Views How self-insured companies can avoid gigantic overcharges

By Randy King

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Some Fortune 500 companies — adept at tracking the cost and location of every product they make —are surprisingly lax when it comes to double-checking healthcare costs.

Most large corporations self-fund part or all of their healthcare benefit program instead of turning it over to a commercial insurer on a fully insured basis. It is safe to assume that payers look closely at provider billing when it is their money that is on the line.

See also: Employers passing rising healthcare costs onto employees

In contrast, companies that self-fund healthcare programs typically turn over the payment processing to third-party administrators. TPAs have no financial incentive to comprehensively review all payments and likely rely upon limited random sample audits to ensure quality. Many TPA contracts actually restrict outside claim audits to a random sample review.

TPAs miss a lot of egregious overcharges that would no doubt infuriate any CFO. Here are some recent examples:

The $700,000 ambulance ride

Ambulance claims usually have two charges: the base fee plus an additional charge calculated on a per-mile rate. In this case, the provider inadvertently overstated the base fee on a number of miles driven rate, so the charge for a single ambulance ride came to $700,000. The correct payment would have been about $2,000.

The $150,000 shoulder injury

A hospital emergency room recently billed that colossal amount for one patient's dislocated shoulder. The facility had accidentally billed for 1,600 shoulder slings, which the TPA did not catch it.

The $20,000 bruise

In a recent *Wall Street Journal* article, Dr. Eric Michael David recounted how he was billed $20,000 for his son's CT scan after receiving a head bruise. He had taken his son to a Level I trauma center, which had billed for a "trauma team activation" that never took place. David was familiar with what a frantic trauma team scramble looks like and was able to rectify his bill. If he hadn't been a medical insider and instead worked for a large manufacturer, his company could have been saddled with the inflated bill.

Here is what employers who self-fund healthcare programs need to remember: Medical claims errors can easily be as high as 2% to 5% of total claims paid. The 20 largest U.S. corporations all have roughly a quarter million or more employees, so those billing errors can quickly add up to millions of dollars.

See also: Employers falling short on managing healthcare costs

The solution to this problem is quite simple: review every claim instead of performing a random sample audit. There are now technologies and processes that make this affordable and practical, yet most TPAs balk at comprehensive audits.

Employers who self-fund any portion of their healthcare programs should insist on reviewing all claims — before the next million-dollar knee scrape makes headlines.

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