

The fallout from upcoding

While hospitals offload costs to counter chronic underfunding, plan sponsors are increasingly picking up the tab for expensive drugs and services.

By Anna Sharratt



AT A RECENT MEETING IN TORONTO TO DISCUSS THE PROBLEM of hospitals offloading costs onto plan sponsors, an employer stood up and asked a question many plan sponsors want answered. What could he do to curb the costs of chemotherapy drugs on the company drug plan? Now that three of his staff are cancer outpatients, the bills for their treatment total \$15,000.

The question highlights an important issue. In this era of healthcare underfunding, the issue of hospitals upcoding, or pushing a growing number of drug costs and services onto plan sponsors' shoulders, has reached a turning point.

Homecare fees and expensive drugs formerly administered only in hospitals are now routinely offloaded.

Patients with private coverage are being asked to bring maintenance medication with them for elective treatments. Room rates are rising. And people are being discharged sooner, forcing them to bill their plans for homecare. The costs for plan sponsors are escalating.

"As plan sponsors, we're seeing large increases in health plan spending," says Ian Whitmore, benefits advisor for Imperial Oil in Toronto. "We're seeing private plans bearing a higher increase of total health spending in this country."

Jeff Schmidt, senior vice-president of Aon Consulting in Toronto, says drugs are the primary area of concern for plan sponsors. He says medications such as cancer drugs and Remicaid—a new rheumatoid arthritis drug which can cost up to \$27,000 a year per patient—are two of the big hitters. "The hospitals should be covering those but they don't always. Big plans don't really have the financial resources to pay for such an expense."

Rising semi-private room rates are another concern. According to Greenshield Canada, the average rate for a semi-private room in Ontario—arguably the most expensive province—is \$225 a night. "Income generation really comes into the whole area of preferred accommodation," says Janice Finlay, Greenshield's supervisor of benefit utilization analy-

sis in Grimsby, Ont.

Issues such as drug cost offloading and higher hospital room rates have prompted the creation of the Canadian Health Care Anti-Fraud Association, which aims to curb fraudulent healthcare practices. It is preparing a white paper on the offloading issue and plans to lobby the Ontario provincial government to tighten legislation governing what hospitals can bill for.

To date, that process has not yielded much. "We tried to set up a meeting with senior hospital officials in March last year," says Mary-Lou Oakes, director of investigative services at Sun Life Financial. "Two days before the meeting, they walked away from the table."

HOSPITALS UNDER PRESSURE

Plan sponsors acknowledge that hospitals are not entirely to blame. With numerous government cutbacks to their budgets, hospitals are merely trying to stay afloat. "This is not a money grab," says Schmidt. "They don't have enough money and they're doing this because they have to cut back somewhere."

This necessitates coping strategies. Dialogue with legislators is certainly one method. Another is employee education. "The employee bears a large part of the responsibility," says Whitmore. "When they get a bill from a hospital, they automatically need to check it to make sure it's accurate. That's the primary line of defense."

Other lines of defense for plan sponsors include:

- Engage employees in spending decisions to ensure established coverage parameters are met.
- Set guidelines stipulating which drugs need prior approval to be covered.
- Design a plan with cost-management features.
- Make hospitals aware that their practices are being tracked. Pressure your insurer to engage in a dialogue with hospitals about altering billing practices.

With no details available from the federal government on future hospital funding, plan sponsors will have to look increasingly to themselves for ways of dealing with upcoding.

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