



Medical Cost Remedy, Inc.

MCR Specialty Review Process

Medical Cost Remedy (MCR) uses a number of different automated protocols to objectively reduce bills to fair, unbiased payment recommendations where there is no applicable fee schedule, no contractual discount available, or “gaps” in the state fee schedule exist on certain bill types. The Office of Inspector General in 2003 in an effort to bolster new anti-fraud regulations defined a fair and equitable payment for medical services to be one based on *reimbursement* data for the services rendered¹. This “prevailing payor rate” philosophy is a marked paradigm shift from the prevalent usual and customary charges mentality. Bill review based upon analysis of what the provider is actually being paid for the service should be the standard – not the highly biased provider charge amounts.

MCR integrates a proprietary database of over 20 million claim transactions of provider payment data into our software to create accurate, consistent, and defensible savings for our clients. The process is unique enough to be supported by the US Patent Office who has accepted the patent application for the innovative data metrics and sound analysis techniques involved to ensure a fair payment.

MCR includes extensive research regarding the applicable standards for re-pricing medical bills in each state. These standards include:

- Definitions of reasonable reimbursement specific to that jurisdiction
- Allocations to other payers for costs of treatments for unrelated conditions
- Application of retrospective utilization review for medical necessity when state rules permit

Phase 1 -Charge Verification Compliance

Every claim is reviewed for:

- Coding errors and inappropriate up-coding
- Billing errors (unbundling, mutually exclusive, etc)
- Clinically inappropriate items. Depending on the rules of the applicable jurisdiction, this may also include screening for billings for unrelated/pre-existing conditions, iatrogenic injuries, etc.
- Items that have been inappropriately charged. (Note: This is typically done manually by nurse reviewers and is highly subjective – we have automated this function.)

Phase 2 – Proprietary Data Benchmark Pricing Model

- Every bill is compared to the cost of service for similar services by other providers in the local area
- Every bill is benchmarked to our proprietary database of payor reimbursement data
- Every bill is weighed against the provider’s average contractual discounts and charge data
- Every bill is evaluated as to our previous claim savings history with that provider

Phase 3 – Price Determination

- Evaluation of the provider’s own usual charge and reimbursement totals for the service
- Pricing benchmarks are analyzed and a reasonable payment recommendation produced - instantly

Phase 4 – Verification of Provider Profit Margin

- Our recommended reimbursement is automatically compared to the provider’s fully-loaded direct and indirect costs plus average profit margin trended over 3 years to ensure profitability for the provider.

Final

- Audit results are returned via secure XML and our web services application instantly
- Detailed and specific verbiage of the payment amount on the EOB reduce reconsiderations
- Jurisdictional required language is provided citing the specific statutes governing the determination of reasonableness for that state

¹ Federal Register, Volume 68, No. 178, 09/15/03, p. 53939