

JAPAN P&I NEWS

No.803-16/2/10

To the Members

Dear Sirs,

Medical Expenses in the U.S (No.3)

Medical Brokers in the U.S.

We refer to our previous Japan P&I News No.773 dated 5 October 2015 and No.790 dated 15 December 2015, in which we provided you with information received from a U.S. medical services coordinator, Sphere MD regarding medical expenses in the U.S.

This is the third in a series of articles that they have provided to us regarding medical expenses in the U.S.

Yours faithfully,

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Attachment: Information provided by Sphere MD



Medical Brokers in the U.S.

In the United States, there are many organizations and companies involved in providing medical services to mariners. In this article, we will briefly define the different types of companies involved in maritime medical care, including medical brokers. Given the relatively expensive business practices of medical brokers, this article explains how such brokers operate.

Maritime Healthcare Market Providers

In the U.S., medical facilities and medical professionals are referred to as Providers. Medical facilities include hospitals and clinics, whereas medical professionals include individuals (doctors, nurses, etc.) who actually provide medical services to crewmen. Providers make money by charging a fee for each patient service they provide. In the U.S., it is against the law for providers to pay commissions.

Medical Service Companies

In the U.S. maritime healthcare market there are generally two types of companies that coordinate medical care:

Medical Managers: Medical managers are medical service companies with doctors and nurses on staff, and which manage medical care on behalf of Agents, P&I Clubs, Correspondents, Ship Owners, and Ship Managers. Medical Managers generally charge hourly rates, or charge fees based on percentage of medical bill savings achieved. Medical managers NEVER pay commissions to other organizations.

Medical Brokers: Medical brokers are companies which contract with Providers, and provide medical services at the request of Agents and Transportation Providers. P&I Clubs and Correspondents rarely if ever choose to use medical brokers. Medical brokers rarely, if ever, have doctors on staff. Instead, these companies make arrangements whereby they agree to send patients to specific Providers for a substantially discounted rate. Sometimes these rates are discounted in excess of 65%.

Medical Broker Business Model

Medical brokers forward medical bills from Providers (i.e., hospitals & doctors) to Agents, for payment-in-full by Ship Owners or P&I Clubs. Medical brokers make money by keeping the difference between the medical bill full amount and the pre-arranged Provider discounted rate. Some medical brokers even pay commissions to Transportation Providers and other companies for sending them medical cases.



Actual example:

Hospital charges for 6 day hospitalization	\$76,251.00	
Doctor charges for hospital stay	\$9,462.00	
Total charges for hospitalization paid by Ship Owner	\$85,713.00	
Medical broker payment for hospital charges (discounted rate)	\$26,687.85	MEDICAL BROKER PROFIT:
Medical broker payment for doctor charges (discounted rate)	\$3,311.70	\$38,570.85
Total medical broker payment	\$29,999.55	
Commission paid to Transportation Provider or other companies by medical broker (hypothetical 20% of hospitalization charges)	\$17,142.60	

Even if a medical broker offers discounts, it is likely that Ship Owners and P&I Clubs are paying more than when a medical broker is not involved in the case. Medical brokers are able to pursue this business model by avoiding transparency. In other words, medical brokers will usually not disclose the discount relationship they have with Providers, or the actual costs they are paying for medical services.

Why can't Agents send crew members directly to a Provider?

In the US, it is possible for Ship's Agents to send crewmembers directly to a provider. However, it is very difficult for Agents to work with most Providers for a variety of reasons that were presented in a previous article, "Why is U.S. health care so expensive for ship owners?" As a result, expensive and often unnecessary Emergency Rooms are often the only choice for Ship's Agents to coordinate medical care.

How to Distinguish Between a Medical Manager and a Medical Broker

For organizations not familiar with the U.S. maritime healthcare market, it can sometimes be difficult to know which medical service companies are Medical Managers, and which are medical brokers. For Ship Owners to protect themselves from excessive medical costs in the U.S. medical brokers, we recommend the following for medical bills over \$5,000:[1]

1. Before paying medical bills, request evidence of payment in full to the hospital from the medical service company. Medical Managers will gladly provide such evidence. However, medical brokers will typically resist or outright refuse to do this.
2. Request information about how much profit the medical service company is making on the billing. A Medical Manager will share this information, but medical brokers will typically resist or refuse this request.
3. Ask the medical service company if it is willing to stand down and no longer be involved with a case. Medical Managers will happily comply with this request, but medical brokers may resist or refuse this request.
4. Find out from the Provider facility (e.g., hospital, clinic) how much the bill was settled for after the fact, and then cross-reference with the medical service company's invoice. This settled amount will be transparently reflected in a Medical Manager's invoice. However, this settled amount will not be transparent in a medical broker's invoice.
5. Request all Provider charge details. Such details are necessary to understand how much Providers have actually discounted their fees. Medical Managers will provide such details, but medical brokers will typically resist or refuse this request.

Summary

Medical brokers typically do not share the full extent of crew member medical cost savings with Ship Owners and P&I Clubs. Once a medical broker is involved, it may be difficult or impossible to get it to relinquish management of a medical case. One strategy to avoid medical brokers is to exclude any medical service company which won't offer transparency for bills over \$5,000, or which won't relinquish a case at the request of the Ship Owner, Ship Manager, or P&I Club.

SphereMD recommends a "2 strikes and you are out" policy. Consider avoiding any medical service company which on 2 occasions resists or refuses any of the five requests listed above. In the case of "2 strikes", simply instruct your Agents to avoid these medical service companies by NAME in your voyage instructions.

SphereMD believes that best practice is to work with Agents to define the steps to be taken for any crew medical care BEFORE the need for sure care arises. Consider hiring a Medical Manager to represent all of your US-based medical needs. We also recommend immediately contacting your P&I Club as soon as you are aware of any non-routine injury or illness.

[1] \$5,000 is chosen as a threshold value for aggressively discounting and auditing bills. The smaller the medical bill, the more difficult it can be to negotiate. Another threshold would be the \$5,000 or your P&I deductible, whichever is lower.