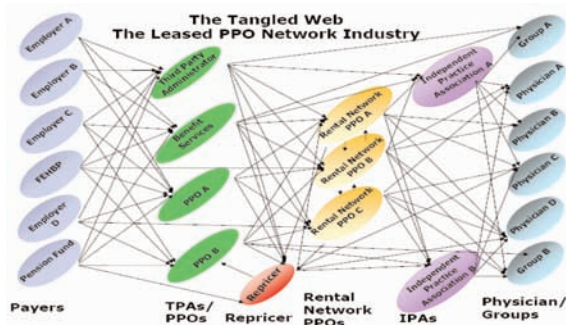


## RENTAL PPO NETWORKS - BE AWARE! A DISCOUNT HERE MAY SHOW UP AGAIN AND AGAIN

By Jeanine Freeman, JD

AMA testimony before the National Conference of Insurance Legislators (NCOIL), an organization of state lawmakers (including Iowa) interested in insurance policy, warned about a growing, largely unregulated, secondary market in physician discounts. “Rental” or “leased” network PPOs are engaged in “the extremely lucrative business of developing health care provider panels and then leasing the panels and associated provider discounts” to others. “Silent PPOs” are networks that share discount information absent physician authorization. “Repricers” search for and apply the lowest discounted rate for their clients.

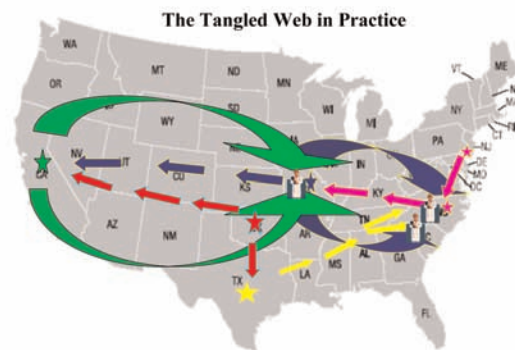
A traditional PPO is fairly straightforward, not so the rental network. Here is the AMA’s pictorial graph (adapted by the AMA from a National Healthcare Exchange Services chart).



It is possible for a rental network PPO to have hundreds of other health plan payers and affiliates to whom it leases various provider panels and associated discounts. Physicians knowingly entering into a defined PPO arrangement can fairly evaluate the financial feasibility of accepting proffered discounts. When that same network and agreed-upon discount is sold to others, however, those good business reasons may no longer exist. As the AMA explained, “Increasingly, the activities within this secondary discount market render

the bargain underlying the PPO agreement meaningless. Many of these entities provide no value whatsoever to the physician....They are intermediaries between a plan and a physician whose sole function is to apply the lowest discount a physician has accepted with any health plan payer.”

Rental networks span the nation. Again, an AMA pictorial.



The AMA seeks state legislative and regulatory redress to “stealth discounting” by establishing uniform business practice requirements applicable to all health plans, even those that purchase physician networks. Particularly applicable to rental networks, the AMA calls for legal recognition of the physician’s ability to opt-in or opt-out of any agreement to buy or lease the provider panel and associated discounts; contractual applicability of state prompt pay and other laws to subsidiary network agreements; and legal responsibility placed upon the rental network to assure compliance with state prompt pay and other laws by all health plans to which the network and its discounts have been sold.

To obtain a copy of the AMA’s testimony to NCOIL or to access the AMA publication, “Read your contracts: Is your practice losing revenue through rental network PPOs?,” search the AMA’s Web site at <http://www.ama-assn.org>.



Jeanine Freeman, JD, is Senior Vice President of Legal Affairs for the Iowa Medical Society.