



GUARANTEED PROTECTION FROM MEDICAL OVERBILLING

How to indemnify your plan and employees from inflated claims



THE WAIT IS OVER

INTRODUCTION

As long as egregious medical overbilling continues it will be impossible to eliminate balance billing. A never-ending tug of war between payors and providers, along with network restrictions and reference-based pricing (RBP) strategies, place patients in the crosshairs of provider attempts to increase reimbursements for medical services.

However, there is finally a way to shield health plan sponsors and members from any financial liability associated with balance billing: A first-of-its-kind captive insurance solution for group health and workers' compensation plans. This captive transfers the risk exposure for excessive claims away from payors and members. By indemnifying group plans and members from risks involving high-cost claims, the captive establishing a legally defensible strategy to reprice individual medical bills and fully absorb that risk.

This novel approach differs from a single or group captive program, which insures risk on claims that haven't yet occurred. It is a major disruptor to medical overbilling, providing greater savings to group health and workers' compensation plans than a medical stop-loss or property and casualty captive.

More importantly, it provides peace of mind to payors and patients alike by protecting them from any financial liability from balance bills. It is the relief that the marketplace has been waiting for.

UNDERSTANDING THE LIMITATIONS OF CAPTIVE INSURANCE

Captives are a form of self-insurance that manage a wide range of specialized risk that the traditional commercial insurance market does not cover. They provide companies an additional layer of protection through a wholly owned subsidiary that the insured entity creates. There are many types of these vehicles:



A single-parent or pure captive that underwrites risk for just one owner



Group captives that underwrite the risks of a homogenous or heterogeneous group of unrelated businesses



Protected cell captives that separate their assets and liabilities from core corporate assets



While captives have long been used for workers' compensation insurance, much of their recent growth has been in the medical stop-loss market as a hedge against high-cost claims.

AM Best Captive Center estimates that there are now more than 7,000 captives worldwide, which represents a seven-fold increase since 1980. As many as 90% of Fortune 500 companies have formed captive subsidiaries.

While captives can be highly effective tools for managing risk, this additional layer of protection only goes so far when it comes to shielding payors and patients from egregious billing. Captives that pool covered lives in group health and workers' comp plans do not manage the risk of individual bills.

Captives are not set up to indemnify health plan members from balance billing when a large claim becomes problematic, and there is no agreement on a fair payment to the provider. Healthcare payors have skirted this issue by hiring attorneys to challenge overbilling in court, which is no guarantee that they – or their participants – will escape financial liability.

There have been attempts at indemnification against egregious billing practices in the form of a Contractor Liability Insurance Program known as CLIP to help payors absorb risk much like reinsurance. However, there are inherent limitations to this approach. For example, public companies are limited in the types of risk they can assume. CLIPs also charge high administrative fees for their services that make them cost and risk prohibitive.

Reference-based pricing (RBP), which may be used in tandem with a medical stop-loss captive, is another failed attempt at protecting payors and members from balance billing. While RBP plans may refer patients to an attorney for negotiating large bills, they cannot erase the responsibility of group health plan sponsors or participants to pay those charges, nor can they require providers to behave appropriately. Doctors and hospitals continue to send balance bills to collection agencies and harass patients for payment, even in the face of greater government oversight.

While the self-insurance market has embraced RBP, which has no network for facilities, one inherent

“In my opinion, it’s a game changer”

-John Capasso, President and CEO
of Captive Planning Associates LLC



limitation is the need to negotiate provider rates. For all of these reasons, WellRithms founder and CEO Merrit Quarum, M.D., brought to the market the company's innovative captive for assuming financial liability for individual claims.

"In my opinion, it's a game changer," says John Capasso, president and CEO of Captive Planning Associates LLC, of the WellRithms captive he helped establish.

"There are similar programs," he continues. "None of them, however, have a facility to guarantee the performance. WellRithms has more of a scientific approach that achieves deeper discounts by getting down into the weeds of each bill."

What's particularly significant about this arrangement, according to Capasso, is that it demonstrates "the financial strength to support the burden of risk associated with assuming certain medical and workers' compensation claims on a contractual basis."

THE INDEMNIFICATION ADVANTAGE

WellRithms is the only payment integrity company offering this unique protective captive insurance program called Shield Indemnification™. The program is backed by AMI Indemnity, a captive insurance company that is certified to absorb risk and shield patients from balance billing.

Featuring an incorporated captive cell for group health insurance and another for workers' compensation, AMI takes on the financial risk of high-dollar claims from any payor so that all parties are protected. Rather than insure risk on claims



that have not yet occurred, this captive specializes in indemnifying health plans and members. It sets in place a legally defensible strategy to reprice individual medical bills and fully absorb that risk.

With WellRithms contractually obligated to pay those claims, patients cannot be harassed or sent to collections, as the captive has assumed the bill.

Providing indemnification, not insurance, doesn't eliminate balance billing. However, it relieves payors and patients from financial liability and ensures that providers have been paid appropriately. Shield Indemnification™ represents the market's best solution for defanging balance-billing, a practice that occurs in no industry other than healthcare.

While traditional captives that aggregate risk across groups of covered lives are driven by volume, Shield Indemnification™ assumes the risk associated with individual medical bills. The captive can be added to WellRithms' bill review and repricing on a bill-by-bill basis with potential savings of 75% or more.





Transfer Risk

ADDING LAYERS OF PRECISION

This unique captive solution solves the balance-billing dilemma facing payors and patients by shielding them from liability associated with unreasonably high-cost claims. Armed with medical expertise for reviewing bills and advanced payment integrity technology, WellRithms offers ironclad protection against medical overbilling. This holistic approach allows WellRithms to review and reprice bills with more precision while also shielding plan sponsors and participants from balance billing like no one else.

WellRithms substantially raises the bar on precision by layering Shield Indemnification™ on top of the company's proprietary repricing system called Sustainable Claims Pricing.™ This methodology reprices medical bills line-by-line based upon hospital cost-to-charge ratios reported quarterly to the Centers for Medicare & Medicaid Services, as well as geographical cost variations and quarterly

inflationary adjustments from the U.S. Department of Labor.

Another key differentiator is the use of physicians and surgeons, rather than coders or administrative personnel, to manage a technically advanced bill review process. Their medical expertise improves claims payment accuracy and reduces fraud, waste, and abuse. The only way to ensure that a medical bill is properly reviewed is to fully understand the medicine behind it. When medical professionals scrub suspect bills at the line-item level, they bring the expertise to spot redundancies and items that should never require separate billing.

Perhaps best of all, patients who are already struggling to navigate a complex healthcare system, and afford important treatment and medicine, can have peace of mind that they will never be at risk for a balance bill.

