

## Network and Out-of-Network Programs Offer Important Medical Savings

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In the last *PMA Executive Briefing*, I discussed the importance of *medical bill review* in a workers' compensation managed care program. A quality bill review program can save employers an average of 50 percent or more on their workers' compensation medical costs.

We looked at several components of a comprehensive medical bill review program, including front-end bill review, as well as fee-schedule and complex bill review. This month, we'll look at another key component, *network programs*.

During the bill review process, carriers/Third Party Administrators (TPAs) can reduce medical charges further by applying a "network discount." Carriers/TPAs contract with networks for access to the services of hospitals, physicians and other providers at discounted rates. Directing injured workers into these networks is an important path to savings.

In fact, network utilization by injured workers can generate 10 to 40 percent of the savings of a medical bill review program. The savings variation is primarily due to the impact of fee schedules which

vary significantly from state to state. Typically, in states where fee schedules are less aggressive and achieve fewer savings, network discounts are larger and realize the most savings on medical bills.

### Most Effective Network Models

For years, the typical model in workers' compensation was for carriers/TPAs to use *one large provider network*. In recent years, however, what's considered to be the most effective network model is changing. Many medical providers have chosen to focus on group health and "opt out" of

#### 3 Ways to Maximize Savings with Networks

- 1** Use a multiple network strategy, including secondary networks
- 2** Include Specialty Networks focused on particular aspects of care, e.g., physical therapy, diagnostics, medical equipment
- 3** Conduct a comprehensive "Out-of-Network" Program

workers' compensation networks. As a result, it is difficult to offer access to an adequate number of medical providers—particularly those with specialized expertise—utilizing one large network.

Some carriers/TPAs are developing more effective network models. For example, a mosaic strategy uses several networks to comprise their primary preferred network. Others use one or two large preferred networks with secondary networks under each. The most effective network models also include *specialty networks*, focusing on one or more aspects of care, such as physical therapy, diagnostics and durable medical equipment. Specialty networks can offer many benefits, including greater cost savings, stronger utilization controls, high-level of expertise, efficient referral and scheduling procedures, high-quality specialists and extensive network penetration.

### **Jurisdictional Alignment**

Jurisdictional differences must also be considered. Just as each state has different fee schedules, rules vary as to whether employers can “direct care,” that is, require injured workers to receive medical treatment from network providers.

Some states give employers the “right to direct care” forever, while others have no right to direct care at all. In between is a variety of approaches, such as the right to direct care for 90 days after an injury. This initial time frame is oftentimes the most critical time to ensure optimum claims outcomes, including appropriate treatment and return to work.

## **Out-of-Network Programs: Zeroing in on a Growing Trend**

Carriers/TPAs are facing a growing number of out-of-network bills. Instead of simply paying the fee schedule, an effective carrier/TPA conducts a proactive “out-of-network” program. These programs can employ several cost-savings strategies, including:

- Utilizing internal teams of negotiation/medical billing experts (PPO and dedicated internal staff) who negotiate with out-of-network providers for further discounts on medical bills, as well as vendors with negotiation expertise. The key is for carriers/TPAs to select the resource who will provide the best solution for each bill.
- Contracting directly with larger, frequently used out-of-network providers for discounted pricing agreements.
- Instituting a “watch list program” that identifies and avoids providers who repeatedly produce excessive costs and unnecessary treatments.

Similarly, states have varying rules about whether an employer must post “panels” in their workplace. Panels contain lists of a small number of carefully-selected physicians and other medical professionals and health care facilities to be used if a workplace injury occurs. Some states require the injured worker be treated by a panel physician for 90 days for medical benefits to be paid under workers’

compensation. Panels can serve as a strong tool in facilitating return to work, as the criteria for selecting panel providers includes expertise in occupational injuries and success in returning employees to work.

### **Specialization and Utilization Control**

Workers' compensation expertise is critical in provider networks. Providers should be credentialed to jurisdictional standards and understand how to treat and manage workplace injuries within an overall return-to-work strategy.

Provider performance should also be monitored through key indicators such as appropriateness of treatment durations, effectiveness in returning injured workers to work, treatment protocols, number of high-cost surgeries they perform and narcotic prescribing patterns. This helps ensure providers adhere to established guidelines and injured workers receive the most appropriate care.

### **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.

In a fully integrated managed care program, carriers/TPAs monitor providers and decide when intervention, including removal from the panel, is necessary.

### **Conclusion**

Network programs and the results they achieve vary significantly among carriers/TPAs. To produce strong results, a carrier/TPA needs to continually innovate and develop strategies to address emerging issues. Today, using multiple networks, including specialty networks, and conducting a robust out-of-network program are fundamental for driving savings.

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.