



To Defraud or Not



By Donald Hause, MD

"There are two types of doctors in the world; money doctors and people doctors. The money doctors are always fighting over nickels and dimes. People doctors take care of patients and the money takes care of itself."
— Frank G. Schiro, MD

Those words of wisdom from my life-long family friend and future colleague wished me well when I left for medical school. I have always been very fortunate to be surrounded by wonderful, inspiring mentors like my father and Franky.

I left in 1982 and did not return until 1995 when I hung up my shingle at the Mercy Medical Plaza and made a go of it.

Although they wished me well, I later learned that few of my medical colleagues expected me to survive in the new environment of "managed care." Our respected CMA president, sounding more like Moses fresh off the mountain, decreed that capitation and managed care contracts were a done deal and that anyone trying to practice fee-for-service was doomed a gruesome dinosaur death.

Well, this was my home and I was determined to succeed. With the generous support of surgical colleagues who let me assist in the O.R., I made it through the first year.

Five years later I am still here. The practice has continued to grow and I am now confident I will be here in another 5 years ~ thus far without any significant involvement in the "mangled care" system that now engulfs this "industry."

Yes, I am a plastic surgeon specializing in aesthetic surgery, but I feel compelled to share many of my observations and conclusions, validated by five years of independent practice.

First, an actual case from about 2 years ago. It was my last encounter with an insurance company. Mrs. X came to me for a breast reduction. She had insurance with one of the "better" PPO insurance providers in Sacramento

I don't do much insurance work, so I copied a form letter of pre-approval from one of my colleagues with the appropriate ICD-9 and CPT codes, and inflated "usual and customary fee-for-service" charges. After all, since they only pay a percentage of the fee, I inflated to get paid what it is worth. The total charge was around \$4,000 for a case that took me about 4 hours.

Of course, I had no illusion they would pay that. The insurer approved the letter and the fee, we performed the surgery and the patient recovered uneventfully. After two months. I received a check for \$1,200. Well, that was not what they had approved, but holding my breath would probably be as effective as any effort I could make to appeal. I let it go.

Two weeks later, I received a letter from the PPO stating that they had inadvertently paid me too much and demanding I send them a check for \$600, or they would take me to

collections. Shocked, I called and asked if they indeed would do that. They emphatically said, "Yes."

Since I was in a good mood, I invited them to hire an attorney and take their shot ~ they were getting no refund from me. They replied they would just take it out of future reimbursements. "Don't worry," I retorted, "there won't be any."

A few weeks later, I was called by Mr. Big of the insurer, regretting his company's terrible mistake and explaining that had I just written an appeal it probably would have been taken care of. I told him that it was not my responsibility to correct their mistakes, and that it was not a "mistake" but rather the fact that there was no other plastic surgeon on their panel.

He wondered what it would take for me to remain a provider for their PPO. I said that a new contract stating that I perform the surgery, and they pay my agreed-upon fee would probably do. He was speechless and has not called back.

And here is a case from the consumer's view. My wife suffered a ruptured ectopic pregnancy. Dr. Fritz-Zavacki, in her usual world-class performance, made the diagnosis and personally wheeled my wife to the O.R. where emergency surgery saved her life without even the necessity of a blood transfusion. We've had a daughter since, so Dr. F-Z hit a true homerun.

My wife was in the O.R. for about 45 minutes and in Recovery for about the same amount of time. She stayed overnight in the hospital. The bills from the M.D.s were pretty reasonable.

The hospital bill was obscene. At the outpatient facility where I care for most of my patients, a bill for twice as long in the O.R. and a 23-hour stay is less than one-tenth the hospital bill we received. We protested to our insurance carrier, who told us not to worry. We eventually got a statement showing hospital "payments and adjustments" were equal to the original bill minus our deductible and co-pay. Go figure.

What's wrong with these scenarios? The truth is that the entire system is hopelessly fraudulent. To receive fair compensation, doctors, hospitals and ancillary services inflate their fees so that their "usual and customary" percentage equals what they believe is a fair amount. The bills have no relation to the actual cost of doing business or the actual value of services rendered. A pain pill does not cost \$25, an operating room does not cost \$10,000 an hour, and a breast reduction is not really worth a \$4,000 surgeon's fee.

Third-party payers are no dummies (Medicare and Medi-Cal included) and just as dishonest. They continue to ratchet down approved reimbursement and try to increase the volume of production of remaining physicians. They also limit as much as possible the number of services and conditions for which they will pay.

Since most are for-profit, there is also a built-in conflict of interest. To make more money, they limit reimbursement and, thus, indirectly (and sometimes directly) negatively impact patient care. The business world is not the problem. It is fruitless to get angry at a tiger for being a tiger. Don't expect them to behave any differently.

So what do I think would help solve the problem? I'm a simple surgeon so I try to keep my solutions simple.

Our primary concern as physicians is our patients. Therefore, we must keep the relationship between the patient and us. In my practice, patients always pay before their surgery.

This is because, although we don't like to admit it, a significant number would fail to pay after surgery; and if they did pay afterward, they would have a financial incentive to be dissatisfied, a potential for compromising their recovery. It is also very hard to repossess

cosmetic surgery.

However, the greatest advantage of this policy is that we have an honest discussion of fees. If I am too expensive, they go elsewhere. If I want to stay here, my fees must be competitive. Since the financial aspect is mutually agreed beforehand, we can put all of our efforts toward the physician-patient relationship and the upcoming surgery and recovery.

How does this apply to services paid by third party payers? We physicians have to realize that the insurance is not ours, but our patients'. When your car is damaged in an accident, the body shop is not responsible for convincing the insurer to pay the bill. You get an estimate, inform your insurance company and get a check for the body shop. If the estimate is too high, your insurance company directs you elsewhere. The person receiving the service is intimately involved with all aspects of the service.

Medical insurance companies and government agencies are notoriously unreliable in paying their bills. So make them pay up front. Sign no contracts as they presently exist.

By law, insurance companies must pay for emergency services. However, in other cases we should expect payment before service is rendered. If the check is not as agreed, send it back and let the patient know that the insurance company refused to pay.

Third-party payers would soon learn to behave responsibly. Those that didn't would not be in business very long. It would also dramatically reduce administrative costs for the physician and the insurance company, and there would be no need for appeals.

In health care today, the entity least benefited by the patient-physician relationship controls everything. That is why the delivery of health care is near catastrophic collapse.

There is plenty of blame to go around and physicians have to own up to our part of the blame. However, it is not greedy to expect physicians to be paid for the worth of their service.

When the physician bills a distant, large corporation for services to an individual who has no real control or input other than wanting or needing the service, the result is a mess.

Physicians are now fighting over production belts and nickels and dimes. The patient has too often become secondary.

By cleaning up the administrative stranglehold on healthcare delivery, we can concentrate on being "people doctors" not "money doctors" and let the money take care of itself.

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