



Survey Finds Overbilling by Providers in 4% of Claims

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Medical providers who treated injured workers for a large, self-insured employer billed both the employer's workers' comp unit and the group health plan in more than 4% of claims – and got paid for both bills more than half the time, according to a study by an analytics firm.

The firm's analysis was limited, but the results point to a potential nationwide problem that warrants further investigation, says Bill Zachry, chairman of the California Fraud Assessment Commission. He said if the double-billing rate is typical, U.S. employers could be spending hundreds of millions of dollars more than necessary on workers' compensation and health insurance claims.

"This is the first time that anybody did any kind of study on this," Zachry said. "How big is this problem and how do we stop it?"

The survey by Denver-based Option & Choices Inc. (OCI) suggests the problem of duplicate billing looms large. OCI queried a database of claims paid by an employer-client to identify identical bills that were sent to both the employer's group health and workers' comp plans. OCI looked for the same dates of service, the same medical provider and the same treatment codes to identify duplicate bills. The company did not identify the employer, but did say it has more than 100,000 employees around the country and is self-insured for both group health and workers' comp.

The results of the analysis:

- Duplicate bills were sent to group health and workers' comp claims administrators in 4.2% of all cases. The double-billing rate was 3.8% for the company's operations in Texas and 1% for California.
- For workers' compensation, 4.4% of all claims had a duplicate bill sent to group health.
- The medical providers received payment for both duplicate bills 57% of the time, meaning the providers withdrew the bills or the bills were caught by the employer's claims adjusters in fewer than half the cases.
- The employer made \$1,268,951 in overpayments for those duplicate bills.
- In some cases, the employer paid even more than the provider requested for each duplicate bill – twice. OCI identified \$107,361 in these type of overpayments.
- Workers' compensation claims with a duplicate bill were more than three times more costly than those without.

OCI President Archie Anderson said his employer-client was "astounded" when he relayed the findings of his query and may attempt to recoup the overpayments.

Steve Cattolica, government relations director for the California Society of Industrial Medicine and Surgery, cautioned against reading too much into Anderson's preliminary report.

"I do not condone double-dipping and other fraud, however, there are certainly a number of circumstances surrounding a comp claim that would need to be explored in order to fully assess whether this is as important issue as it might appear based on a small, narrow study," Cattolica said in an e-mail to WorkCompCentral.

The survey does not explain why providers sent duplicate bills. Anderson said the double billing could represent anything from simple human error to deliberately aggressive billing practices. However, the analysis did show that the double bills were sent by a wide variety of medical providers and not concentrated among a few, reducing the likelihood of organized fraud.

Whatever the reason for the double billing, Anderson said it may be more widespread than his survey of a single self-insured employer indicates. He said the employer whose data was analyzed has a "very tightly coupled" risk management and employee benefits operation, where data is shared and claims managers communicate with one another. He said in most businesses the risk manager in charge of workers' compensation likely has little contact with the employee benefits manager in charge of group health claims.

Pointing to the potential scope of the problem, Anderson noted that U.S. employers pay roughly \$35 billion annually for workers' compensation medical care. If 4% of those claims are double billed to group health, the loss equals \$1.4 billion. Even if the 1% duplicate billing rate found in California is more typical, the loss equals \$350 million, he said.

But safeguards may be elusive. Anderson said insured employers and self-insured employers that use different third-party administrators to handle group health and workers' compensation claims have little way of discerning whether they are receiving duplicate bills from medical providers.

"The opportunity for someone to realistically detect this activity is most likely the self-insured employer," Anderson said. "If you think of a traditional workers' comp insurers, their policy holders are typically smaller. Where are they even going to go to get the health insurance information?"

Zachry said he'd like to see some thorough research on the subject. He said he plans to present OCI's findings to the Commission on Health and Safety and Workers' Compensation with hopes that the labor-management advisory board will commission a formal study.

Zachry said he has long suspected that providers sometimes send duplicate bills, which is why he asked Anderson to provide the analysis. Now that the initial legwork is done, he said it's time to get at the root of the problem.

"It's one of the projects that I had an inkling that there was a problem and I wanted to take care of it," Zachry said. "The answer from the preliminary information is it's worth further study – absolutely."

To read OCI's study, go here:

<http://www.workcompcentral.com/pdf/2009/misc/ocistudy061909.pdf>
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