

Why Place of Service Errors Cost Self-Funded Plans Billions

and What to do About it

A WHITE PAPER BY



Everyone Should Care About Place of Service Errors: Patients, Payers & Providers

Place of Service errors likely cost self-funded health plans billions of dollars every year. Yet the problem is largely ignored. But why? These errors serve no purpose other than to increase provider profit. There is zero benefit to the patient for the over-charge. There is no additional service provided. There is no increase in quality. Place of Service Errors are simply a billing error that increase cost. Period.

At least in the case of over-testing, the patient stands a slim chance to uncover an issue that would have otherwise been missed. But as for Place of Service Errors, no patient benefit comes to mind.

To-date, this issue has been mostly ignored aside from two audits conducted by Health and Human Services (HHS) in 2012 and again in 2019. Both audits found that a significant number of claims were improperly paid at the higher, non-facility, reimbursement rate when the services were rendered in a facility setting.

In most cases, the Medicare non-facility reimbursement rates are substantially higher than the facility reimbursement rates. The difference in reimbursement contingent on the Place of Service may be 40% or more which creates a significant overpayment risk for payers. Below are two cases, an extreme case and a more common case.

What is a Place of Service Error?

A Place of Service Error occurs when a provider submits a claim where the Place of Service code does not match the actual location where service was delivered. A common example is when care is delivered in a physician's office (POS 11) but coded as an inpatient hospital (POS 21). This error is common because many physician's offices are owned and operated by hospitals.

The problem is that reimbursement rates can vary greatly from location to location, even if the service is relatively the same. In the examples below we see ranges in cost differential from \$0 all the way up to \$11,953. According to an audit conducted by Health and Human Services (HHS), almost 1/3 of all re-imbusement claim dollars reviewed had incorrect Place of Service coded.

For a large plan or group, the aggregate impact of these errors could add up to a substantial economic loss for the Payer.

High Dollar Amount	Common
<ul style="list-style-type: none">• Procedure: Under endovascular revascularization• RVU differential: 345.39• \$11,953 dollar difference	<ul style="list-style-type: none">• Procedure: Colonoscopy and biopsy• RVU differential: 7.44• \$257 dollar difference

Don't get your hopes up...

As Inspector General audits tend to go, recommendations are made, but nothing happens, as former presidential candidate Vivek Ramaswamy reminds us.¹



Vivek Ramaswamy ✓
@VivekGRamaswamy



Federal departments employ Inspector Generals (IGs) to coordinate audits & track areas for improvement, but agencies too frequently ignore these findings & try to sweep them under the rug. There are still a staggering 14,000+ open “recommendations” from IGs to agencies, some dating back nearly 25 years. @DOGE will be dusting off many of these old IG reports.

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Insurance companies and providers may face consequences if the issue of Place of Service Errors continues going ignored. As healthcare costs spiral out of control, people will start looking for scapegoats. One likely response will be public outcry to switch to a tax-payer funded single payer model and scrap private insurance and delivery all together. Private insurance and private medicine would cease to exist as we know it. All things healthcare would become state-owned.

Maybe single payer is a good thing? Maybe it is not? We are not here to debate that issue. Merely, what we are saying is that if Payers and Providers do not do a better job policing themselves, then at some point patients will revolt and Payers and Providers will be placed under receivership of the government. That may sound alarmist, but that is exactly how single payer works. The government steps in and takes over.

If you are reading this white paper, there is a good chance you have a vested interest in fixing our free market system. Perhaps you work for a large insurance company or hospital. Pay attention: addressing the issue of Place of Service Errors is a great project we should all consider, not just for the sake of Patients, but also for the sustainability of Payers and Providers in the form we know them.

¹ Source: <https://x.com/VivekGRamaswamy/status/1859082410001940522>

Everyone Sufferers from Place of Service Errors

A huge problem with the healthcare industry is that solutions to problems typically involve spending more money. Until we start putting forth solutions that promote positive return on investment, our healthcare system will continue being the cruel, almost 20% of GDP and poor outcomes joke, that it has become.



Patients Suffer

Roughly 50% of Americans on private insurance have high deductible plans.² If you have a high deductible plan, then Place of Service Errors can represent outright theft to you. Consider this imaginary example. It is the beginning of the benefit year and your deductible is \$7,500. You receive care at the hospital and are billed \$5,000, and because you have not yet met your deductible, you must pay the entire \$5,000 out-of-pocket.

But what if you actually did not owe \$5,000? What if you were mis-billed. Over billed? Robbed! What if you went to the hospital (code 21) where the cost should have been \$3500, but during the billing procedure it got mis-coded as code 24, Ambulatory Surgical Center, where the contractual rate is \$5,000?

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² <https://www.bls.gov/opub/ted/2024/51-percent-of-private-industry-workers-participated-in-high-deductible-health-plans-in-2023.htm>

Self-Funded Plans Suffer

Reconfigure the example above for a situation where the patient has satisfied their yearly deductible. With co-insurance the patient will pay 20% out-of-pocket and the plan will cover 80% of the \$1,500 overcharge. So in this case the plan will be over-charged \$1,200 for the Place of Service Error.



Providers: act now or be replaced...

- *AI*
- *Offshore telehealth*
- *Health tourism*
- *Providers like Surgery Center of Oklahoma*
- *Or forced into a single payer model*

Providers May Ultimately Suffer

Providers appear to be the beneficiaries of Place of Service Errors. However, the long-term impact of these errors will have the direst consequences for them. The oversight, or greed, or combination of both, has led to a healthcare system that accounts for 20% of our GDP. If healthcare costs go much higher, there will be revolt.

Ask yourself this: how much more do you expect Americans will pony up for healthcare before there is anarchy? Healthcare has never cost more relative to other expenses and many people think that we have never been more unhealthy. What do you think comes next? Do you think Americans will willingly pay more and continue getting even less? Do you think people are that naïve? No, people are not that naïve. Providers: Deliver better care at a better price or be replaced. What happens is next that providers start to getting replaced by alternatives.

How Place of Service Verification Benefits Everyone

TPAs, Insurers, Consultants & Brokers

Be on the cutting-edge! A value-add like Place of Service Verification is exactly the type of feature that differentiates you from the competition. Countless CEO surveys report rising healthcare costs among their top concerns. So, the next time a self-funded client asks you for ways to save money, you will have an answer.

Patients

First of all, it is your money. Your employer, through your productivity, pays the premiums that fund your healthcare and, in many cases, you are also paying out-of-pocket. Take some ownership. Over-charges are your money.

Second of all, we are all Patients at some point, even the CEO of a large hospital network is a Patient. We are all in this together and we must all work together to address the cost and quality issues plaguing the industry.

So Patients, are you tired of being taken advantage of? You don't have lobbyists representing you. Your insurance company may be of no help – some are, some aren't. What are your options? How will you put an end to being mistreated?

If we patients want our healthcare system to do better, then we must change our habits. We must all get into the habit of reviewing our bills, questioning, and pushing back. If the provider is difficult, take your business elsewhere, and if possible, leave them an honest and constructive online review to let others know.

Are you going to sit back and let them take another \$1,500 from you over coding error? After upwards of \$10,000 you paid in premium?

One of the best ways to start standing up for your Patient rights is to participate in Waterfront Healthcare's Place of Service Verification program. Savvy self-funded plans can implement this program to ensure that the Place of Service as coded on the claim accurately reflects the location where care was delivered. The best way to conduct the verification is to follow up with the patient and confirm the correct location where care was delivered.

As a patient, this means doing your part to participate in answering the email or text message from your Payer to help confirm correct Place of Service. Who knows, maybe you uncover an error and save some substantial money.

How Place of Service Verification Works

Place of Service Verification is an easy-to-implement addition to your TPA service. This add-on service quickly uncovers the prevalence of Place of Service Errors in your networks and equips you with the information needed to dispute claims quickly and confidently.

- ✓ Work with Waterfront Healthcare to implement Place of Service Verification with your groups in as little as 1-2 months
- ✓ Promote awareness of the program to group members
- ✓ Go live and begin verifying correct Place of Service on your claims
- ✓ Waterfront Healthcare does the heavy lifting of verification on your behalf
- ✓ Report your results to stakeholders and show your commitment to lowering healthcare costs

Providers

Many Providers will benefit greatly from Place of Service Verification. It will create pressure to improve billing integrity and the worst offenders will be put on notice. At the end of the day, healthcare is a business, and over time the best performers win. Billing gamesmanship like Place of Service Errors financially buttress low quality providers' existence at the detriment of quality providers who work hard to deliver quality healthcare at an affordable cost. By rooting out the bad players, the overall industry will improve.

The Dangers of Place of Service Errors

It's Dangerous for Patients

High healthcare costs may cause some patients to put off necessary healthcare, opening themselves up to grave risk. According to an article by Gallup, 38% of those surveyed claimed they delay care due to cost.³ Place of Service Errors are obviously not the only reason for high costs, but it definitely is one of the contributors.

Patients will welcome the chance to participate in a program like Place of Service Verification. It gives them a chance to feel like they are helping fix a critical issue, while at the same possibly putting money back in their pocket. Waterfront Healthcare's Place of Service Verification program is a win-win for patients, payers, and even providers. Lastly, Payers that offer this program to their groups will win respect and customer loyalty from stakeholders.

It's an Existential Threat to Payers and Providers

The time to act is now. Rising healthcare costs could push Patients and employers towards revolt. Who knows what the outcome could be. Will we shift to a single payer system or will lawmakers punish the healthcare industry with punitive regulations or even fines?

At the very least, there will be free market forces like lower cost alternatives and technologies which make healthcare more competitive. These advancements will mandate that Payers and Providers do better. For example, sites like Healthcare Bluebook are empowering Patients to shop with a Yelp-like platform that will eventually drive out the worst players and promote the best, most honest providers.



Healthcare Bluebook™

healthcarebluebook.com

³ <https://news.gallup.com/poll/468053/record-high-put-off-medical-care-due-cost-2022.aspx>

Just like Yelp has done with the service industry, the best quality and value gets noticed while the low performers fizzle into obscurity. Expect to see some disruption when technologies like Healthcare Bluebook become more widespread and penetrate and change the healthcare market the way Yelp has with many service industries.

Another example is how many people have given up on the traditional health insurance model and are instead choosing faith-based health sharing like Medi-Share and GoldCare.⁴



medishare.com



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goldcare.com

One cannot blame Patients for switching to alternatives. We see case after case where the cash price is better than the contractual health insurance plan price. According to healthcare writer Marshall Allen, the paradox is more common than you might think. For instance, in one particular blog post the patient would be charged \$1,100 for and MRI via insurance versus \$300 cash.⁵

Disruptive technologies and alternatives to traditional delivery and funding are leading the way on the much-needed American healthcare facelift. Along with Healthcare Bluebook and medical sharing plans, we at Waterfront Healthcare hope to become a noteworthy addition to this list of difference makers. We invite you to contact us and learn more about Place of Service Verification and see how this service can help you.

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TPA's & Employers Should Implement Place of Service Verification Today

⁴ *Waterfront Healthcare is in no way affiliated with Healthcare Bluebook, Medi-Share, or GoldCare.*

⁵ <https://marshallallen.substack.com/p/yes-you-can-pay-cash-for-health-care>

Place of Service Verification will be a game changer for TPAs and employers whom are looking to set themselves apart from the competition and offer meaningful solutions that save money for their clients. Place of Service Errors serve no purpose other than to increase the profits of providers at the expense of driving up healthcare costs with no increase in quality or value. We simply cannot afford to tolerate this problem any longer.

We must embrace disruptive solutions like Place of Service Verification before Patients revolt. Patients are starting to question the very nature of our healthcare system. Unless Payers and Providers start doing a better job of delivering quality healthcare at a more affordable price, then we will see a disruption in our market, unlike anything we have seen before in the American healthcare system.

To the TPAs and Insurers: stop sitting on the sidelines waiting for someone else to do something. You be that someone. Schedule a discovery call with Waterfront Healthcare, and learn how easy it is to implement Place of Service Verification for groups of all sizes, and how doing so will not only help groups save money, but will also empower Patients to take an active role and thinking about how their choices affect the cost of healthcare.

About Waterfront Healthcare

We have decades of experience in Fortune 500 health insurance and managed health care, auditing, and cyber security. Our management team has worked at companies of all sizes from Fortune 50 all the way down to scrappy startups. We understand the challenges that companies of all sizes face, especially the challenge of providing great healthcare benefits at an affordable cost.

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