

# Summit Perspectives

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**Man's mind, once stretched by a new idea, never regains its original dimension.**

**Oliver Wendell  
Holmes**



**SummitRe**

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## Deep discounts on transplant program fees

Deeply discounted transplant access fees are available through our new Platinum Rewards program, an enhanced OptumHealth Care Solutions (formerly United Resource Networks) program. This program is available only to Summit Re's clients.

Under our previous program, you received a 5% discount on network access fees, an additional 5% discount if you agreed only to use OptumHealth's networks, and up to 10% based on Summit Re's total volume of business with OptumHealth. The third discount was calculated retrospectively.

These three potential discounts are now bundled into one substantial discount.

The program is easier to use and easier to understand. You will be able to realize the total savings we've negotiated "up front" through reduced access fees.

The savings from the Platinum Rewards program can be significant, as shown in the chart. Based on our historical case mix, the Platinum Rewards program represents an effective 27% discount off standard OptumHealth fees.

To be eligible for Platinum Rewards, you must agree only to use the OptumHealth networks for your transplants, although you can still "carve out" facilities with which you have your own contracts.

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Type of Transplant	Platinum Rewards Fees (Exclusive)	Standard Fees (Non-Exclusive)
Bone Marrow:Autologous	\$10,000	\$14,000
Bone Marrow: Allogeneic, Related/Unrelated, Tandem	\$15,000	\$20,000
Heart, Lung, Heart-Lung	\$10,000	\$10,000
Ventricular Assist Devices (VAD) only, VAD-Heart	\$10,000	\$20,000
Double Lung, Multi-Organ not listed elsewhere	\$15,000	\$20,000
Intestinal, Intestinal-Liver	\$13,000	\$20,000
Liver, Intestinal (Small Bowel)	\$12,000	\$20,000
Kidney, Pancreas, Kidney-Pancreas, Islet Cell	\$3,500	\$3,500

## Is your liability coverage adequate?

This article is part of a series of case studies—real stories of how managed care companies increased profits by using Summit Re’s resources to increase sales, decrease expenses, and manage claims.

*“I confess through my own fault, in my thoughts and in my words, in what I have done, and what I have failed to do.”* Although these words are part of the Confiteor, a Catholic prayer in which persons saying the prayer confess their sins, it could be the start of a discussion of errors and omissions (E&O) and directors and officers (D&O) coverages.

### Errors and Omissions

E&O insurance policies cover things a company does, things a company does not do, or things that simply do not turn out as a customer or other third party expected.

E&O for a managed care plan covers you for the vicarious liability assumed for the business processes that are part of a health care delivery system, such as credentialing, UR, and claims. An IPA can be sued for malpractice, since patients, through the IPA’s advertising, may assume that their physicians are under the IPA’s control and the IPA is liable for their actions. Another emerging area is security and privacy liability, including health care history and personal information.

### Directors and Officers

D&O coverage is designed to protect the officers and directors of a company for liability associated with business decisions and certain employment practices. Liability can arise from decisions regarding

merger and acquisition disputes, failure to perform fiduciary duties (such as signing contracts that harm the value of the company’s stock), actions that violate anti-trust regulations, and business interference, to give a few examples. Liability can also arise from employment practices, such as discrimination, harassment, or wrongful termination.

D&O insurance policies provide protection for a company’s directors and officers whose *personal* financial assets can be put at risk in the event of a lawsuit regarding their decisions. It’s difficult enough to lose company financial resources because of inadequate or inappropriate insurance coverage; imagine how it would be if your own personal assets were at risk as well.

### Coverage characteristics

There are no standard E&O and D&O policies. Each insurer drafts its own policy forms and some fail to provide coverage in key areas for health plan exposures. A recent study showed that over 50% of directors and officers requested changes in their insurance coverage when they learned what was NOT covered under their current program.

Premiums are a function of the case size, liability and retention and can range from \$10,000 to \$100,000. Coverage, not price, is key because potential liabilities are so large.

### Free coverage analysis

A free analysis of your current coverage is available to see if it’s possible to access better coverage at better rates. To give health plans access to better E&O and D&O policies, Summit Re has an arrangement with a national firm that specializes in property and casualty insurance products specifically designed for the health care industry.

We’ve offered this analysis of E&O and D&O coverage to several clients and they have appreciated the additional options presented as a result. We can do the same for you. To get started, please send us a copy of your current E&O and D&O policies. Typical insurer markets that provide these types of coverage include Lexington, Darwin Professional, Lloyds of London and OneBeacon. Our program manager has access to all of these markets. We are happy to disclose all commissions and service fee arrangements.

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## Managing capital through reinsurance

This article is part of a series of case studies—real stories of how managed care companies increased profits by using Summit Re’s resources to increase sales, decrease expenses, and manage claims.

Summit Re works with London Life Reinsurance Company to provide reinsurance transactions that achieve risk-based capital (RBC) relief for qualified prospects.

These programs can be developed for single-site organizations as well as regional and national chains. They can be designed easily for entities that have affiliated domestic or offshore companies. However, they also can work with a non-owned, protected-cell approach. All programs are structured to meet applicable risk-transfer regulations. Solutions are customized to meet each company’s specific objectives and requirements.

### Case Study

Here’s an example of one of our client’s capital management programs developed through its relationship with Summit Re:

ABC Health Plan is a regional health plan. Its business is ceded to London Life via a 100% quota share above the HMO’s retention level. London Life, in turn, retrocedes the business on the same terms to a captive affiliate of ABC Health Plan. The transaction is de-

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### Proper capital and surplus management can improve debt and claim-paying ratings

#### Benefits

There are several potential benefits resulting from such reinsurance transactions:

- Proper capital and surplus management can improve debt and claim-paying ratings.
- Reducing required capital requirements increases business line return on equity.
- Dividend capacity can be improved for entities with holding company structures.
- Individual plan or product line loss ratios can be stabilized for external understanding.
- New business can be more competitively priced.

#### Health RBC Relief Structure in Brief

The typical structure is modified coinsurance or coinsurance with funds withheld to minimize asset transfer. The only cash flow is your payment of the risk fee.

Reserves are held in asset trust by the reinsured.

There is parental guaranty on the retrocession treaty, if retrocession is used.

All profits, net of risk fee, are returned to you through an experience refund.

There is monthly accounting.

The health risk-based capital relief structure has the following risk reducing features:

- Expense allowances set about equal to “marginal” expenses.
- Losses to reinsurer are carried in loss carryforward and repaid through future profits. Ceding company must repay any losses if it terminates agreement early.
- Loss to reinsurer usually limited by stop loss (typically 10% of premium).
- Reinsurer can terminate agreement with minimum notice (usually 3 months).
- Allows ceding company to release RBC requirement on business ceded.
- Designed to pass required level of risk to reinsurer to meet risk transfer regulations.
- Minimizes the cost of reinsurance to the ceding company (1% of premium or less).

## After the claims are paid...

**This article is part of a series of case studies—real stories of how managed care companies increased profits by using Summit Re’s resources to increase sales, decrease expenses, and manage claims.**

This case study addresses one of the latest developments in managed care—post-payment administration and claim recovery. Imagine the impact on your bottom line if you recovered 2 to 3 percent of claims, *after* all current internal processes were completed.

This service is available through Summit Re’s arrangement with Health Decisions, Inc., one of the most comprehensive and sophisticated post-payment administrators in the country. Independent benchmarking analyses have confirmed that its approach sets new standards for the use of data produced by claim payment, enrollment, and related systems. Through its services, you have access to post-payment support equivalent to that available to the largest payers—without development costs or lead time.

### Potential recovery areas

The focus for recoveries occurs in the following areas:

- Other liable parties not correctly reported by enrollees for benefit coordination
- Medicare-as-primary payer (ESRD, retirees, disabled) to offset any Medicare-as-secondary-payer demands
- Enrollment discrepancies, such as ineligible and terminated members, family status changes, etc.
- Provider billing errors, such as

inappropriate service codes, unbundling, duplicate payments, discount avoidance, fee inflation, double billing, etc.

- “Not a covered benefit” enforcement at the procedure code level
- Judicial judgments, such as divorces, workers compensation, and subrogation

### Services available

Existing data are combined with new data and converted to Microsoft® compatible files. This new data set has many applications, including supporting internal client management, maximizing claim recovery returns and processing efficiency, and supporting new client service offerings.

### Claim Recovery Service

Identifies claims that should have been paid by others and pursues collection from other payers, such as Medicare or insurers, and providers

### Enrollment Support Service

Handles all the details of special (non-routine) employee/enrollee communications to compile, compare and reconcile internal and external data files across multiple payers

### Recovery Software

Use of Health Decisions, Inc.’s proprietary software on internal network systems

### Data Support Services

A full range of technical support permits translation of any documented file structure into Microsoft® compatible files for HIPAA compliant data analysis, reporting and warehousing.

### **Flexible payment arrangements**

Health Decisions, Inc. can be compensated on a contingency basis, keeping 33% of recovered claim amounts. Health Decisions, Inc. is also willing to enter into a multi-year, fixed-fee software lease covering its Paperless Claim Recovery software suite and all related support services.

### **Client results**

Client “A” used post-payment findings to pursue claim recovery and returned \$15 per member per year to its bottom line.

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## Transplant access fees

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The new program is effective on January 1, 2008. You will need to execute a new Payer Access Agreement, selecting either the fees for the Platinum Rewards program or the standard access fees.

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## After claims are paid...

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Client "B" used post-payment findings as a continuous-quality-improvement management tool to monitor internal performance improvements.

Client "C" used post-payment findings to pinpoint "problem" providers and to support provider contracting negotiations.

### Health Decisions, Inc.

Health Decisions, Inc. is an established, reputable and successful post-payment administration and claim recovery vendor. In one year alone, they processed almost two billion dollars of paid claims. In the area of claim recovery, nobody addresses more recovery areas (40+ review areas), offers a lower recovery threshold (all claims over \$10) or recovers a greater amount of money per client (2-3 percent of claims).

## Managing capital

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signed to meet all regulatory requirements for full risk transfer and credit for reinsurance. In addition, the transaction has been disclosed to the insurance department of the state of domicile of ABC Health Plan.

Regulators often prefer or require independent professional reinsurers as the conduits for such transactions to minimize the potential for improper related-party transactions. The state insurance department in this case relied on the financial strength of the licensed and authorized professional reinsurer to fulfill its reinsurance obligations to ABC Health Plan. ABC Health Plan's holding company is free to establish appropriate GAAP reserves and equity consistent with sound actuarial principles and subject to the reserve and capital requirements of the domicile of the captive.

## ERC / Westport merger

Swiss Re has received regulatory approval to merge Westport Insurance Corporation into Employers Reinsurance Corporation. The merger is an example of Swiss Re's focus on smart capital management, delivering greater efficiency and reducing operating costs. Reinsurance agreements issued after January 1, 2008 will bear the Westport name. There will be no changes in coverage as a result of the merger. If you have any questions, please contact Summit Re at 260-469-3000.

**One of our real joys is the goodwill of those we serve.  
We wish you health, happiness and prosperity in the  
New Year.**

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## Platinum Rewards Frequently Asked Questions

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### Which of the OptumHealth programs will be subject to the reduced fees?

The reduced fees apply to the Transplant Resource Services' Centers of Excellence program and the Transplant Access Program for business that is reinsured through Summit Re. All other OptumHealth program fees remain unchanged.

### Do the reduced fees apply to both adult and pediatric transplants?

Yes, the reduced fees apply to adult and pediatric transplants.

### How will the Platinum Rewards program affect the OptumHealth transplant facility contracts and services?

The new program has the same facility contracts and services contained under the current OptumHealth programs.

### Will I be able to "carve out" a specific facility from the OptumHealth contract and use my own contract at that OptumHealth facility?

You will still have the capability of carving out a facility or facilities from the OptumHealth agreement. Those facilities should be listed on Exhibit C of the Payer Access Agreement.

### What happens if I want to use another transplant network in addition to OptumHealth?

You may use another network in addition to OptumHealth. However, if you do so, you will not be eligible for the reduced fees available through the Platinum Rewards program. You will pay OptumHealth's standard access fees.

### What do I need to do to initiate the new program?

If you are currently accessing OptumHealth through Summit Re, you will need to sign a new Payer Access Agreement. New Payer Access Agreements will be mailed to Summit Re clients. Be sure to indicate if you intend to use the OptumHealth network only or if you will use another network in addition to OptumHealth's network.

### Will I still receive this year's discount based on Summit Re's total volume of business with OptumHealth?

You will still be eligible for the discount for 2007 based on Summit Re's total volume of business with OptumHealth, provided you are a Summit Re client at the time the refund is paid. OptumHealth has committed to paying this refund within 60 days after the end of the calendar year.

*Summit Perspectives* is a periodic newsletter published by Summit Reinsurance Services, Inc., a full-service managing underwriter and reinsurance intermediary that focuses exclusively on managed care. *Summit Perspectives* highlights various items from both Summit Re and the managed care reinsurance marketplace. We will publish it only when we have important information to share.

If an item in this edition generates questions or comments, please give us a call at 260-469-3000 or write to us at [www.Summit-Re.com](http://www.Summit-Re.com).



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