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Introduction

Whatever your role in the insurance industry, it won’t come as a great shock if we were to say that medical costs are increasing steadily around the world – from the US to Russia, and from Europe to Asia. The pressure this puts on travel insurers is immense – medical claims are accounting for a higher proportion of claims from travellers than ever before, and thus the industry has to pay more attention to the need for smart cost containment practices. Enclosed within this year’s Cost Containment Review is all you need to know about how to achieve cost savings while also ensuring that your client receives the appropriate care in the right facility. Beginning with a global overview of the industry and followed by a toolbox of tips, the Review offers readers authoritative and insightful analysis of the latest trends and processes effecting global cost containment – including pointing out what claims auditors need to check on hospital bills from different countries, and how to ensure meticulous case management of patients. ITIJ’s 2013 Industry Survey highlights some important trends in the industry too, while the minutiae of policy wording are also discussed in terms of how this can affect claims before they happen. We hope you enjoy this year’s Cost Containment Review!

Sarah Watson
Editor, ITIJ
Customer service is more than a friendly face

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Although health expenditure growth rates in OECD countries have remained stagnant at below one per cent per year after a steep decrease since 2008, each and every year, healthcare cost inflation has averaged between three and nine per cent across most developed countries, which in most cases well outpaces the general inflation rates in these developed countries. Considering that worldwide healthcare expenditures continue to increase year on year, although at a slower pace, insurers and corporations must ensure that they are continually monitoring these costs and that they fully utilise the full array of cost containment techniques and services available to help them control their overall healthcare costs and expenditures.

### A global perspective

There are a multitude of reasons why insurers need to contain costs, and a plethora of ways in which they achieve cost savings; but cost containment practices are going to become even more important in the coming years.

Reid Cawston explains why...
payers can gain access to the US PPO networks and preferred discounted rates through some assistance companies. These assistance companies contract with both the international payers and US medical providers to create preferred provider networks for international patients, and to offer access to significantly reduced rates for US healthcare to international payers.

**Case management**

From a medical point of view, cost containment can also be achieved through an effective medical case management programme. With the use of efficient tools and protocols, costs associated with a patient’s medical journey can be considerably reduced. In the US, containing medical costs is most effectively achieved through the combined efforts of accessing preferred provider networks, as well as through active medical management of the case. While securing competitive contractual discounts with providers is important, an even stronger emphasis should be placed on utilisation management and medical case management as primary cost prevention tools. The US market is very Managed Care oriented. Since the 1970s, lawsuits. An effective medical case management programme concentrates on finding cost savings through prevention of treatment duplication, finding alternative treatment options and through pre-planning of medical care. It is estimated that up to 30 per cent of US healthcare expenditure may be spent on unnecessary care, which is defined as ‘services that show no demonstrable benefit to the patient’. A medical case management programme will concentrate on cost estimates, coordination of care for pre-planned procedures and/or second opinions, suggest alternative treatment options, monitor patient care, provide complete discharge planning and arrange alternative treatment options via methods such as repatriation back to the patient’s home country for continuation of care.

Through effective medical case management programmes, payers can achieve reduced length of stays in hospital, inpatient stays, and avoid unnecessary testing and treatment, while at the same time ensuring that the patient is receiving the most appropriate care by the most appropriate provider. Avoiding unnecessary care means additional charges are not incurred, which directly translates into healthcare cost savings.

At different steps of the medical case management process, the following controls and procedures are applied:

- Eligibility control over the cover of the patient, enabling steerage of the patient to the most appropriate medical facility;
- Medical reports to assess pre-existing conditions of the patient and his need for care, related to the event;
- Collection of all documents that will help the comprehensive management of the case and reduce the administrative time for the patient to be ready to leave the medical facility;
- Control of the medical protocol (CPT codification) to chase unnecessary treatments;
- Administrate the case as per the international payer’s conditions: identification of the deductible and ineligible amounts on the financial statements and invoices;
- Anticipate the payment for better discounts on quick settlement.

Before the advent and subsequent commoditisation of the PPO discount, assistance companies took the approach that in order to control cost they must control expenditure, which required real-time intervention. This mode of cost control is second nature to assistance companies, as they are involved from the point of incident to manage the care of the insured member and, therefore, can integrally manage the cost. Many insurers, intermediaries and even some self-styled assistance companies have mislaid those skills and have sought to use only contractual means to obtain their best final price for medical care. This method of cost containment has two key business pitfalls: first, over time, the seller will find new ways to recoup lost revenues (raising gross fees); and secondly, the insured member does not experience the value-add that is apparent when a professional assistance company is actively managing their care.

**The shift in expatriate and business travel**

Some of the new travel markets and their respective healthcare provider networks that have emerged for the travel insurance industry within the last 10 years include: Thailand, Egypt and >>

US hospitals and providers have been used to dealing with domestic insurance payers monitoring medical care from the outside, as well as strict rules in accessing preferred provider networks and contracted rates.

In most industrialised countries outside of the US where healthcare is delivered universally and healthcare pricing is controlled by the government, there is less need for the typical US Managed Care tools. International payers are often not prepared or equipped to manage their cases as effectively and intensively as the US environment requires. If an international patient is left unmonitored at a US hospital, it is quite possible that their length of stay will be prolonged, therefore adding unnecessary costs to the payer.

Another big factor for the international payer’s need for cost containment is that the US practices defensive medicine. The practice of defensive medicine translates into a considerably higher amount of diagnostic and investigative testing and procedures being conducted by the provider in order to limit and avoid the possibility of liability
Turkey for Europeans; and Panama, Europe and Southeast Asia for Americans. With this change in destination patterns, offering travel insurance coverage and service delivery has required market participants to become increasingly familiar with the domestic healthcare delivery systems of these destinations and to develop their networks and relationships with healthcare providers therein. In many ways, being led by the expat insurance experience, the travel insurance segment has seen emerging markets in destinations such as Brazil, China, India, Eastern Europe and Africa. Previously, the travel destinations of an intrepid few, the expats exposed to these exotic lands encourage travel for recreation by returning home with their experiences and stories. Travel insurers can thus benefit from networks created for the expats and corporate employees. Generally, these networks have been developed to provide primary and emergency medical care locally. With the addition of evacuation capabilities and active medical case management, these networks can easily be leveraged to provide a dependable cashless service to the insured traveller.

Medical networks
Assistance companies rely on their capability to build and manage healthcare networks worldwide in order to provide comprehensive cost containment services without sacrificing a high-level quality of care for patients. Indeed, these networks are multiple and each of them fulfills a specific client need:

- Expatriates require a comprehensive international medical provider network (GPs, specialists, pharmacists, gynecologists, dentists, and so forth), wherever they are.
- Local healthcare may require differentiating services, with high added value, such as a worldwide second medical opinion service, provided through a network of accredited medical facilities.
- Markets where cost control is key, like in the US, require specialised PPO services.
- In countries lacking in medical capabilities, the priority is to raise awareness of high and low quality medical infrastructures so that the best decision can be made about whether to evacuate patients or not.

Last but not least, managing medical networks also entails being a full-fledged partner in answering to corporate clients’ expectations and accompanying them on their projects’ sites. This requires assistance companies to improve their capabilities by sometimes building their own medical facilities next to their clients’ operations.

Players’ characteristics
To manage their healthcare costs, health carriers have several options available, with each solution corresponding to their need, culture, risk exposure, and strategy:

- In-house solutions.
- External solutions:
  - Regional cost containment and TPA (third party administration) companies;
  - Global assistance companies;
  - International TPA services companies.

Local or regional TPA services companies have significantly evolved over the last 10 years in order to better support the administration of healthcare claims. These TPA services companies are good solutions for those local health carriers willing to improve their control of the services provided by local private healthcare providers. In addition, they are also often used, once assessed, by international players (global assistance companies and international TPA services firms) as logistical and administrative support to their own operations. Their local knowledge about the medical network, the day-to-day local relationships and understanding of local rules and regulations make their support and input in international programmes key, especially in countries where the authorities require high local content (CIS countries, some African countries, or India, for instance).

Global assistance companies are best positioned to provide cost control and containment services to their traditional clients (the travel industry, travel insurance companies), and to health carriers that need to accompany their international clients wherever they may currently reside. In addition to emergency medical assistance services,
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ChoiceNet
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Assistance companies’ networks consist not only of local agents, but also include networks of local assistance companies, able to support the organisation in the evacuation of patients and having the capacity, knowledge and resources to support the medical monitoring of a patient, as well as the billing process, including cost control and price negotiation.

International TPA services companies can be the solution for companies or organisations having global healthcare plans and needing a global supplier to locally coordinate cases and claims and to consolidate all their global healthcare expenditure data. Only few companies around the world are able to support such large programmes. The majority have grown and built their international experience by accompanying their main clients to emerging countries and/or new areas and set up their dedicated services for cost control as their unique or main purpose (for example, in Jakarta, Indonesia for intergovernmental organisations, or in Singapore for private health carriers and international companies).

**Trends for the coming years**

- **Growing middle-class in newly developed countries**
  
  Access to better healthcare services is key for the development of a country. The growing middle class in newly developed countries represents a challenge for the local government when it comes to building its health policy and resources to meet the means and expectations of this segment of the population, who increasingly seek international standards in medical care. This becomes particularly critical for BRIC countries: the middle class represents 50% of the population in Brazil and in the Russian Federation, 10% per cent in China (83 million individuals in November 2012, expected to reach one billion in 2030), and 5.6 per cent in India (estimated at 69 million individuals in 2012, expected to reach 600 million in 2030).

- **Better healthcare policies but with increased limitations**
  
  Table 1 shows the low level of private healthcare policies that form part of the healthcare system today (from 10 to 20 per cent – see the complete table entitled Private expenditure on health as a percentage of total expenditure on health (in $US), 2011, on the World Health Organization’s website). Current healthcare policies still propose limited amounts of cover for outpatient and inpatient treatments. However, these limitations can only increase, especially with the expectations of the growing middle class in emerging countries, who are willing and able to access international quality standards of medical care.

  - **Travelling for treatment abroad**
    
    Travelling for treatment abroad today, only between one to three per cent of people are really travelling for medical treatment abroad, and the perceived superior quality of medical care abroad is a potential area for healthcare support services to grow in the coming years, especially from emerging countries – see Table 2, Necessary care – Willingness to travel in order to get better or faster care from the, 2011, Survey of Health Care Consumers, Deloitte.

**Table 1: Private expenditure on health as a percentage of total expenditure on health (in $US), 2011**

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<th>Country</th>
<th>Per capita expenditure in USD</th>
<th>Private expenditure %</th>
<th>Part out-of-pocket %</th>
<th>Part health insurance plans %</th>
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Source: WHO, Global Health Observatory, March 2013

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<td>China</td>
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Reid Cawston offers his take on the most important tools an insurer can use to help control the cost of claims.

For travel insurers, the risk landscape essentially breaks down into two regions – the US and the rest of the world. Yes, there are pockets of high-cost, risky or volatile travel destinations around the globe that require active management; however, the bean counters at travel insurers with a global portfolio pay most of their attention to their US exposure. It’s not that costs change unpredictably in the US; on the contrary, facility by facility, charges can be expected to increase at a steady, annual rate of between seven and 10 per cent. It’s not that the US is prone to outbreaks of man-made or natural disasters either – in fact, it’s amongst the safest places in the world to holiday. The risks that cannot be controlled are the travel patterns of the insured. All it takes is for one significant political incident, terrorist act (or even threat) or a natural catastrophe, and the travellers will turn to the perceived ‘safe destination’ for that year’s vacation; this, in many cases, means Disneyworld, Disneyland, the beaches in Florida, the slopes in Colorado or the surf off California.

Being unable to control this exposure (unless you have differential pricing for the US, or exclusion of US benefits) requires that you have a strong cost containment programme. This programme does not simply refer to a simple discount applied or negotiated after the episode. Of course, significant expenses can be reduced with the application of a discount to the medical costs; however, averting these costs before they are incurred is always the best strategy. There are four key steps to mitigate risk, which can be economically implemented. The success of these actions will depend on the insurer’s ability to interact with the traveller at important milestones during the life of the policy.

**STEP ONE**
Education: From the point of purchase, the traveller needs to be aware of the potential risks that they may face when travelling. Not everyone is a frequent flyer and simple things like staying properly hydrated during a flight can avoid expensive treatment or even life-threatening issues such as DVT. Vaccinations, sufficient medication supplies and allergen awareness are also areas of frequent medical claims. Many travel and assistance companies now provide websites or apps that can deliver this type of health information to travellers.

**STEP TWO**
Concurrent travel assistance: Having the right assistance co-ordinator with good local knowledge is invaluable. Reaching out to a traveller to make them aware of an impending risk is a service that is getting more and more common. Once only a benefit for high-priced expats or travelling dignitaries, it is now possible to push out security and health threat alerts to any traveller with a cell phone. These alerts can warn travellers about looming demonstrations, strikes or violent clashes, as well as imminent severe weather, or escalating disease epidemics.

**STEP THREE**
Emergency medical assistance: Once there is a medical crisis, there is really no substitute for an...
Having a recognised network partner (in the US, it will be a PPO or HMO) clearly indicates a high level consultation, CPT-99233, for subsequent, inpatient, routine consultations that should be coded as CPT-99231. This can only be confirmed with careful review of the clinical notes and the support of medical case management notes. iv. Timely processing, adjudication and payment of the claim will also impact the financial outcome. Late payment may invalidate the discount that was applied by the network. Some states may also impose late-payment penalties, potentially exposing the insurer to costs that could exceed 100 per cent of the billed charges.

If there is a moral to this story, it would be ‘work with quality people’. It is frequently said that no-one leaves the international travel health insurance industry. Loyalty to people and communities that take your risk seriously and demonstrate that they are looking out for you and your business are always the best partners. By and large, our colleagues in this industry are here because they have a passion for helping, an adventurous spirit and wisdom gained through personal travel; and that’s really what a traveller needs when they’re in trouble.

**STEP FOUR**

**Managing the claim:** This is something that needs to be prepared for well in advance of the claim being incurred:

a) Having a recognised network partner (in the US, it will be a PPO or HMO) clearly indicated on the member’s identification is a key step to ensuring the process runs smoothly. Often, the traveller presents at a healthcare provider without the correct ID card or policy document, and it is at this point where the assistance personnel can make another significant impact on the financial outcome. Sending a virtual card to the traveller’s smartphone, speaking with the provider or even faxing a letter of authorisation gives the provider the information required to identify the network being accessed and the co-ordinates for sending the bill to the insurer or TPA.

b) A thorough and proper review of the bill, particularly on high-cost cases, is a must. There are practices that healthcare providers or their revenue management companies may employ to maximise the charges:

i. Review large claims to ensure procedures and treatments were medically necessary and consistent with the clinical notes.

ii. Up-coding is still a problem – this is where the code entered on the bill for a procedure is not appropriate (codes drive the billing software to reference the correlated charge). For example, two bills are received for surgical services on the same patient, coding the same procedures but by different practitioners. By reviewing the clinical notes, it can be determined which of those practitioners was the ‘assistant surgeon’ and therefore eligible for the lead surgeon’s cost.

iii. Up-coding for consultations is also a frequent error. This is where a practitioner’s bill indicates a high level consultation, CPT-99231. This can only be confirmed with careful review of the clinical notes and the support of medical case management notes.

c) Monitoring and managing the delivery of care is essential, even after the traveller has received initial treatment. Creating a discharge plan to get the traveller out of the treating facility and safely back to their holiday or on a flight back home can create significant savings. US medical providers, by and large, are not trained to treat and release patients. Depending on the nature of the illness or injury, the medical provider may plan for rehabilitation or movement to a step-down facility, unless the assistance company is managing the case with them to have the traveller returned home or moved to an appropriate level of care facility nearby.

d) Transportation of the traveller back home, when required, can be a significant cost for the insurer. Understanding the traveller’s condition and the needs of the traveller during the trip home can allow for less expensive transportation to be co-ordinated using a commercial flight with or without a medical escort. Even the rates charged for an air ambulance can be managed by implementing competitive pressures such as a Request For Quote process, identification of cost-saving opportunities (empty legs) and working with reputable suppliers.

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b) Given the previous scenario of a traveller feeling unwell due to dehydration – I have seen the cost of treatment for this condition reach $50,000 when the traveller has a hotel doctor provide 24-hour care administering IV fluids for 48 hours; $20,000 when the traveller is admitted through an ER for the same treatment; and $1,500 for similar, shorter-term treatment at an urgent care centre. That 40-per-cent discount on the $50,000 doesn’t look quite as positive when compared to averting unnecessary costs from the outset.

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Dr Ayçe Riley shares her experiences of improper billing in Turkey and beyond, detailing the most common scenarios and explaining how insurers can avoid getting burned by over-zealous invoicing to achieve meaningful cost containment outcomes.

Cost containment is best achieved as a result of quality management, the aim of which is to make sure the policyholder accesses the right level of care and receives the right amount of treatment within a regulated supplier network setting. Price negotiations are a fundamental part of cost containment, but if the price agreements are not based on a solid foundation of rules and regulations, then ‘innovative’ invoicing can be expected. When considering why the need for cost containment is increasing, the most important factor to consider is supply and demand. Twenty years ago in Turkey, for example, there were only a few private healthcare facilities; tourism was just starting to get off the ground, and demand was greater than the supply in the tourism health sector. Now, however, the situation is completely different. Even though tourism figures have gone sky high, there are more fully equipped private hospitals then necessary in the tourist areas. Hospital owners compete with each other to get ahead in the game and, more often than not, hospitals contract with hotel and tour companies to send patients their way, commissions are paid – and all these extra ‘investments’ are indirectly billed to the insurer. Hotel guests are encouraged to see the hotel doctor even for minor issues; preferably, cases are escalated to inpatient care; while over-diagnosis, over-investigation and over-treatment are not rare.

In combating the problem, cost containers must evaluate each invoice in view of both the medical report and the policy documents. Not only must the hospital’s prices be in accordance with the agreements between the insurer and the medical provider, but invoicing rules and regulations must also be obeyed. For example, at Euro-Center in Turkey, we are obliged to enforce the rules and regulations of the Ministry of Health and the Turkish Medical Association.

When evaluating a bill from a local hospital in Turkey, then, there are several areas to focus on that are more commonly abused than others. These are detailed below, together with advice on how to ensure effective cost containment in each instance:

Materials and medicines
As a rule, all materials and medications should be presented item by item on a hospital bill – not only so the prices can be checked, but also so that any irrelevant items can be deducted. It is not uncommon to find large amounts of gloves, syringes, or personal hygiene materials on a hospital invoice. One hospital used to invoice insurers for the use of the Holter device for every patient it treated, and once a ton of cotton wool supplies was billed for in one invoice. Medicine prices are another area open to abuse and must be checked carefully. Materials used in cardiac and orthopaedic operations are purchased in bulk and hospitals don’t always provide invoices for such items, therefore a general knowledge of market prices is essential.

Laboratory
It is important to communicate to medical providers that etiology tests and further investigations are subject to pre-approval. It is quite common for us to see that even for the simplest diagnosis, extensive testing is done. The most famous ones are viral antibody tests and liver and kidney enzymes for simple gastroenteritis, or upper respiratory tract infections.

Imaging (CT scans, MRI)
There is a general tendency to use CT scans and MRIs liberally. According to rumours that are circulating in the industry at the moment, some hospitals photocopy previous CT scan reports and charge the insurer without actually performing...
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MSO International TPA & Cost Containment Services

MSO provides healthcare claims risk management services to the international healthcare insurance and corporate market with over 1 million contracted lives. MSO International provides Third Party Administration and Cost Containment Services to a large number of international health insurers and large corporates.

With offices in 6 key cities around Africa, and over 6,000 contracted providers covering almost every country on the African continent, the company’s strategy of providing a comprehensive claims risk management solution provides healthcare funders with significant and unique advantages that improve their competitive position and deliver savings. Our 24/7 Call Centre is staffed by trained clinical staff and can handle cases in English, French, Arabic and Portuguese, as well as several local African languages.

MSO Medical Assistance

MSO International’s Assistance Division is able to effectively manage medical assistance cases almost anywhere on the continent. MSO International has recently been nominated as the Core Partner for South Africa for the International Assistance Group. This status is testament to the quality of our assistance services and gives MSO the ability to manage client assistance cases on a global scale.

International Operations

- 24/7 Contact Centre (English, French, Arabic, Portuguese)
- 41 African Countries
- 6,000 Contracted Providers
- Direct Settlement
- Negotiated Tariffs
- Accredited Database
- Offices in 6 Countries (South Africa, DRC, Kenya, Sudan, Namibia, Nigeria)
- Global Reach

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the test. Interpretation of angio reports, CT scans and MRIs can also be a problem. Before approving operations and further treatments, especially when there is a reported positive finding, it is important that the alarm centre doctors view the CDs of such investigations. One recent patient case, which was diagnosed as appendixitis based on the clinical findings, the ultrasonography and the CT scan, when transferred to another hospital, was discharged the next day as none of these findings were confirmed. To minimise the 'innovative' billing problem, all further tests conducted by the hospital in question must be subject to pre-approval and the results must be signed and stamped by relevant doctors. A copy of the scan images must be presented during the approval stage unless there is a real emergency.

**Operation fees**

According to the Turkish Medical Association, operation fees are inclusive of the surgeon’s follow-up fee for the first 10 days following an operation. Only after 10 days can a medically necessary follow-up examination be charged for. Also, if multiple operations are performed in the same session through the same incision, the second and subsequent operations are discounted according to certain percentages. Operation notes must be submitted alongside the medical report to allow for effective assessment of the invoice. Signed and stamped pathology reports are also to be presented where relevant.

**ICU costs**

Intensive care unit costs are also subject to abuse if the above Turkish Medical Association rules are not implemented.

**Ambulance expenses**

Ambulance and transfer costs need to be checked carefully. It is quite common to receive an ambulance bill instead of a simple ‘patient transfer’ bill for a straightforward case. It is also quite possible to receive individual ambulance or transfer bills for groups of patients who travelled together to the same hospital.

**Guilty until proven innocent**

Not all suppliers are untrustworthy, but this is no reason not to systematically assess all claims at all times. Even the most trusted suppliers may make a mistake and they appreciate the feedback. The real problem in Turkey, where there are too many private hospitals, is the escalation of simple outpatient cases into inpatient care. Cost control starts with price agreements between insurer and the hospitals that are treating significant numbers of international patients, but real effort must go into controlling the admissions carefully, following up patient cases throughout the treatment journey and making sure the country’s invoicing rules are enforced. Bulgaria, where private hospitals are limited, is a different story and here we see more of a tendency to inflate prices. It is best to avoid medical providers who make policyholders sign debt documents and present inflated invoices to the insurer. There are a few companies operating in Bulgaria that have no clinical background at all, but instead they earn their living as a middle man – collecting invoices from doctors and marking up the prices. If the policyholder has signed a debt document, these middle men can give the case to debt collectors and go after the deductions. Direct agreements with medical providers must be made very carefully and the supplier network must be limited to those with clear agreements.

**Word of advice**

In general, it’s advisable for tourists to contact their insurance service centre if they want local advice on preferred and quality-assured hospitals and clinics in the area, rather than to follow obscure recommendations of where to go to find a ‘good doctor’ from the local taxi driver or hotel reception. For example, in Thailand, illegal and unlicensed ‘clinics’ and ‘doctors’ pop up regularly each high season, and they have potentially high patient volumes. It’s an attractive extra income for these ‘providers’ to take seasonal advantage of first-time tourists with a European or Western insurance policy covering their medical costs. Once we found out about these ‘clinics’ at our local office, we make sure – via our local connections and network – that the relevant authorities are notified and follow up with the appropriate action. These actions could include closing down the clinic, or revoking medical licences, or pursuing the operators via legal proceedings. If the legal or licence status of the medical provider is established as illegal or invalid, there is no obligation for an insurer to pay an invoice from such an facility. Alternatively, an insurer can cut from the bill those items that fall outside the scope of the clinic’s licence – for instance, where a clinic only has an outpatient treatment licence but has provided inpatient care. A global rule is to obtain licences and staff lists before including suppliers in the network and to inspect suppliers regularly.

In the US, even though medical quality is very good, there is growing concern and evidence regarding coding malpractice, especially involving emergency room visits where doctors code patients to be sicker and thus require a higher level of care. Billing codes quite often reflect office visits at levels that are not supported by the documentation provided, along with further billing for evaluation and management services that are not liable to be billed separately.

Elsewhere, in India, although the country boasts many tourist attractions and a growing population of expatriates, we haven’t experienced larger scale or systematic over-charging or over-treatment by local medical providers. Furthermore, the quality of medical care and availability of modern hospitals is increasing, especially in the expatriate areas. However, there are various legal and bureaucratic restrictions that make collaboration agreements and the establishment of direct billing systems quite difficult. In tourist areas, we are still keeping a keen eye out for any over-charging on hospital bills, as we see in other tourist hotspots such as Thailand and Indonesia (Bali), where there are more systemic attempts at fraud by medical providers.

Wherever you are in the world, the art of cost containment is a combination of excellent knowledge of the local market, pricing, and relevant laws and regulations. Good price agreements alone do not necessarily bring satisfactory results. Invoices, together with all the supporting documentation, should always be evaluated with expert eyes.

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**Materials used in cardiac and orthopaedic operations are purchased in bulk and hospitals don’t always provide invoices for such items, therefore a general knowledge of market prices is essential.**

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**Author**

Dr Ayçe Riley, general manager and medical supervisor of Euro-Center Istanbul, is a medical doctor, specialised in family medicine with an MSc in Community Health Services. Prior to joining Euro-Center in Istanbul, Ayçe worked in Botswana for six years as a programme co-ordinator for the Botswana National HIV/AIDS Programme. She has also spent eight years living and working in India, the UK and Vietnam. Ayçe and her family remember their expatriate times fondly.

*Supporting material provided from Euro-Center Thailand and Euro-Center USA/Payer Fusion.*
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"My wife and I, would like to express our appreciation and thanks from the bottom of our heart to **AIMS**, for the wonderful help and services given to us"

**P. Adams**
Panama has a very ‘international feel’, say visitors, thanks to the fact that there is a large expatriate population, and English is more widely spoken than in neighbouring countries. It has a vibrant economy — the fastest-growing in Latin America — and has doubled its GDP per capita over the past decade. Infrastructure is booming too — as well as the ambitious plan to double the capacity of the Panama Canal, Panama is investing in other major infrastructure projects such as new hospitals. International visitor numbers to Panama are rising, and in addition to regular tourists and business people, US pensioners are an increasing source market too — here, they are seeking, and have found, a cheap and beautiful retirement destination. What was once a small mountain village, Boquete has now been described as one of the world’s biggest overseas retirement communities. The Panamanian government has offered discounts to these retirees for all manner of products and services — from medical care to restaurant meals, and from prescription medicines to airline tickets — and it lets them pay in dollars, which they like. But, more importantly, American pensioners like the US-standard of terminal healthcare facilities that are staffed by US-trained English-speaking doctors.

“Panama is emerging as a medical mecca for cost containment in the Americas because of its location and the quality of medical care offered here”

No surprises
No wonder international patients are using Panama’s hospitals, says Shai Gold, managing partner and CEO of International Triage, which brings patients from all over the Caribbean to be treated in the country. “Panama is emerging as a medical mecca for cost containment in the
COST CONTAINMENT REVIEW 2013

and hospital Santo Tomas houses Central America’s largest trauma centre. Elsewhere in the country, a number of renowned medical facilities can be found in David, such as the Youngster & Maternal Wellness Hospital, which was donated to Panama by the authorities in Taiwan, the Jose Domingo de Obaldía hospital, and the Regional Rafael Hernandez hospital. Certainly, there are plenty of good hospitals elsewhere in the region — Panama’s neighbours Costa Rica and Columbia have great facilities, for instance. But the combination of good healthcare and strategic positioning is allowing Panama to distinguish itself as a destination for patients from abroad. Just two and a half hours from Miami, and with flights to dozens of US cities, Panama is easier for visitors to reach. Other countries in the region also have both geographical and bureaucratic restrictions that make them less likely to receive patients, such as problems with paperwork that can lead to delays that are either unacceptable or downright dangerous for patients. Pablo Castillo, CEO of Medbrick, a Canadian firm that specialises in healthcare in Latin America, says it can take several days to obtain official permission to land an air ambulance in Venezuela. In other countries, additional payments are required, he says, explaining: “Air ambulance companies need to ‘pay’ to speed up the process of obtaining the necessary paperwork to do the air ambulance service.” Xavier LeDoux, an expert in air evacuation around the Caribbean, agrees. Hospitals in Puerto Rico, he adds, routinely turn down admissions from abroad, even in life-threatening emergencies. Elsewhere, Colombia poses a particular geographical problem, as LeDoux explains: “Bogotá – where medical specialists are very efficient – is located at a significantly high altitude (2,800m/9,200ft) and this has proven prejudicial to some patients.” That’s why he and other air ambulance companies often transfer critically ill patients in need of urgent specialised care from...
As well as positive geographical positioning, Panama is also being actively marketed as a generic and cheaper alternative to the US for medical treatment, and patients from the Caribbean are frequently flown to Panama to make use of the better critical care facilities that can often be found in their home territory. Panama has good neurological, cardiac, burns, orthopaedic and oncology services that are lacking in many of the islands. And because it is significantly cheaper, Caribbean governments can afford to send their citizens there for treatment – US$100,000 can buy treatment in Panama that would cost you $400,000 in the US, says Gold.

Panama, as a country, is also quite attractive to the people of the Caribbean, as English is more widely spoken than in neighbouring Latin American countries, and people in the islands had relations who helped build the Panama Canal at the turn of the 20th Century.

The influx of international visitors is causing medical price inflation, however, say cost containment companies, and that’s why Panama is an increasingly important market for them. Certainly, hospital refurbishments and the recruitment of high-calibre physicians in the country would suggest that prices will continue to rise.

Medbrick’s Castillo says there are signs that prices are already going up too much: “We are noticing that billed charges for international insurance companies could become disproportionate compared to case rates for popular surgical procedures that are offered by local providers,” he says. “Hospitals in Panama are becoming more interested in getting international credentials such as the JCI, which (in a way) makes them feel entitled to increase their rates.”

Castillo reckons Panama could go the same way as destinations such as the Dominican Republic and Mexico, where prices have become exorbitant in tourist areas. “This is the main reason why an international payer should rely on the cost containment services of a company that is specialised in these markets and fully aware of standard local costs.” What doesn’t help the situation is that there tends to be fewer case managers within medical facilities, compared to in the US, and medical costs are generally not properly regulated, he further explains.

Some countries can also be lax in enforcing standard costs across medical products and services. Hospitals and physicians often have different price lists for different patients: international insured, international uninsured, local insured and local uninsured all pay different prices. That’s why cost containment is so important, says Gold of International Triage, which uses 12 medical directors in Panama to exercise Managed Care principles. He says: “Who is there to defend that payer? It takes soldiers in the field confirming that there is an appropriate care plan and that the price is consistent with local prices. That translates to effective and appropriate cost containment. So no medical corners are cut.”

**Mutual benefit**

While the benefits are obvious for international insurers, say cost containment companies, it is also in the interest of hospitals to co-operate with cost containers. Firstly, in agreeing to let cost containers exercise Managed Care principles in their dealings with them, the hospital can become part of an approved international hospital network. It has the additional benefit to the hospital of reducing the risk of treating international patients and not being paid, says Gold.
COST CONTAINMENT REVIEW 2013

Secondly, the hospital stands to get more business, says Verny Moya, managing partner at Redbridge Centroamérica. “The best way to approach cost containment in Panama is volume; otherwise there is no reason for them to do it,” he says. Importantly, high-volume business might mitigate the need for hospitals to charge higher prices. That is because many of the existing government insurance and domestic private plans are very cheap. They are similar to Medicaid in the US and are a hangover from the time the US controlled the Canal. Some hospitals are completely onboard. Hospital Punta Pacifica, for instance, says it has legal agreements directly with several international private insurance companies, brokers, TPAs and cost containment companies. Javier Contreras Cevallos, director general of the hospital, tells ITIJ: “All these [players] are welcome to Panamanian hospitals because they are bringing volume that otherwise we won’t have.”

Cost containment is also in the interest of the patient. Often, with the best of intentions, patients are treated for far longer than is necessary in sub-optimum facilities; for example, in more remote parts of Panama. Instead of being moved to better facilities under the supervision of a case manager, the patient does not receive the best treatment or outcome, and the bill becomes inflated too. For these reasons, hospitals in Panama are becoming more receptive to cost containment.

The big private hospitals in Panama City are good examples. It helps that many are affiliated to American institutions, which means they have become used to aspects of Managed Care techniques – from bill review and audits to negotiation of final rates. “The hospitals that are more open for negotiations are the ones that are used to dealing with international insurance companies (Punta Pacifica, San Fernando, Nacional),” confirms Medbrick’s Castillo.

But, other hospitals – usually outside of Panama City – can be quite reticent about dealing with cost containment companies. “Others are still conservative when discussing costs with companies like us,” says Castillo. “[Often], they do not want to deal [with us] at all, and they can even wait for months without following up with a claim submitted to the insurer.”

While many of the hospitals contacted by ITIJ were reticent when talking about cost containment, International Triage’s Gold says hospitals often shy away from signing up because most cost containment companies do not guarantee to pay up. Instead, the hospital is often issued with notice of benefit confirmation. Hospitals don’t like this, he says. “A hands-on Latin manager will not take [it] seriously. It is a promise to maybe pay! They don’t like to work with promises.”

What is clear is that some hospitals would prefer to work with the kind of companies that are listed at a local organisation that supervises the financial viability of insurance companies, called SuperIntendencia de Seguros. These hospitals might prefer to work directly with insurers, because they believe they get much larger volumes than working with cost containment companies.

In any case, the market for cost containment in Panama has grown in recent years, and the need to contain costs for international patients coming through the doors of Panamanian hospitals looks set to increase. With key players already positioning themselves within the market, the task now is to cast the net of cost containment wider throughout the country. Entering a new market takes time, wherever it is in the world. The benefits provided by Panama, however, make this an easier market in which to do business than some others; so while challenges remain, the global cost containment industry is using wealth of experience to rise to meet them.
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In recent times, there have been some surprising changes in the funeral industry. The first is that there are fewer deaths occurring. This is good news for us all, of course, with better health set to continue thanks to medical improvements, community awareness and a broader focus on ‘good living’. But, from an industry perspective, this means fewer funerals. However, at the same time, those in the business of international funeral direction are being kept busier than ever by a rising number of deaths abroad. Mobile workforces and an ever increasing wanderlust mean that around 200 million people live outside of their home country and international tourism figures now exceed one billion tourists each year. Resultantly, the number of repatriations involving mortal remains has increased, but so have costs for international repatriation specialists. How, then, are they managing to control these costs to reduce the impact on their customers and business partners?

Global challenges
With an increasing number of deaths occurring abroad, there has been a greater demand for specialists in the field of international repatriation. Funeral directors that offer their services on a global basis need a good knowledge of local and international procedures, good relationships with consular services of embassies, and good (multilingual) communication skills. But even experienced international repatriation specialists face emerging challenges in today’s changing world – and many of these come with their own price tag.

With family members extending their wings more than in past generations, and living far from their family nucleus, this often means that contact between family members is not as regular as it once was. When someone dies abroad, then, there is often a slight delay in either contacting the relatives back at home or in having the family, as a whole, being able to congregate to make the funeral arrangements. Similarly, delays occur due to a growth in multiculturalism, whereby past funeral traditions and customs are, in some cases, becoming less well known from generation to generation; so one of the challenges faced by the funeral director is assisting the family to make decisions that are culturally appropriate and that also satisfy this new generation’s desire to celebrate a life in a dignified and modern way. This enhanced consultancy role means additional time is taken to prepare suitable arrangements, but with the advent of modern forms of communication – such as email and Skype – costs related to trans-national communications is kept to a minimum.

The costs mount up though when, due to delays, a body has to be kept for additional time in storage.
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prior to transportation. Often, hospitals charge storage fees by the day, so these costs can be avoided, or reduced, if communication between the assistance company or insurer is timely, and arrangements can be made for the body to be picked up from storage as soon as possible. Needless to say, it is a great advantage if the funeral director, or its trusted local partner, has its own relevant infrastructure, i.e. mortuary and cooling facilities. In some remote areas, the necessary power requirements for refrigeration are not always available, however. In countries where the climate is particularly warm, this causes a particular problem, and in such circumstances, embalming would be a preferred option. Comprehensive embalming assists preservation, and means that a body can be kept at room temperature prior to a viewing or repatriation, but increasing costs are being seen in this area. The use of pure formaldehyde enables extreme preservation, but does have the side-effect of changing the colour of the deceased’s skin. Fortunately, modern embalming fluids do not have this effect, but they are more expensive.

Costs are also a consideration when deciding on the most cost effective way to repatriate mortal remains. Obviously, the repatriation of a body will cost more than the repatriation of ashes, and that’s just bearing in mind freight costs. Airlines require that coffins or caskets are lined with metal, while some countries have specific requirements as to the timber used to make the coffin, the types of fastening on the coffin, the thickness of the metal liner, and whether a judicial order is needed if the coffin is to be opened in the receiving country. International funeral directors who manufacture their own coffins can often offer cost savings in this regard, but the bureaucracy and administrative costs can also add up. Where cremation is the preferred or chosen option, additional costs are not completely out of the question. If the country in which the death has occurred does not offer cremation services, the body will need to fly to a neighbouring country where this process can be performed. And returning ashes to a home country is also subject to strong controls governing the identification of the remains – just like repatriation of a body for burial or cremation in the home land.

Where cremation is the preferred or chosen option, additional costs are not completely out of the question.

The role of the funeral director in all of this is to have an understanding of the wishes of the families they are serving and the professional knowledge to be able to carry out their wishes in an efficient manner. Couple all of this with the need to be caring, supportive, empathetic and trustworthy, and it makes for a very interesting and satisfying career. Maintaining and enhancing relationships with travel insurers and assistance companies is a vital part of a funeral and repatriation specialists’ business. Regular exchanges of ideas and trends are vital. This includes meeting at the annual International Travel Insurance Conference (ITIC), as well as engaging with other specialists in the field through the international federation of thanatologists (FIAT-IFTA).

The role of the international funeral director is forever changing and evolving, just as are the families and communities they serve. While we may not know what tomorrow will bring, one thing remains clear: by working with sound, reliable and experienced repatriation partners, who have global expertise and sound infrastructures – rather than unknown local agents or those who are not transparent with their processes, standards or costs – global travel and health insurers can ensure a smooth and cost-effective service for families in their greatest hour of need.

Author

Clive Allison is the fifth generation of his family to be in the funeral industry, and has been managing director of the family business, Allison Monkhouse, since 1988. He has implemented a number of global initiatives during this time, and is a keen philanthropist. Most notable have been his efforts during the tsunami disaster of 2004, when Clive personally organised and coordinated the repatriation of victims largely gratis; and during the Queensland flood disaster of 2010-2011.
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As global healthcare expenditures continue to soar, patients, payers and governments are looking to reduce the cost of care. With individuals and institutions alike searching for methods to curb this effect, medical management emerges as a viable – and arguably indispensable – step in the cost containment continuum. Dr Javier Saenz-Newland explains why...
Healthcare payers significantly reduce incurred expenses by monitoring length of stay (LOS), less acute levels of care, denials, repatriation transfers, specialist second opinions, audits, and out-of-network negotiation. Case management, one of the components utilised by medical management, focuses on discharge planning for post-acute care. The cost of inpatient utilisation is commonly cited as the largest driver of healthcare expenses. The objective here is to steer patients through the process smoothly, with an appropriate level of care provided at every step. For example, in my experience, knee arthroplasty admissions can be reduced from a two or three-day LOS to one, or even ambulatory care. This is easily achieved through early identification of potential patient needs, including medication management, pain management and wound management, as well as anticipated discharge destination and post-discharge procedure plans such as follow-up visits, diagnostic testing, and so forth.

Another strategy to significantly influence costs in the long term is increasing the generic utilisation rate for pharmaceuticals. Similarly, savings are achieved through better controls over expensive specialty drugs, implementing requirements for compliance in accordance with clinical guidelines. Furthermore, improving prior authorisation practices can reflect an even deeper impact on savings.

A case in point
As a physician specialising in medical management with an acute focus on cost containment, I witness countless examples of how medical theory translates into real-world savings. Consider the following cases:
- A transplant patient requires life-long, costly medication. The health plan’s case manager negotiated with three network vendors for the lowest possible price. The savings generated by the reduced rate are reported as cost savings. These savings allow for more effective use of benefit dollars, thereby meeting both the patient’s and the healthcare plan’s needs in the...
in operational processes. In addition, widespread health plans must be prepared to reduce variations in clinical care, while delivery. To begin this process, providers must be shifted across the spectrum of terminal healthcare. To leverage these benefits, a value strategy regardless of complexity.

A vital shift in current practices

Case management, one of the components utilised by medical management, focuses on discharge planning for post-acute care providers to be more actively involved in and accountable for the expense behind the treatments they prescribe. As provider organisations become increasingly aware of the benefits of medical management, health plans can expand their role to become more of a clinical information resource than a control point in care delivery. This relates to domestic health plans in the US, but medical management interventions can also be expanded to travel health plans/international private medical insurance plans. For example: a patient is receiving care in a country (for example in the US), and the international private medical insurer has information about the clinical outcomes and providers to be more actively involved in and accountable for the expense behind the treatments they prescribe. As provider organisations become increasingly aware of the benefits of medical management, health plans can expand their role to become more of a clinical information resource than a control point in care delivery. This relates to domestic health plans in the US, but medical management interventions can also be expanded to travel health plans/international private medical insurance plans. For example: a patient is receiving care in a country (for example in the US), and the international private medical insurer has information about the clinical outcomes and

Another strategy to significantly influence costs in the long term is increasing the generic utilisation rate for pharmaceuticals

Another patient, having suffered a transient ischemic attack, is making the transition from an acute care setting to a rehabilitation facility. The payer’s case manager recommended she return home with the support of home healthcare. Documentation presenting the case manager’s rationale ensured a safe and effective transition of care, and generated cost savings since timely intervention avoided the unnecessary use of resources.

Lastly, a patient with respiratory and heart failure has been receiving treatment that requires ventilator weaning and related treatments. In accordance with the patient’s requirements of care, as per their treatment plan, a case manager recommends the patient receive the same type of high-quality care with a less intensive level of service, such as a long-term acute care service. This resulted in a reduced LOS and a significant financial advantage. The patient continued treatment in an appropriate environment as dictated by medical need. This alternative is also useful for those patients exceeding benefits under their health plan, but who still require medical services as per their treatment plan. Some of the more advantageous and well-documented medical management approaches are illustrated above. As you can see, many different techniques are constantly in motion in order to achieve maximum savings. Each case is unique, requiring a customised and constantly evolving strategy regardless of complexity.

Implementing cost-controlling strategies

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Each case is unique, requiring a customised and constantly evolving strategy regardless of complexity.

industry-specific technology solutions and teams of clinical and administrative experts. Selecting a global partner with experience enables international healthcare payers to easily operate within healthcare systems around the world. Established claims management companies enhance clients’ global reach. This affords greater network access, reliable referrals, optimal discounts and access to alternative techniques to reduce costs. In addition, these specialised companies maintain 24/7 capabilities, meaning that regardless of inconsistent hours of operation, time zones or what hour an emergency occurs, they are able to assist.

Novel approaches like tele-consultation and concierge medicine combine many elements of medical management. By triaging when possible, health plans better control claims, and potentially outcomes. Physician house calls offer another unique way to provide value to the insured member, while simultaneously directing the claim. Sending physicians to homes, hotels and offices results in earlier intervention, steerage, and thus a cost reduction.

As evidenced, the proactive use of medical management increases patient satisfaction while significantly impacting the cost of care. By fostering open communication between the provider, patient, and payer, the best ‘case improvement impact’ can be achieved. Today, more than ever, payers and providers are reaching for strategic partners with an in-depth understanding of the synergies created through effective medical management. Supporting medical management practices, and the interaction among health plans and providers, improves communication, and ultimately outcomes – both clinical and financial.

Author

Javier Saenz-Newland, MD, director of clinical operations at Olympus Managed Health Care (OMHC), specialises in designing, implementing, and directing international claims management programmes. He has 14 years of experience working with insurance companies and administrators alike on domestic and international claims. Dr Newland provides claims management solutions with an aggressive focus on cost containment and is a pioneer in the business of international healthcare management in Mexico.
The importance of cost containment is generally tied to countries where there is some form of private healthcare, coupled with a significant volume of international travel and tourism. While it can certainly be claimed that cost containment should be emphasised in growing travel markets – Asia, India, and countries throughout Europe – the US has been, and is expected to remain, the focus of the medical cost containment industry.

The Mediterranean block (Spain, Greece, Cyprus, Turkey and Malta) a popular tourist area, is important for any assistance company operating in Western Europe as volumes continue to be high. Practices such as improper billing, cost inflating and over-treating are all common and without a robust cost containment strategy in place, costs can spiral if left unchecked.

It is a natural phenomenon that if 60 per cent of your claims expenditure arises out of the top five countries in a worldwide list of 174 countries where you have claims, then it is probably quite natural that the majority of your effort will go into focusing on those top five countries. These are often identified as the US, Hong Kong, Singapore, China, and Brazil. It is of the utmost importance, however, that the claims arising out of the other 169 countries are not ignored as they will eventually be the focus of tomorrow, especially if they are developing countries.

For our product, we have two regions – the US, due to the high cost of healthcare, and Asia, due to the popularity of the region for Australian travellers as well as a growing trend for elective surgery in the Asian region.
2. What are the three most valuable tools for any cost containment company today?

"Data and expert resources. A proper cost containment programme must be data driven to maximise impact, and have reporting to ensure ongoing improvements and innovation. Also, expert resource centres like medical reviews, coders, fraud, nurse auditors, medical peer reviews, and financial benchmarking are all necessary to do the job right. Anything less – you are just a guy with a rate sheet."

"Tools making it easier and more beneficial for consumers to call for medical assistance which allow for expeditious control of medical cases while circumventing unnecessary healthcare expenditures. This includes multiple access methods (e.g. toll-free line, Skype, chat, email) and having direct payment capabilities that reduce the likelihood of consumers paying out of pocket for covered expenses."

"Being able to deliver the discounts promised, good contacts, good communication with clients and providers. Technology is important but not as important as the end product – good, fair discounts."

WHAT THE INDUSTRY HAD TO SAY:

3. What have been the most significant trends affecting the global cost containment industry over the past 12 months?

Healthcare inflation and the use of technology were named most often in response to this question, as well as the increase in outbound travel from countries such as Brazil, Russia, India and China. Healthcare inflation is a fact of life that is worrying for all insurers and cost containment companies, mostly because it is something that cannot be controlled – it just has to be allowed for and the damage minimised. General technological improvements, it was noted, aid communication with consumers and providers alike, as well as supporting effective and improved claims management practices. Consolidation of US PPOs, including their acquisition by US HMOs, was also mentioned by several respondents, with many noting that although the impact has yet to be felt, the change in ownership cannot help but make insurers consider the long-term implications – will PPOs owned by competitive insurers use them as a source of revenue, or just cut off the competition? Improper billing and/or fraudulent activities by insureds and medical providers was a bigger issue for some providers than it was for others, with one respondent pointing out that even though fraud levels are rising, better information sharing between insurers is allowing for more fraud to be identified. The increasing number of collection agencies operating in the marketplace is of concern, though, according to many respondents, with the activity of such companies sharply increasing in response to payment abuses that the hospitals have been suffering. Allegedly, many hospitals are now automatically referring international patient accounts to these collection agencies.

"Inflation in most regions continues to be significant, with above-average increases being applied in many healthcare sectors. In response to this, there has been a trend of agreeing flat fees in some circumstances. There can never be a blanket response to such issues, but with the appropriate market knowledge, such measures can provide underwriters with cost-effective solutions."

"The economic crisis in countries including Greece and Spain has resulted in more medical providers appointing collection agencies to attempt to recover money on invoices, which are often grossly inflated."

"Technological advancements are offering broader access to worldwide healthcare providers and improved response times from cost containment companies. In the last 12 months, notable advancements have been made in worldwide healthcare provider search capabilities that involve smart phones, chat, and web-based applications."
The overwhelming response to this question showed how the industry is changing, with many respondents pointing out that it is no longer enough to simply buy a discount on a hospital bill after the event – instead, cost containment companies must be able to manage and mitigate claims costs through multiple mechanisms in multiple jurisdictions. Cost containment is no longer an afterthought – in fact, many survey respondents said that it needs to be built into a travel insurance plan’s design, with differential benefits based on travel regions. The importance of being proactive was also noted – cost containment companies are now informing providers before the start of treatment about the cover provided by the patient’s insurance policy, as well as what it expects from the provider, making them accountable for any over-utilisation that occurs. The importance of information sharing was also mentioned by several respondents – with the ongoing evolution of the marketplace, cost containers need to evolve with it, and share their information with clients so that they can all move forward together. Other key business differentiators identified by the survey include: customised services, flexibility, good contacts, good communication, and not over-selling what you can deliver.

Perhaps no great surprises here – the US is still at the top of many peoples’ lists, although other key economic markets that cost containers need to keep in their sights are Brazil, Russia, India, and China (BRIC), thanks to the new business opportunities and the opening of tourism markets that were not previously marketed or easily accessible. Interestingly, one respondent to the survey also pointed out the importance of cost containment in destinations that have seen an influx from the BRIC countries – regarding Brazil, this could be the US; while there are significant numbers of Russians visiting the Middle East and Turkey, as well as the Orthodox Church countries such as Greece and Cyprus; and Chinese tourists tend to head for historical cultural destinations such as Rome, Istanbul and Paris.

“An insurer conducting their business in such a way that their insured clients are welcomed to attend any given facility. This means that while a cost containment company may be able to guarantee their discount, the manner in which the discount was achieved (eg, badgering, false information on policy limits, threats of malpractice and litigation) may be so questionable that the next time an insured member goes into a hospital bearing the same underwritten insurance policy, a substantial deposit is taken up front from the patient because of the listed modus operandi for settlement.”
“Technology and staff focused on increasing access, administrative efficiencies, and appropriateness of care are the most important differentiators. This is accomplished by companies that combine global scale with local capabilities. In today’s environment, providing a combination of physician telephonic consultation, physician house visits and other in-network referrals is a key differentiator that not only provides consumers with peace of mind, but also creates a value-added solution.”

“We employ a blend of hand-picked partners in strategic locations across the world, together with our own direct arrangements. We draw upon the expertise of our in-house medical management team, linguists, state-of-the-art billing software and many years of cost containment knowledge.”

“From a UK perspective, the US and Mediterranean zones will remain the major cost centres as they will continue to be the most common tourist destinations for Western travellers. Beyond these key areas, we expect to see continued growth in Southeast Asia, Russia and Africa as they become increasingly accessible to the Western world.”

“Assistance companies, like cost containers, seek to position themselves close to their market – i.e., their customers. Thus they will locate themselves in relatively close proximity to insurers currently in Europe and the US, but increasingly in developing countries where regulation dictates that insurers base themselves.”

“Where we appoint or work with any third party cost containment company, our key considerations are: transparency of the organisation and transparency of the figures/net results; ensuring that our business and our customers are not in any way compromised by the methods used by cost containment companies; and integrity – ensuring that the practices and methods used to achieve results are legal, proper and consistent.”

With thanks to all of the ITIJ subscribers who took part in this survey.

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ITIJ spoke to Philip Brun, vice-president of Cross Border Solutions for UnitedHealthcare International, about his experience in the healthcare industry.

Where were you born, where were you educated, and where do you live now?
I was born in Coulsdon, Surrey, in the UK. I went to Epsom College and then Southampton University. I currently live in the US – in Miami, Florida, with my wife and two daughters.

How and when did you begin your career in international healthcare delivery? How did you progress to your current role?
My first job coming out of university was in international healthcare and, with the exception of a couple of brief stints as a trout farm owner and chef, I have been in the industry ever since. After leaving university, I worked in the operations centre of a 24/7 medical assistance company in London, which was an amazing experience. In the early 90s we launched an expat product built around the assistance company, and I led the sales and product areas for this. About 16 years ago, I moved to the US and spent six years working in domestic US healthcare, both in sales and product development, for large employer groups. As I wanted to get back in the international space, I started working for Hygeia Corporation, which was later acquired by UnitedHealth Group. I have been fortunate enough to be able to work in the same organisation and up through the ranks for the past 10 years.

As vice-president of Cross Border Solutions, what does your role involve on a day-to-day basis?
The business we are in has changed dramatically over the past 10 to 15 years. In the early days, the US cost containment industry provided a fairly basic and reactive service centred around networks and discounts. More recently, the requirements of firms with US healthcare risk have become more complex, and the services needed to meet those requirements more sophisticated. In my role, that means continuously digging deeper into the assets and capabilities of UnitedHealth Group, our parent company, to leverage all the tools that we use domestically to ensure that our international clients get the best available care at the lowest cost. As a result of this, I have the responsibility to then ensure that we can match the unique needs of each client with the appropriate spectrum of services that our company offers. The reason for coming to the US, the length of time one stays here, and the type of treatment needed vary considerably, and for that reason there is no ‘one size fits all’.

Any insurer – or any other entity, for that matter – with claims exposure in the US needs to know that they will have consistent and predictable outcomes in a market that can be costly and complex if not approached correctly.

*or is that the Palace of Versailles, France?
The key for an international payer is to be absolutely clear on how they are accessing the US healthcare system, what the network requirements are, and how they can get the lowest net cost.
Although travel insurance is designed to cover a host of eventualities for holidaymakers, the main issue – and potentially the most expensive – is covering the costs of medical treatment in the event of illness or injury abroad. Statistics from the Association of British Insurers (ABI) show that, last year, medical claims amounted to more than half the cost (56 per cent) of travel insurance claims – an increase of almost one quarter (23 per cent) in the space of eight years. The average bill for a medical claim in 2012 was £900 – £200 higher than the next type of claim reported (cancellations) and nearly 50 per cent more than in 2004, not including the logistical costs of repatriating claimants where necessary.

A travel policy can have over 20 different sections of cover, providing insurance for cancellation of the holiday, a medical emergency while away, or something as simple as a lost passport. The coverage is possibly one of the widest in the insurance market and delivers a lot for a relatively low premium. Insurance premiums can be less than £10 for single trip insurance, and at this price point, it can be challenging for insurers to provide the level of cover required.

Clearly, the mounting cost of medical claims – as shown in the ABI’s figures – are of concern to insurers. But when it comes to containing those costs, it’s about having the right claims infrastructure in place to deliver on the insurance promise and treat customers fairly, while retaining a reasonable level of control of how the service is provided and how much it will cost.

**Fit for purpose**

Policy wordings are the legal contract between the customer and the insurer to confirm the coverage provided by the insurance policy purchased. The key is to ensure that policy wordings are transparent and easy to understand. It is essential that customers do not see policy wordings as an opportunity for the insurer to decline a claim but, in fact, for the insurer to provide clarity about the level – and the limitations – of insurance cover provided. Insurers need to make an underwriting profit, but should not be doing so by using policy wording to their advantage, such as seeking to avoid cover based on technicalities.

For example, last year, the travel division of UK consumer group Which? criticised some travel insurers for using alleged ‘get-out’ clauses to change the terms of their policies after being sold. Which? claimed the situation had arisen despite the Financial Ombudsman Service ruling it unfair for insurers to exclude cover when a person developed a new illness between the purchase of the policy and start of the trip.

There are examples of where policy wordings can offer clear advice to the customer while helping to mitigate the insurer’s costs:

- There is a requirement for all customers who have a medical claim to contact their assistance company, regardless of the value of the claim. This means the assistance company can try to contain costs and agree fees with the medical institution, which is not possible if the customer pays the cost directly.
- With the management of medical costs for outpatients, insurers may direct policyholders to a trusted local cost containment company that can manage the entire medical case. For example, UK General policy wordings typically instruct all clinics and customers to send outpatient cases in Greece and the Eastern Mediterranean to local travel and medical cost containment company HealthWatch. This organisation offers a combined package of case management, bill processing and cost containment as part of a set fee. Its team will have visited all the clinics and doctors in the main tourist resorts (and more) to agree rates with them, while also vetting them very carefully to ensure they are licensed and...
complying with the rates before every season.

- Insurers can also inform customers of the need to use their European Health Insurance Card (EHIC) when travelling in European Economic Area countries and Switzerland; and, when travelling to Australia, they can instruct policyholders to register with Medicare in order to get free emergency treatment. The assistance company will retrospectively apply for EHICs and ask customers to register with Medicare, if applicable.
- In addition, insurers could schedule a regular process of reviewing claims and complaints where customers have raised concerns that policy wordings are unclear or confusing. Consequently, the insurer can then make changes to their wordings to address the issue.

The key imperative is to be clear what the customer has bought and show that it fits their requirements. The retailer has a duty to deliver a ‘fit for purpose’ product that has been carefully considered. An important part of containing travel insurance costs is, first and foremost, about the customer understanding thoroughly what they are buying and the onus placed on them to recognise and comply with the policy wordings. Though it should be, reading the small print isn’t always in the mind of the buyer; that’s why insurers supply policy summaries to make it easier for them to access the key benefits and exclusions of their cover. In doing so, the insurer is being transparent about the policy coverage to give the customer a clear understanding of any exclusions before a claim is submitted.

Karen Beales is managing director of schemes for UK General Insurance. Since 1986, Karen has had extensive experience of working as an underwriter and broker in both commercial and personal lines products, with General Accident plc and then Wilby Insurance Brokers Limited, where she became a director in 1996. Karen joined the group in 2002 as the underwriting manager and is now responsible for UK General’s extensive schemes portfolio.
Providers of international medical insurance have to ensure their clients are treated in a timely and quality manner at the right price. Paul Weigall details the most important cost control measures that can be implemented by IPMI providers.

The cost of delivering top quality international private medical insurance (IPMI) continues to rise year on year. Many insurers absorb cost increases, but inevitably, to a degree, these increases make their way through to policyholders as increased premiums. InterGlobal is of the opinion that the level of premium inflation seen in recent years is not sustainable in the long term, and that the insurance industry has a responsibility to control costs to ensure that cover remains affordable to policyholders. Like many insurers, we have already put robust cost control measures in place and believe that these are having a real and lasting impact on reducing premium inflation.

Behind the scenes
There isn’t a single reason for IPMI premium inflation; instead, the factors are varied:

- Claims costs are increasing, driven by ever more research and development, improved procedures, increasing hospital and medication costs and greater life expectancy, not to mention the impact of issues such as obesity, excessive alcohol consumption and more stressful lifestyles.
- Insurers are also seeing an increase in the cost of fraud, which is ultimately reflected in premiums. This isn’t just from members exaggerating the cost of treatment, but also from medical providers overcharging for services or over-treating patients.
- At an operational level, insurers are experiencing cost pressures. These include the costs of business acquisition and remuneration for introducers, as well as the cost of delivering services worldwide. Insurers are commercial organisations and also need to factor in costs such as the funding of risk capital and the cost of prudent and effective reinsurance.

Managing claims costs
Insurers are working hard to ensure that they are paying the most competitive possible price for medical treatment from medical providers, without compromising the quality of care for their members. Prices can vary widely, even within a single jurisdiction, depending on the approach and business model adopted by the provider. Using carefully selected medical providers, based on quality of care and their record for good clinical outcomes, enables insurance providers to deliver a more cost-effective service to their members. It’s also worth noting that the most expensive is not necessarily the best – particularly in emerging economies. Some expensive Western-style hospitals have a stranglehold on advertising and marketing budgets, but their prices are high and their clinical outcomes are not always the best. Indeed, there are examples of poor quality outcomes from very expensive medical facilities. For the insurer, the key to managing cost is to build a real understanding of which hospitals and clinics deliver the most cost-effective, high-quality outcomes and to point members in their direction.

Insurers also manage costs by negotiating agreed rates with healthcare providers. Clearly, in a global business with hundreds and thousands of medical providers, it is not possible for an insurer to reach pricing agreements with everyone. In each region, however, there will be one or two major hospitals and clinics that are frequently used by IPMI providers where set prices can be agreed. It is not uncommon, though, for policyholders to use the medical evacuation services.
benefit in their cover to travel to an alternative jurisdiction for treatment. For example, many expatriates in Malaysia fly to Singapore for what they perceive as a better standard of care. In fact, for less serious treatments, an equivalent standard of care can usually be found locally at a lower cost, and insurers need to be alert to inappropriate evacuations pushing up the cost of claims. In all cases, however, the overriding decision on location of treatment must be made on medical, and not cost, grounds.

Client’s role
Education of individual and corporate clients also has an important role to play in successful cost containment. Policyholders need to know exactly what benefits their cover entitles them to, and which treatment centres they can access. Premiums for larger groups purchasing IPMI are usually directly linked to an employer’s claims record, and a poor claims record can mean high and potentially escalating premiums, so employers can contribute to reducing costs by eliminating unnecessary or frivolous claims by their staff. Every employer will have their own approach to managing the medical claims process. The key is not to stop staff making a claim when it is necessary, but to ensure that only necessary treatments and benefits are utilised at reasonable costs. Employers should be aware that in many countries, medical facilities are highly commercial operations – they make more money if they can treat an employee as an inpatient rather than a day patient, and they can also make more money by performing several extra tests, where one would suffice. It is, of course, a tricky balance for employers, as they do not want to appear mean, or to give the impression that they are putting money before their employees’ healthcare needs. However, developing a culture of cost containment and keeping an open mind to the potential of over-treatment by some medical providers will work wonders for managing costs.

A longer-term strategy for employers is to encourage healthier living by their employees through better diet, exercise and stress-reduction tactics. Many insurers play a role in encouraging wellness by including an allowance for annual health checks in plan benefits. Plan members generally value wellness benefits, but the jury is out among insurers about the extent to which wellness benefits deliver premium savings, due to the cost of delivering the benefit in the first place.

Reducing fraud
Sadly, a proportion of the cost of rising premiums is caused by fraudulent claims made by a handful of individuals and medical providers. The cost of fraud impacts every single member of an IPMI plan, and thus insurers are taking increasingly tough action to stamp it out. Some UK-based IPMI providers are members of the Health Insurance Counter Fraud Group and are working together to combat fraudulent claims. The global dimension of IPMI makes combating healthcare fraud even more of a challenge than it is for domestic insurers. Not only do insurers need to identify potentially fraudulent claims by policyholders and providers, they also have to work across different time zones, in multiple languages, and at times in jurisdictions that are suffering wars and conflicts. Fraud by individual members of schemes vary, but some of the most common activities include failing to disclose previous medical history, claiming for treatment in respect of a pre-existing condition during a moratorium period, claiming for treatments or services not provided, or using somebody else’s insurance to obtain treatments or services. Insurers also see incidences of invoices altered by members, often crudely, to inflate the cost of a claim. Insurers are also alert to the dubious practices of a limited number of providers. These include billing for treatments that have not actually been performed, falsifying diagnosis or conducting unnecessary treatments or procedures. Another underhand approach is to bill each stage of a single procedure separately in order to maximise revenue, or billing for a more complex version of the treatment or service actually provided. There have even been some cases of clinics billing for the same procedure more than once.

One of the best ways to reduce overcharging by healthcare providers is to educate members about checking their bills carefully. It is quite common for hospitals to present a schedule to members at the end of a treatment period and to ask them to sign to confirm that the treatments have been received. Unsurprisingly, most members take the schedule at face value, whereas asking a few questions can often reveal mistakes — or on occasions deliberate misrepresentation.

Insurers are working hard to reduce the incidence of fraud by introducing strict controls to prevent, detect and investigate fraud as well as recovering payments whenever possible. Insurers are also reporting perpetrators to the appropriate authorities and bringing those responsible to justice whenever they have sufficient evidence of deliberate fraud. Insurers need to develop a robust anti-fraud culture across their businesses, whether that is a dedicated in-house team, or a third party specialist.

Duty to policyholders
Top quality IPMI provides essential protection to expatriates and internationally mobile people. Without effective cover, they and their families would be exposed to the risk of being unable to access medical treatment when needed. Across the industry, insurers are aware of the importance of delivering a cost-effective, high-quality product and are increasingly focusing resources on cost containment in order to ensure that premiums remain affordable for policyholders.

Author
Paul Weigall is sales and marketing director for InterGlobal, a provider of international private medical insurance. Paul has worked for InterGlobal since 2009, and now has overall responsibility for the worldwide sales, distribution and marketing of the company’s group, individual and schools products.
A tongue-in-cheek look at some of the most common cost containment terms used by the industry

**ACTUARY**
An individual, often holding a professional designation – for example, Fellow of the Casualty Actuarial Society (FCAS) – who computes statistics relating to insurance, typically estimating loss reserves and developing premium rates. The maths geeks that were made fun of in school and are now in control of formulating policies to minimise the cost of your risk. Look who’s laughing now!

**BALANCE BILLING**
The practice of billing patients for the portion of medical bills that the employer or insurer say they are not obliged to pay, i.e. billing for the difference between rate card and agreed discount prices. The last resort for hospitals fed up of negotiating with insurers and their TPAs? Highly embarrassing for the insurer and an unpleasant shock for the patient.

**CATASTROPHIC LOSS**
Loss in excess of the working layer, usually of such magnitude as to be difficult to predict and therefore rarely self-insured or retained. Nightmare scenario – the premature baby born in the US while mother is on holiday – where the costs just keep on mounting.

**COST CONTAINMENT**
Restraining expenditures to meet organisational or project financial targets. 
The saviour of the ‘bottom line’ (see ‘How deep are your pockets?’)

**DEFENSIVE MEDICINE**
Diagnostic or therapeutic measures conducted primarily as a safeguard against possible malpractice liability. What US doctors commonly do to avoid getting sued for not testing something that was completely irrelevant to the symptoms presented by the patient.

**DRG**
A diagnosis-related group is a system to classify hospital cases into one of over 400 groups. This system of classification was developed as a collaborative project by Robert B Fetter, PhD, of the Yale School of Management, and John D Thompson, MPH, of the Yale School of Public Health. How to control costs and blame someone else.

**AUDIT**
A systematic and independent examination of data, statements, records, operations and performances of an enterprise for a stated purpose. An incredibly detailed analysis of very boring information and statistics, but very much worth the effort when attempting to contain costs. Do you?

**EMERGENCY ROOM**
A hospital room or area staffed and equipped for the reception and treatment of persons with conditions (illness or trauma) requiring immediate medical care. The most expensive way possible to treat a traveller in need of medical attention.
COST CONTAINMENT REVIEW 2013

**FFS**
Fee-for-service is a payment model where services are unbundled and paid for separately. Currently making travel and health insurers more than a little hot under the collar. Also, what insurers shout when they get the bill for emergency medical treatment: “For f**k’s sake!”

**HEALTHCARE INFLATION**
The rise in the (global) cost of healthcare. The thorn in the side of cost containers from Honolulu to Ho Chi Minh City.

**MEDICAL PROVIDER**
A provider of medical services, such as a hospital or clinic. Partner or opponent? In any case, be wary of taking the advice of tour operators or taxi drivers when seeking one.

**OVER-TREATMENT**
Medical services that are provided with a higher volume or cost than is appropriate. See also ‘Defensive medicine.’

**IMPROPER BILLING**
Including, but not limited to, any practice – direct or indirect – that is inconsistent with sound or established fiscal, business, insurance, or medical practices that results in unnecessary cost to a payor. Nice try! Can be tedious to uncover, but cost containers worth their salt will sniff such practices out. Medical providers — you have been warned!

**MANAGED CARE**
A broad term for a comprehensive approach to healthcare delivery that provides care to enrollees, usually on a capitated basis; co-ordinates care to ensure appropriate use of services; and monitors and measures provider performance to control costs or improve care. Depends on who you talk to — either the saviour of healthcare or the root of all evil. When referring to the medical case management of those with travel or IPMI insurance, the silver bullet in a cost container’s armoury.

**PPO**
A Preferred Provider Organisation is a managed care organisation of medical doctors, hospitals and other healthcare providers that have contracted with an insurer or third party administrator to provide healthcare at reduced rates to the insurer’s or administrator’s clients. A way to obtain discounts on US hospital care that International Insurers may or may not actually be entitled to. Soon to be put on the endangered species list?

**STICKER SHOCK**
Dismay, shock or fright upon learning the high or increased price of a product. A term often used when referring to healthcare costs in the US.
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