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Guest column

Guest column: One way to combat health care costs? Subrogation

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If you had a car accident requiring a trip to the hospital, you'd probably provide your health insurance card. That sounds normal, right? After all, that's what it's for.

But, that can be bad news when the bill is someone else's responsibility. Health care now makes up, on average, 7.6 percent of a company's annual operating budget. In fact, most companies recover a third (or less) of the payments for which they're not responsible. Depending on the size of the plan, these losses can be significant. But, with subrogation, they can also be recovered.

The health coverage conversation in the United States often focuses on cost. Approximately 55 percent of insured Americans are covered by company plans, 61 percent of which are self-funded company plans, according to The Kaiser Family Foundation. Therefore, controlling costs falls to benefits managers, who determine employee contribution amounts, deductibles, risk and more.

What is subrogation?

Let's go back to the car accident. Regardless of why someone visits a hospital, they'll usually provide a health insurance card. But if they're not at fault in the accident, medical bills should be paid by the other driver's car insurance. Subrogation can recover the health plan's dollars.

How do plans identify subrogation cases?

Traditionally, subrogation includes sending thousands of questionnaires to plan members to determine whether certain claims are the plan's responsibility. The exceedingly low response rate results in few subrogate recoveries.

Today, technology gives us a better way, with improved results and no member letters, resulting in double or triple third-party administrators' recoveries.

Potential subrogation cases may include:

- Vehicular accidents
- Slips and falls
- Property liability
- Dog bites
- Medical malpractice
- Assault
- Mass tort cases

What's the benefit?

Most claims administrators perform subrogation, but recoveries are low. Using today's technology and a disciplined process, self-funded plan benefits managers can at least double their current recoveries. Depending on the plan's size, this could mean hundreds of thousands of dollars or more in recovered funds per year.

The difference could mean lower employer and employee contribution amounts, hiring new staff or implementing cost-saving measures such as wellness plans.

Who benefits from subrogation?

Self-funded plans, used by about 26 percent of mid-sized companies and 82 percent of large businesses, have the most to gain by reviewing and reconsidering their plan's subrogation efforts.

Do you know what your subrogation recoveries are? Ask your claims administrator. You may be surprised.