

AMA: Regulate network adequacy to stop surprise medical bills

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Policies aimed at addressing unanticipated out-of-network care—often called surprise billing—should not put patients in the middle of payment negotiations or reward payers whose inadequate, narrow provider networks are a primary driver of the problem.

That was the key message from AMA Trustee S. Bobby Mukkamala, MD, at today's House Ways and Means Health Subcommittee hearing on surprise medical bills.

"The AMA has long been concerned about gaps in out-of-network coverage and is committed to working on solutions to protect patients from the financial impact of 'surprise' coverage gaps," said Dr. Mukkamala, a board-certified otolaryngologist—head-and-neck surgeon who practices in Flint, Michigan.

Congressional action on the issue should protect patients, ensure that payer provider networks are adequate, establish fair payment for physicians, and increase transparency, Dr. Mukkamala said.

Doctors want to be included in health-plan networks, but they want to do so on the basis of fair contracts, he added. Most health insurance markets are highly concentrated, and 57% of physicians work in practices of 10 or fewer physicians. Those factors combine to leave physicians in a weak negotiating position with large commercial health insurers, Dr. Mukkamala said.

Network adequacy requirements are a key part of the successful approach to surprise billing in New York state. The Empire State's legislation has led to a dramatic fall in consumer complaints, according to a report—"New York's 2014 Law to Protect Consumers from Surprise Out-of-Network Bills Mostly Working as Intended: Results of a Case Study"—issued by Georgetown University's Center on Health Insurance Reforms.

Bring insurers to the bargaining table

Dr. Mukkamala urged Congress to avoid purported fixes that set minimum pay benchmarks based on Medicare rates or payers' in-network rates.

The in-network rates “are negotiated by physicians and plans during the contracting process and fees are discounted in exchange for contracted benefits,” Dr. Mukkamala told the committee. “Those companies that didn’t sit down to negotiate should not benefit from skipping that step.”

Using discounted rates for out-of-network care would likely lead health plans to “quickly drop physicians from their networks knowing they could use our services for less when we are outside their network,” he added.

Pay benchmarks should be based on data from independent sources, Dr. Mukkamala said. In the past, flawed and conflicted insurer-controlled databases have been used to set benchmarks for pay rates.

Another potential way to resolve unanticipated out-of-network billing disputes would be a binding arbitration process. But the arbitrators should be required to have expertise in the health care system and medical billing, and they should refer to charges for the service in the same area as reported by an independent database.

Market-related factors such as the complexity of the patient’s condition, comorbidities and the expertise required to provide the medical service should also be considered as part of a potential arbitration model, Dr. Mukkamala said in written remarks provided to the committee.

The AMA also encourages more oversight of payers’ provider directories to ensure they are transparent and up to date. That can help patients figure out which physicians are in-network as they purchase or switch plans, and also determine which physicians will continue to be in-network as their medical needs change. Better directories also help physicians make in-network referrals for their patients.

In April, AMA Executive Vice President and CEO James L. Madara, MD, sent a letter to House Ways and Means leadership outlining the Association’s vision for addressing surprise billing.

Earlier this month, an op-ed in *The Hill* by AMA President Barbara L. McAneny, MD, offered further insight and said “the insurance industry must own up to its role in springing these surprises” on patients.

Learn more about the six ways insurers drive the surprise-billing phenomenon.