



# Out of Context

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**CONTEXT<sup>4</sup>**  
HEALTHCARE

## INSIDE THIS ISSUE

- 1 Redefining “Usual and Customary” Fees
- 2 Context<sup>4</sup> Healthcare UCR Fee Databases

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## Redefining “Usual and Customary” Fees

*By Dr. Margaret Klasa*

Usual and Customary fees for medical care have been a hot topic in the news media due to recent results of litigation by New York States Attorney General Andrew M. Cuomo. These litigation results will set to redefine a system introduced by the healthcare insurance industry in the 1960s and have been long without regulations and universally accepted formulas for calculating medical fees. Attorney General Cuomo promises that these changes will provide transparency and accountability for out-of-network healthcare charges.

In his Media Letter dated Oct 27 2009, Attorney General Cuomo further vowed that, “the new Insurance regulation will govern health and accident insurers as well as health maintenance organizations (“HMOs”) that promise to reimburse consumers who go out-of-network based on the usual and customary rate of the service provided. It requires them to use an independent source for establishing usual and customary rates, as well as disclose to their members how and by whom the rates were established.”

Insurance companies initially developed UCR fees to see how much to reimburse patients covered by healthcare insurance for specific procedures performed within a certain geographical area that an insurance company’s healthcare plan operated.

What essentially is a UCR fee? The “Usual” stands for a fee a provider most frequently charges for the procedure. The “Customary” is a fee level that is determined by the plan administrator for actual fees from the fees already submitted and establishes the maximum payable for the procedure.

*Redefining "Usual and Customary" Fees from page 1*

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The "Reasonable" is a fee charged by the provider for a specific procedure that was modified due to unusual or complicated circumstances.

For example, an insured sees an out-of-network doctor and that doctor charges \$150 for a test and an insurance company has a UCR of \$110 for the same procedure, the insured is responsible for paying 20% of the UCR plus the difference of \$40. Most out-of-network coverage is spelled out in insurance policies however, consumers are often shocked when they receive a bill with an added cost.

Insurance companies rely on third-party vendors to determine UCR fees. According to the Attorney General Cuomo's lawsuit, the leading provider of UCR fees was owned and operated by a leading insurance company that understated market rates for UCR fees. In reaching the agreement, the leading insurance company admits to no wrongdoing but will abandon the use of the leading UCR database.

Attorney General Cuomo accomplished the establishment of a not-for-profit research consortium headed by FAIR Health, Inc. which will develop a new independent database for UCR fees and a new website where for the first time consumers can compare prices before they choose their doctors. At this time, there is no time-line for when this database will be available.

## Context<sup>4</sup> Healthcare UCR Fee Databases

By Mark Earles

The Context<sup>4</sup> Healthcare Inc. multi-percentile fee UCR database provides both medical providers and healthcare payors the most statistically valid tool to help determine reasonable fees for medical procedures. The database was constructed using charge data from major U.S. health insurers, commercial clearinghouses, client data contributions and several other payor groups. Fee experts, mathematicians, statisticians and clinicians consistently update the data and review the methodology in order to derive the fees. The methodology is based on accepted industry standards for fee derivation. The result is a fee model for all 50 states and U.S. jurisdictions in a variety of percentiles, ranging from 25<sup>th</sup> to 95<sup>th</sup>.

Provider charge data is obtained from a broad array of sources. These sources include: commercial healthcare and dental claims clearinghouses, healthcare payor organizations and Context<sup>4</sup> Healthcare Inc. software client data contributions. More than 400 million new charge points are added to the database each year.

The methodology behind each UCR fee database is statistically sound, with data arrayed in percentiles and divided by more than 250 geo-zip regions with two annual updates to refresh existing data. Backing into the 50th percentile of the nation, making a more market driven and defensible database derives Context<sup>4</sup> Healthcare Inc.'s relative values.

Seamless integration is available into almost every claim system, with record layouts that are similar to existing products. Renewal rates for Context<sup>4</sup> Healthcare Inc. UCR database products exceed 90 percent each year and are a true indication that Context<sup>4</sup> Healthcare Inc. clients are more than satisfied with the products.

Currently available UCR databases include:

**Medical:** Developed by a team of fee experts and mathematicians over a period of several years, the Medical UCR database is capable of readily handling the most rigorous requirements, and it sets new standards for quality while providing a credible, cost-effective alternative to existing payment systems.



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*Context<sup>4</sup> Healthcare UCR Fee Databases from page 3*

**Dental:** Avoiding overpayment of dental services is a key cost containment component of any employee benefit plan. The Dental UCR database was created to ensure fair and equitable reimbursement for dental services and thereby help users avoid needless overpayments. The data can also be used to assist in the development of premiums through actuarial analysis.

**Anesthesia:** The Anesthesia UCR database allows users to re-price services personally furnished by anesthesiologists, as well as services provided under the anesthesiologists' medical direction, such as directing concurrent services with a resident or non-physician anesthesiologist. Fee data for all 50 states and U.S. jurisdictions is included.

**HCPCS:** Third-party payors are requiring standards against which to measure charges submitted by providers using HCPCS codes, and HCPCS UCR database can be used to ensure fair and equitable reimbursement for these supplies and materials.

**Outpatient facility:** The unabated trend toward performing procedures and services in outpatient settings has intensified the need for cost-effective outpatient facility re-pricing data. The Outpatient Facility UCR database meets this increasing demand, allowing fair and equitable re-pricing of facility-based services such as hospital outpatient or ambulatory surgical center services.

**Other fee data:** Context<sup>4</sup> Healthcare Inc. supplies more than 80 data and fee products, such as schedules for Medicare fees, clinical lab fees, injection fees, DME fees, ASC fees, and much more.



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