



Best Practices Series

Preferred Provider Organization Audits



In the past decade health insurance costs have escalated at unprecedented rates, and have been particularly burdensome during these recent difficult economic times. Successful firms are employing a cohesive team and infrastructure to address the strategic, financial, operational, and hazard risks that they face, including audits of Preferred Provider Organizations (PPO) and other Health Maintenance Organizations.

Recent Findings

In several recent studies that we have conducted, most health plan decision-making and strategies are now being developed in the “C-Suite”, not just Human Resources. The senior management (with full Board of Director approval) of an organization is required to ensure cost containment or reduction in all offered programs, with the most important of these being the health insurance programs. The current environment has intensified the scrutiny of network

savings impact to the health plan, with a message being delivered to employers that they will save substantially more through a carrier-based network compared to an independent or regional network option.

In either case, the most successful programs contain clinical costs and provide insurance for major medical programs that are tailored to the individual organizational needs. These costs are independently audited and benchmarked for consistency with the chosen strategies.

Key Solutions

Evidence has shown that there are five key factors that organizations should be focused on to audit and manage PPO’s.

- Analyze problematic providers and improper billings for minimizing cost risks and maximizing contract compliance.
- Focus analysis on high cost providers which, if not contracted, could result in extensive out-of-network cost for the organization.
- Review the contract structure of the most utilized and highest potential cost providers to determine if the arrangement places the

provider at risk to deliver services cost effectively.

- Review the PPO’s reported savings between billed charges and amounts allowed by the contract. Significant effort should be placed on gaining accurate reporting of savings less disallowed charges and coding adjustments.
- Service quality and technology teams dedicated to carefully managing and ensuring excellence throughout the process.

The health insurance landscape is continually changing with new rules, requirements, and management structures, and it requires a consistent team of practice professionals to provide clarity for each program. With this team, the organization can be assured of a careful and thoughtful approach for all areas of the programs.

About Blackburn Group

Blackburn Group is an enterprise risk management professional service firm specializing in a variety of industries including MSA service. Our partners have over 30 years experience delivering advanced product and service solutions for the risk and insurance industries.