carrier/TPA has a highly refined system that constantly evaluates and quickly adapts to changes in state rules and regulations.

2

Carrier/TPA interprets rules and addresses the 15 to 20 percent* of billing codes without fee schedules.

3

Carrier/TPA uses nurse and medical coding specialists to gain savings through complex bill review.

A common myth about fee schedules and rules review is that the process is highly standardized and varies little among carriers/TPAs. **In fact, fee schedule and rules review is highly individualized among carriers/TPAs and has significant differences in its effectiveness (savings achieved).**

To realize maximum cost reductions with medical bill review, the carrier/TPA must have:

- Expertise in workers’ compensation
- A highly refined system that constantly evaluates and quickly adapts to changes in rules and regulations
- The ability to interpret rules and address the billing codes without fee schedules

Complex Bill Review Driven by Clinical Expertise

For some companies, the bill review process ends with these fee schedule reductions. But additional and significant savings are possible through a more sophisticated level of evaluation called complex bill review.

Complex bill review starts with rules and alerts established in the processes described above, so certain charges are flagged. Once intercepted,

** Can vary by state.*

the bills can be assigned to specialists who employ their clinical expertise for a more in-depth review of charges. The ability to gain savings through complex bill review is driven by these specialists — nurse and medical coding professionals — who have specific clinical expertise.

It is recommended that nurse specialists conduct a line item audit to examine the relatedness of treatment and whether it is appropriate. They examine questionable providers and procedures, as well as miscellaneous procedure codes, such as implants and durable medical equipment.

In many cases, any surgery bill over a certain dollar amount should be reviewed by a specialist who can determine if further reductions are necessary. For example, when technological advances reduce surgical time and expenses for a procedure, it may be years before the automated bill review system updates its fee schedule.

Complex bill review is not limited to costly surgeries. Even simple office visits can be coded incorrectly. Supplies involved in simple tasks such as wrapping a joint with an ace bandage may be mistakenly unbundled as separate costs. Complex bill review can identify and correct these mistakes.

The benefit of this layer of hands-on bill review also extends to a recommendation and/or consultative phase. Nurses and coding experts can look at

all aspects of bills and see the big picture. This allows them to detect problematic — and costly — issues, such as physical therapy regimes that extend beyond treatment guidelines, delivery of medical supplies that are no longer needed or rental charges for equipment that should no longer be used for a specific medical condition. The nurses can then intervene and recommend to the claims adjuster the need for utilization review, independent medical exam and other strategies.

Putting the Bill Review Pieces Together

Medical bill review is a highly intricate, step-by-step process requiring hands-on clinical expertise. Each step of the bill review phase has the potential to generate additional cost reductions and savings for employers. A carefully calibrated program designed by workers' compensation experts is key to reducing costs.

In the next *PMA Executive Briefing*, we will examine another part of the medical bill review, the role of workers' compensation provider networks.

PMA Companies series of *Executive Briefings* explores the strategies necessary to effectively manage medical costs of workers' compensation claims today. These include integrated occupational health and wellness, early intervention, case management, bill review, pharmacy management, narcotics utilization and physician dispensing.

About the Author

John Santulli, Executive Vice President, PMA Companies, leads PMA's customer-focused service functions all integrated under a single umbrella including Claims, Managed Care, and Risk Control Departments and third-party administrators PMA Management Corp. and PMA Management Corp. of New England. With over 30 years of workers' compensation expertise, Mr. Santulli has held leadership positions in the field as well as key operational departments such as underwriting, distribution management, claims and services across PMA. A graduate of Gettysburg College, he has a Chartered Property Casualty Underwriting (CPCU) designation.