

Health Care Pricing: Establishing Fees, Discounts, Charging Interest, Out-of- Network Arrangements and Other Issues

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February 2016

Fredrikson
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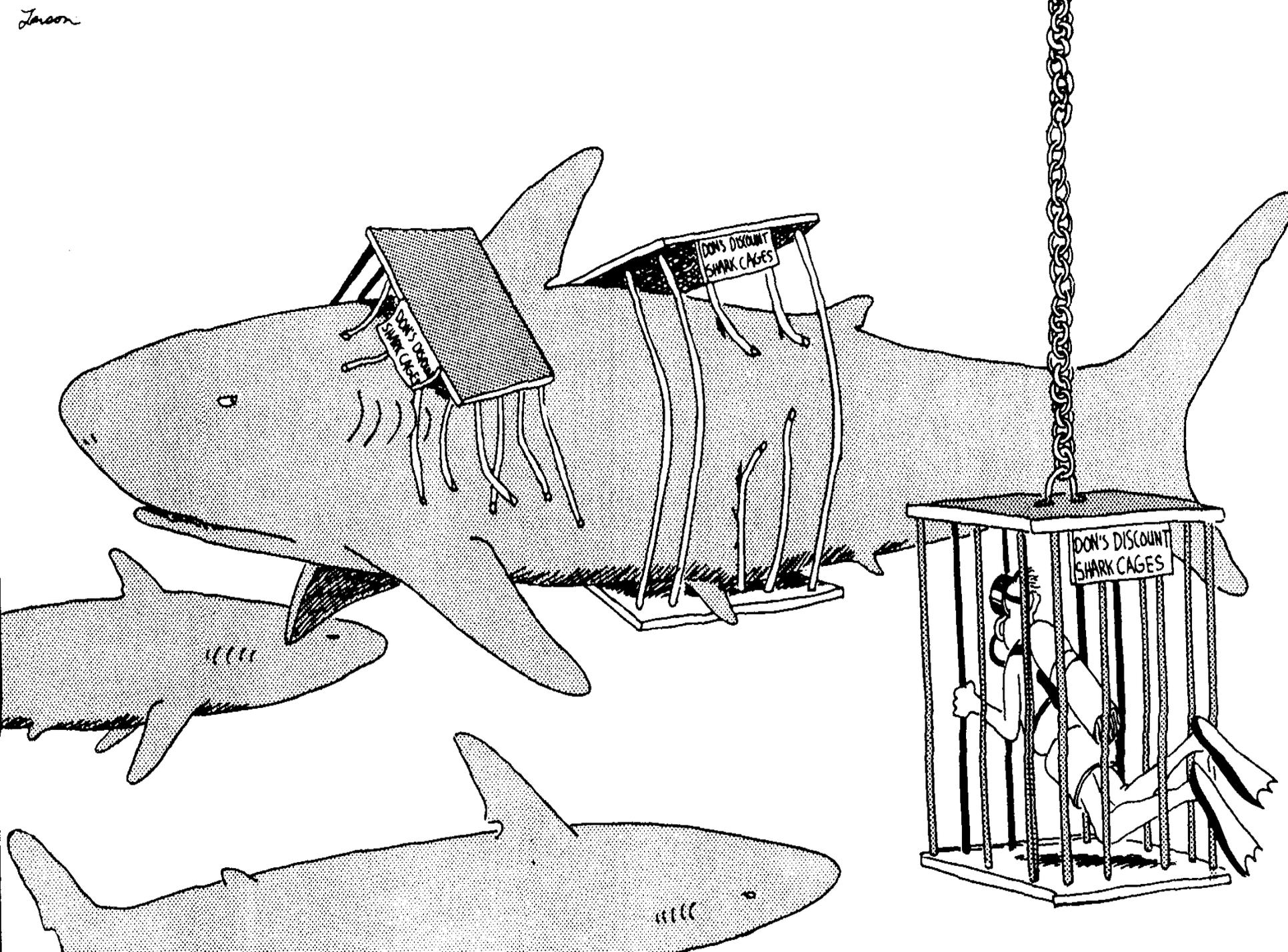
silver 394⁹

ultimate 404⁹

diesel 409⁹

BP gasoline *Invigorate* 

Jason



Pricing

- There are two ways to buy a good or service:
 - agreement on terms
 - implied contract
- Implied contracts are rare in any other industry.
- If parties later disagree about a term in an implied contract, a court will impose a “reasonable” result.

Pricing

- Insurers may challenge whether your rate is reasonable, but they may not unilaterally determine your fee (unless your contract permits it).
- Think about hamburger.
- Never blindly trust data, and skepticism of insurer data is warranted.

Editorial Comments

- Pricing has not been one of the health care industry's shining moments.
- What industry has pricing most like the health care industry?
- Contracts paying a low percentage of billed charges are the root of most pricing evil.
- Those contracts that no one wants to read really matter.

Can I Have Different Prices for Different Patients?

- Every participant in this call has multiple charges for identical services.
- Beware of catchy phrases like “you can’t discriminate.”
- Inconsistent pricing for services isn’t “illegal”, but it may have collateral consequences.

Can I Have Different Prices for Different Patients?

- Note that Robinson-Patman prohibits price discrimination for goods.
- If you provide a discount to a cash paying walk-in, why is an auto insurer not entitled to the same rate?
- Many seemingly logical justifications run afoul of the law or your contracts.

Can our Group Have Different Rates for Different Physicians?

- You CAN, the question is what it will mean.
- Unclear if U&C is by code or practitioner.
- If you bill as a group, probably best to assume it is by code.

I Have to Give Medicare My Lowest Price, Right?

- Wrong. Medicare pays the lower of:
 - actual charge
 - fee schedule amount
 - usual and customary charge.
- Usual and customary charge is defined as your median (50th percentile) charge.

I Have to Give Medicaid My Lowest Price, Right?

- Maybe. Depends on state law.
- In some states (MN) the “usual and customary” charge is defined as the charge that you charge most often.
- Some states follow Medicare.
- Some states require Medicaid to be the lowest.

Can I Require Patients to Pay More Than Their Insurer Reimburses?

- Do you have a contract with the insurer?
 - If yes, then you will need to review the contract.
 - If no, then you can charge the patient what you want.
 - Remember concepts of implied contract.

Can I Require Patients to Pay More Than Their Insurer Reimburses?

- What if the payer is Medicare?
 - If participating, then you must accept Medicare.
 - If nonparticipating, then limited by Medicare Limiting Charge (15% over Medicare's approved amount).
 - If opted out, then do what you want.
- Medicaid – state by state.

Can I Charge a Patient for “Extras” Like Phone Calls?

- Each payer has different rules.
- Medicare prohibits charging patients for covered services. Phone calls are “covered.”
- Most insurers include similar prohibitions in their contracts.
- Absent a contract, almost anything goes.

Can I Adjust My Fees to Out-of-Network Patients to Mirror the Network?

- Extremely controversial issue.
- Insurers want the network to mean something.
- There may be no contract between you and the insurer, but there is a contract between the patient and the insurer.

Can I Adjust My Fees to Out-Of Network Patients to Mirror the Network?

- How the insurer reimburses out of network services may affect the analysis.
 - Fee schedule
 - Percentage of charges
 - Percentage of fee schedule.
- New Jersey court ruled against Health Net and for the physicians in an ASC dispute where ASC waived co-insurance. State law forbid dentists from waving co-insurance.

Do I Have to Provide Patients with Information About Pricing?

- This is usually driven by state law.
- Some states require providers to give patients a “good faith estimate” of what the provider expects to receive.
- Even if not required, helps to avoid the (potentially dangerous) element of surprise.

Are There Limits on How Much I Can Raise My Prices?

- Federally, no.
- State law or contract may apply.
- Antitrust analysis considers a 5% price increase as suggestive of monopoly.

Antitrust

- Policy: Competition is good.
- Note: health policy is a bundle of contradictions. How do you reconcile CONs and a desire for competition?
- Biased heavily in favor of buyers.
- Policy is almost as important as law.
- Antitrust is a broad term covering many behaviors.

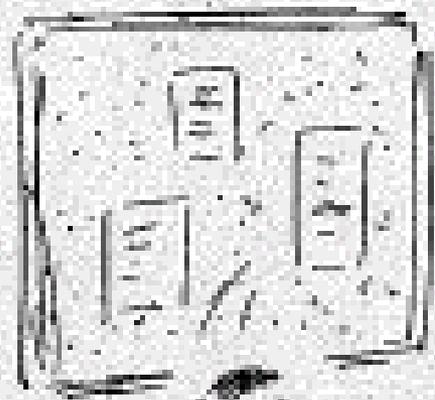
Antitrust

- For many antitrust issues, a violation is possible only if you have “market power.” The definition of the market is key.
 - Product Market: what other good/service can a buyer get instead?
 - Geographic Market: where could the buyer reasonably go for an alternative?

Antitrust

- Price Fixing: competitors agree to sell at a price or establish a minimum price. (You don't need market power.)
- Boycott: competitors agree not to deal with a particular party.

CARDIOLOGY



SIPREST

"Psst . . . Quit taking insurance. Pass it on."

Antitrust

- Monopolization: One party controls enough of the market to be able to fix price. Market share and barriers to entry are both relevant.
- Tying arrangements: One party requires buyers to purchase an unrelated item to receive the item sought by the purchaser. (Seller must have “market power.”)

Antitrust

- Most of the antitrust laws (with the exception of monopolization) require agreement between competitors.
- Airline pricing/conscious parallelism.

When Antitrust Matters

- Negotiations with insurers.
- Relations with hospitals.
- Peer review.
- Joint ventures.
- Pricing.
- Mergers.

How Can You Get Negotiating Clout?

- Apparent options:
 - Just say no.
 - Unionize.
 - Agree not to sign a contract.
 - Get big.
- Which of these are legal?

Can We Jointly Negotiate?

- You can form a network, but if it increases your reimbursement, watch out.
- The safest approach is a divisional merger.

Can I Give Prompt Pay Discounts?

- What rationale supports the discount?
 - insurance contracts prohibit “a billing fee”
 - is it interest?
- I love my dentist.

Can I Collect My Fees Upfront?

- Nothing prohibits it (if your “fee” means only the patient liability. Collecting the whole fee from an insured patient is likely to be trouble.)
- It creates some practical issues.

Do I Have to Refund All Credit Balances?

- In many states the purely legal answer is yes.
- The practical answer is consistency; WWYW?

Can I Charge Patients Who No-Show?

- Depends who the payer is.
 - Private payer: Check your contract.
 - Medicare: Yes, as long as you don't discriminate.
 - Charge is for the missed business opportunity.
 - Medicaid: Depends on the state.

Can I Stop Seeing Medicare/Medicaid Patients?

- Federal Age Discrimination Act
 - A program receiving federal funds cannot discriminate on the basis of age.
 - Can take action that might disproportionately affect an age group if based on a factor other than age that bears a direct and substantial relationship to normal operation of the program.
 - Reimbursement rates have a direct relationship to operations.

Can I Stop Seeing Medicare/Medicaid Patients?

- CMS can terminate relationship with a provider (hospital) that places restrictions on who it will accept for treatment, unless applied to all patients.
 - No corresponding prohibition for suppliers (clinics/physicians).

Can I Stop Seeing Medicare/Medicaid Patients?

- Medicaid rules will vary.
- Some states require restrictions to be reported.
- Some states use a carrot/stick. (One example: to see state employees, you must take MA.)

Can I Waive Co-Payments?

- Laws to consider:
 - Federal Antikickback Statute
 - Civil Monetary Penalties Provision
 - State laws

Can I Waive Co-Payments?

- Antikickback Statute: illegal to offer, give, solicit, or receive any remuneration if the purpose of the remuneration is to induce or reward referrals for services reimbursed under Medicare/Medicaid.
- Intent based.
- One-purpose test.

Can I Waive Co-Payments?

- Civil Monetary Penalties Provision: it is illegal to provide anything of value that the provider “knows or should know” is likely to influence the beneficiary’s selection of a particular provider.
- Intent could be irrelevant, given the “knows or should know” language.

Can I Waive Co-Payments?

- Beware of state antikickback statutes, which extend the federal statute to private payers.
- State statutes may not necessarily mirror federal statute.
- Most contracts prevent it.
- What about for the poor? The angry?

Can I Give Free Care to Employees?

- Sort of...
- Beware of benefit plan issues.
- Who does it benefit, the employee or the insurance company?
- Beware of treating your employees; it has risks.

Can I Give Free Care to Doctors?

- Antikickback analysis: What is the intent?
- If only your best referral sources get free care, that's a problem.
- Stark law might apply, too.

Can I Give Free Care to Doctors?

- Stark: a physician may not make a referral to an entity for the furnishing of designated health services if the physician (or an immediate family member) has a financial relationship with the entity.
- Entity may not bill for DHS furnished under a prohibited referral.
- Intent is irrelevant.

Can I Give Free Care to Doctors?

- Designated Health Services
 - Clinical laboratory.
 - Physical therapy.
 - Occupational therapy.
 - Radiology services.
 - Radiation therapy services and supplies.
 - Durable medical equipment and supplies.
 - Parenteral and enteral nutrition.
 - Prosthetics and orthotics.
 - Home health services.
 - Outpatient prescription drugs.
 - Inpatient and outpatient hospital services.

Can I Give Free Care to Doctors?

- Stark Professional Courtesy Exception:
 - Must have medical staff;
 - Offered to all physicians on medical staff or in local community without regard to volume/value of referrals or other business generated by physician;
 - Items/services are routinely provided by the entity;
 - In writing and approved by governing body;
 - Recipient is not a Federal health care program beneficiary, unless there is financial need; and
 - Does not violate antikickback statute/other law.

Can We Give Discounts to The Poor?

- Absolutely.
- At times, people take unusual positions.

Do I Have to Provide Charity Care? If So, How Much?

- Distinction: may v. must/Hospital v. clinic.
- Federal tax-exemption requirement – must be organized for an exempt purpose.
 - “Charitable” can include relief to poor and underprivileged, but also advancement of education and science.
 - Form 990 Schedule H.
 - No specific percentage of revenue is required.

Do I Have to Provide Charity Care? If So, How Much?

- State tax-exemption rules vary.
- Medicare
 - Hospital may determine its own indigence criteria.
 - Provider Reimbursement Manual (PRM) sets forth guidance for charity care policies.

Do I Have to Provide Charity Care? If So, How Much?

- PRM Guidance:
 - May deem dual eligibles as qualified to receive charity care.
 - Patient’s indigence must be determined by hospital, not patient.
 - Consider patient’s “total resources,” including an analysis of assets, liabilities, income and expenses.

Do I Have to Provide Charity Care? If So, How Much?

- PRM Guidance (cont.):
 - Determine that no other source is legally responsible for medical bill (e.g., Medicaid, local welfare agencies).
 - Retain documentation of method by which indigence was determined, as well as back-up documentation to substantiate determination.

Must I Put a Patient into Collections?

- Different answer for clinics and hospitals.
- To claim bad debt on cost report, you must make “reasonable” collection efforts.
- The only issue for clinics is whether your fee is “real.” Generally, collection isn’t a factor in that analysis.

When Can I Claim Bad Debt?

- The debt must be related to covered services and derived from deductible and coinsurance amounts.
- The provider must be able to establish that reasonable collection efforts were made.
- The debt was actually uncollectible when claimed as worthless.
- Sound business judgment established that there was no likelihood of recovery at any time in the future.

42 CFR 413.89(e)

Can I Charge Interest on Debts?

- Consider both federal and state law.
- Federal Truth in Lending Act.
 - Applies if you extend credit to patients.
 - Must make periodic disclosures.
- State usury laws.
- Medicare Policy.
- Medicaid.

Can I Charge Interest On Balances?

- WPS, CIGNA and other MACs assert that physicians can not charge Medicare patients interest. (We can now add CMS to the list.) They cite 42 CFR 424.55 (b)(2)(ii) which says a supplier agrees:

42 CFR 424.55 (b)(2)(ii)

- "To collect only the difference between the Medicare approved amount and the Medicare Part B payment (for example, the amount of any reduction in incurred expenses under Sec. 410.155(c), any applicable deductible amount, and any applicable coinsurance amount) for services for which Medicare pays less than 100% of the approved amount."

The Flaw

- “The charge for a missed appointment is not a charge for a service itself (to which the assignment and limiting charge provisions apply), but rather is a charge for a missed business opportunity. Therefore, if a physician's or supplier's missed appointment policy applies equally to all patients (Medicare and non-Medicare), then the Medicare law and regulations do not preclude the physician or supplier from charging the Medicare patient directly.”
– MLN MM5613

The Flaw

- A charge for interest is not a service.
- The MACs have created a policy that is inconsistent with other Medicare guidance.

Can I Charge Interest on Debts?

- Minnesota
 - No written agreement: $\leq 6\%$.
 - Written agreement: $\leq 8\%$.
 - In most cases, need special license for $> 8\%$.
- Georgia
 - No written agreement: $\leq 7\%$.
 - Might need special license for $> 8\%$.
 - Also depends on principal balance.

What Collection Issues Must I be Worried About?

- Fair Debt Collection Practices Act
 - Cannot call during “inconvenient” time.
 - 8 a.m. – 9 p.m. is presumed convenient.
 - If patient is being represented by an attorney, then must contact attorney.
 - Cannot call at work if patient/employer says not to.
 - Must cease communications if receive written notice from patient of refusal to pay.

QUESTIONS?



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