FEATURE

An Expanded Menu

A la carte captive option uses indemnification rather than insure the risk to help manage troublesome medical claims

Written By Bruce Shutan

There are all sorts of alternative risk-transfer arrangements on the market – from heterogeneous and homogeneous group captives to single-employer captives. The common denominator is that they take on multiple risks across a group of covered lives and self-insured employers, leading to savings through captive insurance risk-mitigation.

But now there's a unique a la carte option on the menu whose idea is rooted in an approach dating back seven years that allows self-insured health plans to offload the risk of select medical bills that have already been submitted. It also eliminates balance-billing concerns among patients. The captive's creator describes the approach as a more efficient way of pruning a larger smorgasbord of savings.

AMI Indemnity is a captive insurance company with two incorporated cells for both group health and workers' comp that allows SIIA member WellRithms, a medical bill review company, to transfer the financial risk of high-dollar claims from any payer to a risk-bearing entity so that all parties are protected. What makes this specialized captive stand out is that it's used to indemnify health plans rather than insure risk on claims that have not yet occurred.


Merrit Quarum

"Basically, nobody wants to talk about the real or right price of the bill; they only want to talk about who's responsible [for paying claims]," observes Merrit Quarum, M.D., CEO of WellRithms.

One major source of inspiration behind the creation of AMI Indemnity is Tom Mooney, CEO and founder of Mooney Employee Benefits who credits Quarum with elevating his ability to reprice medical bills. Mooney negotiates the settlement of large, complex medical bills in New Jersey. He served as a sounding board for Quarum, advising him to be sure that his numbers will hold up.

"Putting together a captive and then basically being able to indemnify the bill, he just jumped on board and helped me find clients, primarily public entities that just don't have the money to pay the bills," Quarum reports.

To be successful, Mooney says captives have to stop choosing their third-party-claims administrators (TPAs) on the basis of price. "The flaw here is that the people who determine how much you spend on claims are not compensated on the basis of their results," he explains. "So the challenge is to incentivize administrators and contractors to contain costs."

When AMI Indemnity accepts an assignment, Mooney says the captive is incentivized to manage the money, not to overpay the provider and not to incite legal actions. "AMI manages expenses like everyone else, but the difference is that they will put a dollar into expenses if it saves more than that in losses," he notes.


Tom Mooney

The chief culprit in self-insured workers' compensation – and probably health, Mooney surmises – is nobody knows or cares about the average claim cost. "As long as you're looking at percent-of-savings discounts to measure your success, you're going to get killed," he cautions. "When your wife comes home from a day at the mall and tells you how much she saved, what's your first reaction? The self-insureds all nod their approval, but they need to look at the dollars spent on medical bills and not how much their TPA saved them today."

Someone who was instrumental in helping set up AMI Indemnity is John Capasso, president and CEO of Captive Planning Associates, LLC, as well as a member of SIIA's board of directors.

He believes WellRithms has created a unique methodology to reprice medical and workers' compensation claims that goes beyond the market's standard referenced-based pricing (RBP) options. What's important in his mind is that this captive demonstrates "the financial strength to support the burden of risk associated with assuming certain medical and workers' compensation claims on a contractual basis."

TRUE RISK MANAGEMENT

The trouble with group captives that pool heterogeneous or homogeneous groups and then dilute the risk overall is that "they're not doing anything to truly manage the risk on a bill-by-bill basis like we're doing," according to Quarum, who cautions that promises to pay dividends ring hollow. "What they're doing is capturing the entire premium that these entities would have paid to be fully insured, and then giving back what they say. Well, if you're self-funded, you're going to save 30% anyway. So, you know, they're just basically taking the float on this."


Sally-Ann Polson

Captives, or any self-insured health plan, typically aren't set up to completely indemnify plan members in the event that a large claim becomes problematic and is unable to be settled at what is considered a fair and reasonable payment. "Though employers or plan members do not want to pay large sums of money on these claims, sometimes it is necessary in order to settle it without fear of future legal action against them," explains Sally-Ann Polson, President & CEO of MedWatch, LLC, which partners with WellRithms in providing concierge services that includes member advocacy.

With the AMI Indemnity captive, she says clients are "totally indemnified and don't have to worry about these providers coming back for additional payment or settlement six months, a year, or even longer after the services have been rendered. The claim has been completely taken care of by the program which assumed the risk and paid the claim. The plan and the member have no further involvement. You just don't see that anywhere else." While others may try and duplicate this concept in the future, the experience and data that WellRithms has at its disposal is proprietary and allows them to confidently take on this risk.

MedWatch's Pathways Concierge services supports WellRithms' repricing and indemnity process by being the front-line contact for members and providers. Tim Guzinski, the company's VP of marketing and business development, says laying out the provider's payment methodology and keeping members informed of their claim status drastically minimizes any noise typically associated with open-access plans. "With the indemnity program that WellRithms has created, it wraps everything up together, eliminating the risk and questionable outcomes that the plan and its members may otherwise experience," he reports. In addition, MedWatch provides the utilization management/precertification and case management that rounds out the core of the captive's offering.

While RBP plans may refer patients to an attorney for negotiating balance bills, it's still their responsibility to pay, explains Anna Quarum, chief operating officer of WellRithms who co-founded the company with her husband.

But under AMI Indemnity, WellRithms is contractually obligated to pay the claim. In essence, patients cannot be harassed or sent to collections because the captive has taken over the bill. The Quarums considers themselves a significant disruptor in the RBP arena where companies that refer patients to legal services or patient-financing solutions aren't incentivized to lower medical bills.

"We believe that claim care is as important as patient care," she says, "and that's really what makes us different from other captives that are looking at creating a large pool to aggregate large amounts of data. We're looking at things on an individual basis."

In choosing to tackle individual bills, WellRithms leverages ITs expertise in medical bill review, as well as understanding of CPT codes, medicine, technology and the legal ramifications of disputed billing.

The company helped reduce a $4.4 million bill to $1.2 million for a physicians' captive last year that was extremely complicated and required an enormous amount of medical expertise. In just 60 days, one patient saw 134 physicians at one of the nation's premier hospitals. Substantial savings also were secured for a Taft-Hartley client whose $11.4 million bill was contractually reduced to $4.3 million. Then a third-party audit review slashed it further to just $600,000.

"No one could come anywhere close to those kinds of savings without the expertise," adds Merrit Quarum, a former practicing physician and medical director.

In addition, AMI Indemnity saved an estimated $16 million for one

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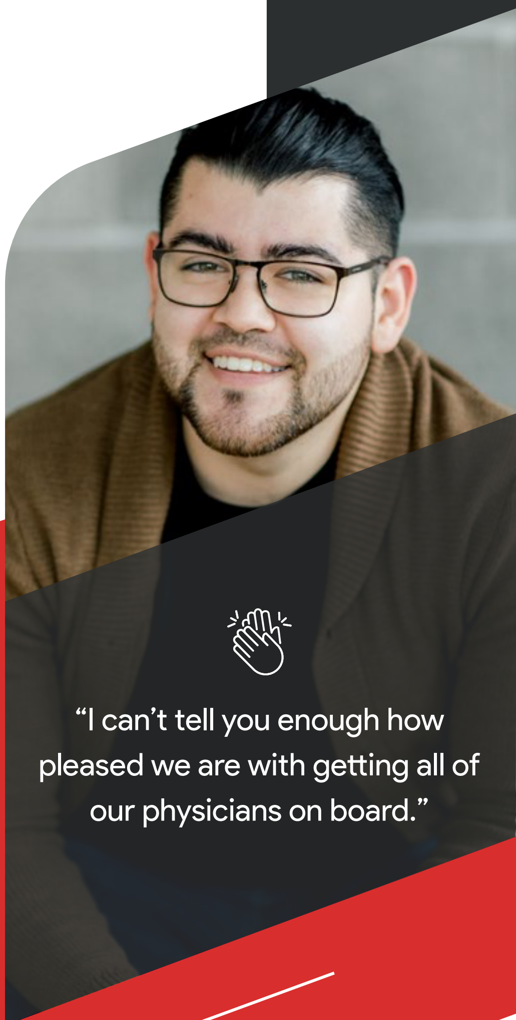

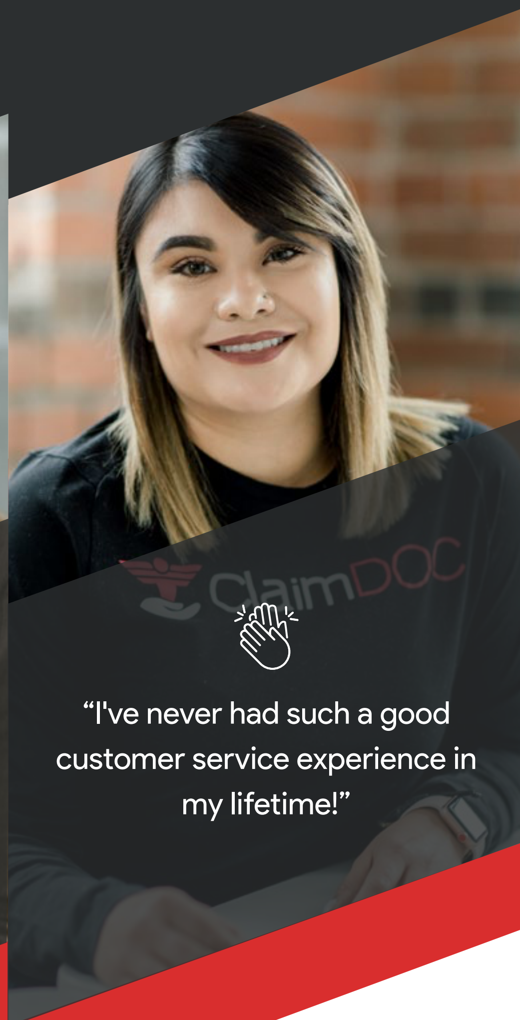

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John Capasso

A-rated, Midwest-based monoline workers' compensation company that works with WellRithms and has about $120 million in work comp premium. Two states where the captive has been deployed for this client are Iowa and Missouri, where providers have more freedom over what they charge for services because there's no medical fee schedule.

Indeed, prices paid for professional services in states without medical fee schedules were anywhere from 42% to 174% higher than the median of states with fee schedules studied in 2020 by the Workers Compensation Research Institute for determining its medical price index. Those states also include Indiana, New Hampshire, New Jersey and Wisconsin.

Without the captive's expertise in arguing what's usual, customary and reasonable to charge, "we might be forced to pay outrageous amounts for some of these medical charges," says the company's executive vice president who spoke on the condition of anonymity due to client-confidentiality concerns.

AMI Indemnity, which is domiciled in North Carolina, is a legal entity that is certified to take on risk and shield patients from the ramifications of computer-generated balance billing. Both underwriters and actuaries have determined the likely premium, reserves and payout for each of AMI Indemnity's contracts based on state requirements where those claims have incurred.

WellRithms signed one contract of indemnification through its new captive insurance arm midway through 2020, which was followed by more than 100 contracts the following year. Since each bill ends up being a contract, some may be with the same entity.

MEMBER SATISFACTION

In terms of what the future holds for captive solutions like AMI Indemnity and his own efforts, Mooney is reflective: "We really don't know what we started yet, and I think it's going to evolve, and there'll probably be some court cases that will help us define what it is."

Looking ahead, Polson predicts other players in the self-insurance industry will attempt to duplicate AMI Indemnity's captive model, though their success will remain to be seen.

"A lot of people hopped into the reference-based pricing market as it became an excellent option to the typical PPO," she observes, "but the one thing that we see consistently not being done well is customer service and taking care of the patient before, during and after the claim occurs. A lot of payers hold on to these types of claims while they are being disputed, but do not keep the plan or member informed of the activity that is taking place. This causes a huge amount of member stress and dissatisfaction with the plan." ■

Bruce Shutan is a Portland, Oregon-based freelance writer who has closely covered the employee benefits industry for more than 30 years.