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## Beware Of Overpayment Collection Practices That May Lead To Lawsuits

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[Source](#)

Most healthcare insurers pay claims and later decide an adjustment is needed which requires all the money they disbursed in the past to be recouped.

### **What Is Cross-Plan Offsetting?**

Often, health plans have both out-of-network providers and in-network providers. Note that when Third Party Administrators (TPAs) administer health plans sometimes they overpay a provider (or contend that

they've overpaid the provider – while the provider might not agree). In case of in-network providers, the provider and TPA generally resolve the issue by pursuing their contract.

On the other hand, in case of out-of-network providers, the provider and TPA don't have any contract in place. Now, this usually creates a dispute regarding whether there actually was an overpayment. If there was an overpayment, how it should be resolved?

TPAs began developing a method in order to recover some of these disputed payments. Under one method, the alleged overpayment pertaining to one healthcare plan from one employer is "offset" through the modification of the amount that's paid by a different healthcare plan of a different employer.

Insurers have a fiduciary responsibility to establish processes which ensure they collect payments which are owed to them. It may seem advantageous to collect monies owed from providers by offsetting claims which insurers may pay to providers for other members that the insurer is responsible for payment. However, caution is needed.

In January, 2019, in case 17-1744, The Eighth Circuit said “In 2007, United implemented an aggregate payment and recovery procedure in which it began to offset overpayments made to "out-of-network" providers, even where the overpayment was made from one plan and the offset taken from a payment from a different plan, a practice known as cross plan offsetting. The conclusion was “the fact that there is no specific plan language — only broad, generic grants of administrative authority — that would authorize the practice, leads us to conclude that United's interpretation is not reasonable.<sup>1</sup>”

In this world of complexity and mergers, your company may have acquired other companies and systems, and in the quest to gain traction from the information you have in your organization, the systems or processes may have been merged that should NOT have been.

**Lessons learned** by insurers from this lawsuit:

1. Review your provider contracts to ensure you have appropriate language to allow for offsetting of overpayments.
2. Review your **disbursement practices** to ensure you have complied with out-of-network recovery.

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<sup>1</sup> <https://ecf.ca8.uscourts.gov/opndir/19/01/171744P.pdf>

## Background and Definition



[Source](#)

Medical insurance claims tend to be processed and paid very quickly after they are submitted.

Most payments are made to the "Provider" of the services (typically doctors or hospitals). Therefore, most overpayments are made to providers.

In many cases, additional information is received, or claims are audited after the payment is made.

The following chain of events creates claims for overpayments:

- A medical claim is processed by the insurance company and paid.
- After the payment is made, additional processing may occur, based on receipt of additional information or audits.
- This results in an "adjustment" to the claim payment amount.
- When the adjustment means that the payment should have been larger, it simply generates an additional payment.
- However, many adjustments mean that an excess amount was originally paid. This creates an "Overpayment" or "AR" (Accounts Receivable).

In these situations, there is an opportunity for the health insurance company to "Recover" the overpayment (i.e., to get their money back).

In this regard, Clearcycle's Valupay product has an overpayment collection process that is flexible to allow you to modify it to your overpayment collection system, as necessary.

## What is ClearCycle's Valupay System?

ClearCycle's ValuPay System is a comprehensive and convenient payment disbursement system. It works well with any data-centric system. The system accepts payment data from all lines of business, covering all platforms, business entities, as well as computing environments.

## How ClearCycle's ValuPay System Works?

ClearCycle's ValuPay System has an integrated automatic overpayment recovery process. Here are the benefits of the system:

- ✓ An AR is created for each negative adjustment for which the overpayment has already been made.
- ✓ The AR is immediately booked but can be controlled and activated at a future date. This allows the insurance company to do automatic recoveries even in states or insurance companies that require advanced notice before the recovery. The future date can be controlled in terms of the number of days. The AR can be reported to the provider even though it is not active.
- ✓ As each payment is made, any active ARs are automatically recovered by deducting the amount from the total payment.
- ✓ The payment remittance document sent to the provider automatically contains a detailed descriptive statement of all outstanding overpayments and any transactions against them. This detailed information eliminates the need for any individual letters and virtually eliminates provider phone calls.
- ✓ The system provides online screens that can be used to write specific collection rules (including do not collect) down to the individual provider level and/or group level. Also, it easily allows continued wide-range offset collections for par providers but limited collections for non-par providers.
- ✓ Scheduling non-par provider claims to allow additional time for adjustments to occur for offsetting match-off before paying the original claim.
- ✓ Setting audit holds on import of claims for non-par providers to allow pre-payment audits.
- ✓ AR collection letters for non-par provider ARs based on AR aging.

## Benefits of ValuPay

- Increase in cost efficiencies
- More financial control over disbursement processing
- Improvement in cashflow
- Improvement in productivity
- Security of confidential data by complying with strict industry regulations and adhering to our robust security standards for facilities, data, and personnel
- Ease of installation
- Timely support maintenance
- Quick response to disbursement requirements



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