Medical Claims Management

[BRIEFING]

ODS: The most powerful claims management tool that you're not using

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Organized Delivery Systems (ODS) represent a strategic opportunity for New Jersey auto insurance carriers

New Jersey auto insurance regulations contain language that empowers insurance carriers to reduce medical costs for both their organizations and their policyholders. By understanding the regulations governing Organized Delivery Systems (ODS) and applying them to encourage policyholders to select ODS-affiliated medical care providers, auto insurance carriers can take advantage of a powerful cost-saving opportunity.

What is an Organized Delivery System?

According to the NJ Department of Banking and Insurance, an Organized Delivery System (ODS) is a legal entity that contracts with a carrier for the purpose of providing or arranging for the provision of health care services to those persons covered under a carrier's health benefits plan (but which is not a licensed health care facility or other health care provider.)

Examples of ODS entities include preferred provider organizations (PPOs), Physician Hospital Organizations (PHOs) and Independent Practice Associations (IPAs). In order to contract with a carrier, an ODS must become licensed or certified.

Under ODS rules, an insurer is permitted to file policy language that waives the co-payment and deductible when the insured receives medical treatment from a provider that is part of an ODS contracted with the insurer or its PIP vendor.

This represents a win-win scenario for the insurer and the policyholder. The policyholder saves on his or her deductible and co-payment by choosing an ODS network provider. However,

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participation is entirely voluntary. The insured cannot be required to use the ODS providers or facilities either at issuance of the policy or when the claim is made.

Since there is no penalty for choosing an out-of-network provider, the insured can select an out-of-network provider at any time during the treatment and the standard co-pay and deductible would then apply.

For the insurance carrier, this represents a strong opportunity to reduce claims costs since in-network cost savings outweigh the costs of waiving the deductible and co-payment. Tables I and II illustrate the potential cost savings of a 20 percent and 80 percent PPO increase to both the insurance carrier and the policyholder.

Evaluating and projecting impact

Insurance carriers seeking to implement an ODS Option can apply data from closed and inactive claims to the current PPO discount to project the impact to carrier and insured medical costs.

Table I: ODS SOLUTION - 20% PPO INCREASE

Bill #	In network	Charge	Amount Due	Ded	Co-pay	Carrier Paid	Patient Paid
1	Y	$2,000	$800	$ -	$ -	$800	$ -
2	Y	$2,000	$800	$ -	$ -	$800	$ -
3	Y	$2,000	$800	$ -	$ -	$800	$ -
4	N	$2,000	$1,000	$250	$150	$600	$400
5	N	$2,000	$1,000	$ -	$200	$800	$200
6	N	$2,000	$1,000	$ -	$200	$800	$200
7	N	$2,000	$1,000	$ -	$200	$800	$200
8	N	$2,000	$1,000	$ -	$200	$800	$200
9	N	$2,000	$1,000	$ -	$ -	$1,000	$ -
10	N	$2,000	$1,000	$ -	$ -	$1,000	$ -
11	N	$2,000	$1,000	$ -	$ -	$1,000	$ -
Totals		$22,000	$10,400	$250	$950	$9,200	$1,200
Original		$22,000	$10,800	$250	$950	$9,600	$1,200
Changes		$0.00	$400	$0	$0	$400	$0

Table II: ODS SOLUTION - 80% PPO INCREASE

Bill #	In network	Charge	Amount Due	Ded	Co-pay	Carrier Paid	Patient Paid
1	Y	$2,000	$800	$ -	$ -	$800	$ -
2	Y	$2,000	$800	$ -	$ -	$800	$ -
3	Y	$2,000	$800	$ -	$ -	$800	$ -
4	Y	$2,000	$800	$ -	$ -	$800	$ -
5	Y	$2,000	$800	$ -	$ -	$800	$ -
6	Y	$2,000	$800	$ -	$ -	$800	$ -
7	Y	$2,000	$800	$ -	$ -	$800	$ -
8	Y	$2,000	$800	$ -	$ -	$800	$ -
9	Y	$2,000	$800	$ -	$ -	$800	$ -
10	N	$2,000	$1,000	$250	$150	$600	$400
11	N	$2,000	$1,000	$ -	$200	$800	$200
Totals		$22,000	$9,200	$250	$350	$8,600	$600
Original		$22,000	$10,800	$250	$950	$9,600	$1,200
Changes		$0	$1,600	$0	$600	$1,000	$600

Approach to filing policy language

To meet the requirements for implementing an ODS option, the insurer must file policy language that waives the co-payment and deductible. The insurer must also comply with rules for informing the insured about physicians and facilities in any ODS with which it has a contract. Determining methods for making the ODS information available should be part of any implementation plan.

Communication requirements

Upon receipt of notification of a claim, the insurer or its PIP vendor must make available to the insured information about physicians and facilities in any ODS with which it has a contract.

The information must include a notice that the insured is not required to use the providers or facilities of an ODS with which the insurer or its PIP vendor has contracted. It must also state that if the insured chooses to receive covered services from such providers or facilities, the deductible and co-payments would not apply.

The information must also indicate that the insured may seek treatment from providers and facilities that are not part of an ODS with which the insurer or its PIP vendor has contracted, in which case the deductible and co-payments would apply.

The actual ODS access fee or 25 percent of the reduction in charges resulting from the use of the ODS provider, whichever is less, may be included within the policy limits for any single bill from an in-network provider in the ODS with billed charges of $10,000 or more.

For further detail, download the Craig Goldstein ICNJ Presentation www.csg-inc.net/University.asp

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