Practice and Reflections on “Direct-billing Service” of Commercial Health Insurance in Hospitals: Experience of a Provincial-level Hospital in China

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Abstract. The direct-billing collaboration between medical institutions and commercial health insurance institutions is an internationally applied method of commercial health insurance claims. This paper discusses the reasons why the direct-billing service of medical institutions is currently limited, including the trivial size of commercial health insurance and hospitals’ concern on cost control, by taking the practice of direct-billing service in a certain hospital in Wuhan as an example. It also summarizes the problems encountered in the operation, including the refusal to medical payment, the risks in excessive medical care, the increasing costs of medical institutions and acting against the equalization principle of medical service. The author then proposes several advices on the direct-billing service operated by hospitals, in terms of strengthening the risk control, taking part into the “Big Data” health management, reforming HIS system united with commercial insurance institutions and adjusting the pricing system of direct-billing service.

Introduction

On October 25th, 2016, the State Council issued “The Plan for Healthy China 2030”. In a passage of improving health insurance, it is proposed to “actively develop commercial health insurance, encourage enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance.” It also puts forward “to encourage medical institutions to become the designated site for commercial insurance, in order to reduce unreasonable medical expenses”.

Now the synergistic development of commercial health insurance and basic medical insurance has been upgraded to become a national strategy. Under this circumstance, it is a must for hospitals to draw on the successful experience of “direct-billing” service carried out by foreign medical institutions and commercial health insurance agencies, in order to promote the wide operation of direct-billing service in domestic medical agencies and accelerate the development of medical institutions with perfect risk control.

The Current Situation and Dilemmas for Chinese Medical Institutions to Carry out Commercial Insurance Direct-billing Service

Commercial Health Insurance and Direct-billing Service. In commercial health insurance, the body of insured person is taken as the insurance subject. It ensures that the insured person could get indemnity to cover the direct expense or indirect loss in the event of injury to an illness or an accident, including sickness insurance, medical insurance, income insurance and long-term care insurance [1]. Currently, China’s commercial health insurance accounts for only 2% -3% in the total expense of health, while the average level in the world is about 5% with developed countries reaching more than 30 [2]. From the view of this international experience, there is a huge room for China’s commercial health insurance to develop in the future.
Direct-billing service refers that the insured person does not have to pay cash when seeking medical treatment in the designated hospital for health insurance. Instead, the insurance company and the designated hospital will have direct settlement, which belongs to a value-added service offered by hospitals to pay the indemnity ahead. Direct-billing service is the mainstream model of health insurance indemnity payment in developed countries at the current stage. Direct-billing service can improve the quality of claims settlement, simplify the settlement procedure for insured customers’ claims and raise the efficiency by applying information technology tools.

The Current Situation and Dilemmas for Direct-billing Service in China.

In Beijing, Shanghai, Guangzhou and many other areas in China, a large number of multinational companies and joint ventures are well established, which promotes the development of commercial health insurance in line with international standards. Therefore, there are more hospitals offering direct-billing service in these areas. Taking the largest Chinese commercial health insurance company -- Ping An Health Insurance Company as an example, its collaborative network for medical care has covered about 300 hospitals (including Hong Kong, Macau and Taiwan). Among these hospitals, there are nearly 100 public hospitals, accounting for about 45% of all. Its collaborative hospitals are located in 34 Chinese cities but mainly gathered in Beijing, Shanghai, Guangzhou and Shenzhen.

For most public hospitals in the inland areas, the payment service of commercial health insurance has not been widely operated. The main reason lies in the hesitation of the public generated from the inconsistency between the nature of commercial insurance institutions to make profits and the nature of medical insurance to provide public service. The lack of public trust in commercial insurance institutions results into the relatively small market size of commercial insurance. Concerning the cost control, hospitals have not yet established a mature model to cooperate with commercial insurance institutions.

Besides, the successful operation of direct-billing service depends on the perfect connection between insurance agencies and medical institutions. The disunity of payment model among different medical institutions and the differences between the classification and naming of the expense items and the insurance items as well as the detailed division of commercial health insurance companies make it difficult for insurance institutions to deal with the unity of indemnity payment and expense items, which also limits the development of direct-billing service.

The Advantages for Medical Institutions to Provide Direct-billing Service

Meeting the Needs for Medium and High-end Medical Care.
The goal of the country to promote commercial health insurance is to meet the public’s medium and high-end medical needs on the basis of the existing basic health insurance and social security so as to realize the full coverage of social security. Now the synergistic development of commercial health insurance and basic medical insurance has become a national strategy. With the frequent introduction of related favorable policies in the future, it is inevitable for medical institutions to adjust the developing strategy in time, in order to meet the increasing medical needs for commercial health insurance.

Promoting Cost Accounting by Making Use of the Actuarial Model in Commercial Insurance.
The professional actuarial system and risk control ability of commercial insurance institutions are something that the current medical institutions do not possess. Through the direct-billing cooperation with commercial health insurance companies, medical institutions can accurately grasp the regional incidence of disease and claim ratio, promoting the classified management of disease types and disease cases, the quality control of a certain disease and the clinical path of a single disease, in order to meet the general trend of medical insurance settlement which emphasizes medical insurance payment for a single disease and to control the costs of hospitals effectively.

Promoting the Overall Management of Medical Insurance.
Through the development of direct-billing service, patients can seek medical treatment, report their cases, check the information, audit the expense and get indemnity all together in medical institutions, which forms a one-stop service from treatment to claims [4]. Convenient and efficient service process can attract more needs for high-end medical services. In the long run, the direct-billing service will become the united way of settlement for social basic medical insurance, new rural cooperative medical system and commercial health insurance. If medical institutions integrate direct-billing service into the unified management, it could be effective to promote the comprehensive management of various medical insurance and raise the overall managerial level of hospitals.

The Practice and Achievement of Direct-billing Service

Starting from the year of 2012, a large third-grade first-class hospital in Wuhan reached a collaborative agreement with Ping An Health Insurance Company, becoming the first in Hubei Province to carry out direct-billing service for commercial health insurance. Its managerial practices are as follows:

Preliminary communication includes contract negotiation, feasibility analysis, signing of agreements, providing services and post-maintenance, etc. It also includes the appointment of a hospital-level leader to lead the project, taking external contact department, medical department, finance department, information center and so on as the project members.

Institution setting includes the setup of commercial insurance office in the external contact department and the arrangement of a specialist to provide patients enjoying direct-billing service with medical consulting, outpatient and inpatient appointment, pre-authorization result query, accompanied treatment, the second treatment advice and other services. The hospital also set up the signposts for commercial insurance direct-billing service in the outpatient hall and service desks.

Process Formulation. The process of “direct-billing service” is shown in Figure 1.

![Figure 1 The Process of the Direct-billing Service in Commercial Health Insurance](image)

Business Training. Collaborated with information center, finance and accounting department, medical department and many other departments, the external contact department strengthened the business training targeted at personnel who are responsible for inpatient registration, outpatient charge, discharge settlement and medical staff from clinical departments, in order to help them become proficient in various business processes and master the approach to deal with general problems.

Identity Verification. The hospital is responsible for verifying the insurance card for direct-billing service, ID card, guarantee letter information. After verification, the hospital staff added the “Business Health Insurance” stamp to the patient’s inpatient card in order to confirm the patient’s identity.

Reforming the HIS System. A new identity classification of commercial health insurance is added into the HIS system. After the inpatient registration, the members of the commercial insurance project can directly have real-time monitoring of the patient’s treatment and expense. Meanwhile,
medical staff can use medicine and give medical treatment in strict accordance with related requirements, according to the patient’s identity in the system.

Claims Settlement. The materials needed for claims settlement of direct-billing service include: ①the patient’s ID card and a copy of the insurance card; ②inpatient receipts and lists; ③hospital discharge summary; ④hospital discharge record; ⑤a copy of the outpatient medical history; ⑥claim form. The commercial insurance office neated and optimized the expense and inpatient information of the claim forms every Friday, making the application materials for personal insurance claim.

Settlement Service. At the end of each month, the hospital would summarize all the documents of hospital discharge and claim settlement for the direct-billing service, then making the monthly report and checking the account with the claim office from the commercial health insurance company. After the verification, the commercial insurance company transferred the money to the designated banking account of the hospital in seven workdays.

From August 2012 to June 2014, the direct-billing service in this third-grade first-class hospital completed insurance claims of 545 people, and the total amount of money reached 10,072,849.71 yuan. The business volume of direct-billing service maintains a growth rate at 20% each year.

Discussion

The Problems in the Operation of Direct-billing Service

The Increased Risk in Refusal to Medical Expense. The implementation of direct-billing service requires hospital institutions to advance the relevant expenses. Then after the discharge of the insured person, the hospital can claim the indemnity towards commercial health insurance institutions according to relevant documents [5]. During this process, if the commercial health insurance institution think that there is any defect in the operation of hospital, the insurance institution might refuse to pay relevant medical expenses, which raises the risk for medical institution operation.

The Increased Risk in Excessive Medical Care. When the direct-billing service is operated, the insured person is not the paying party of medical expense, which makes them have less concern on the medical product and service pricing. The lack of momentum to save medical resources leads to the moral risk in the medical demand side. Besides, medical institutions have absolute superiority in information. With the existence of direct-billing service to avoid the insurance investigation, some doctors might induce patients to over-consume for their own interests, which leads to the moral risk in the medical supply side. The combined risk in medical demand side and supply might lead to the irrational use of medical resources and the rise in medical service prices.

The Increased Costs of Medical Institutions. Because of the incompatible information between medical institutions and commercial insurance companies, the direct-billing service needs to be based on the real-time exchange of data and information between insurance companies and medical institutions, which raise a higher-level requirement for the informational and systematic management of medical institutions. The re-establishment of a designated information platform based on direct-billing service will inevitably raise the operational costs of medical institutions.

Against the Equalization Principle of Medical Service. Quality medical resources are limited. When carrying out the direct-billing service, medical institutions would open the “green channel” for patients, offering them efficient, quality and fast service, which would exacerbate the queuing of other patients when checking and receiving inpatient treatment and corrode limited public health resources and basic medical resources. Meanwhile, in the unified pricing system of medical service, the insured patients purchase the same medical product at the same price with other common patients, while they can actually enjoy a special service, which is against the equalization principle of medical charge and also could exacerbate the conflict between hospitals and patients.

Countermeasures and Advice

Strengthening the Risk Control of Direct-billing Service. The initiators and implementers of the claims process for direct-billing service are transferred from the insured person to the medical
institution, so the hospital must control the possible risks in refusal to medical expenses and excessive medical care. The suggested strategies are as follows:

**Establishing the Management Group for Commercial Insurance.** Most public hospitals have set up relevant offices for medical insurance and rural cooperative medical system. Regarding the consistency of the basic principle in commercial health insurance and basic medical insurance, it is suggested that hospitals should integrate the direct-billing service into the comprehensive management of basic medical insurance management.

**Establishing the Management System for Commercial Insurance.** The hospital should integrate all the managerial departments which are involved in the direct-billing service, including the office for medical insurance and rural cooperative medical care, information center, finance and accounting department, medical department, etc. It is also supposed to establish an interior managerial system from hospital-level leaders to commercial insurance management group, head of department\'s head nurse and finally to coordinators. The coordinators for commercial insurance need to meet their function as a manager at the front line, trying to discover and control the irrational treatment and excessive medical care during the process of direct-billing service as soon as possible, therefore reducing the risks in refusal to medical expenses.

**Establishing Performance Appraisal System.** As the core of the performance appraisal system, to reduce the chargeback rate of direct-billing service can mobilize the enthusiasm of health care workers and related managerial personnel, and continuously improve the quality of medical services and work efficiency, improving patient satisfaction and reducing the risk of insurance institutions’ refusal to pay the bill [3].

**Establishing the Blacklist Mechanism.** The hospital can unite the commercial insurance institution to establish a blacklist including practicing physicians and insured customers. If the physician is discovered with irrational use of medicine, check-ups and treatment, relaxation in inpatient medication, excessive check-ups and other abnormal medical activities, or when the insured customer frequently seeks medical treatment, receives medical care repeatedly, has excessive amount of drugs, receives drugs without having disease or has the behavior of imposture and fake inpatient treatment, the hospital can put these physicians and patients into the blacklist then restrict their medical care or treatment.

**Strengthening the Construction of the Talent Team Specialized in Medical Insurance.** The direct-billing service involves many aspects including laws, insurance, medical science, business negotiation and foreign language. The hospital needs to build a professional team which can meet the requirements and provide training sessions to the relevant staff. Professional insurance talents can promote the medical work from many aspects including contract negotiation, service matching and risk management in refusal to pay the indemnity. They can also help the hospital benefit from the development and regulation of commercial health insurance market.

**Participating in “Big Data” Health Management.** Health management is a common managerial model implemented by foreign professional health insurance companies in order to reduce the risks and medical expenses of individuals or a group of people, which refers to the comprehensive management carried out by the commercial insurance company to monitor, analyze, evaluate and prevent the health risk factors of individuals or a group of people. During the exploring of Chinese health management model, medical institutions can actively participate in this process. For example, before the contract is signed between commercial insurance companies and customers, the hospital is supposed to carry out a basic health examination for the insured customer in order to master the real information of the patient, including the health conditions and medical history. Then the hospital could establish a health file for the customer in the big-data model and assist the commercial insurance company to conduct health assessments, carrying out health consultation and lectures, etc., in order to transform the simple direct-billing service to a comprehensive health management and improve the ability to control the medical risk.

**Reforming the HIS System United with Commercial Insurance Institutions.** Medical institutions and commercial health insurance companies should jointly develop the direct-billing module which is inserted in the network of HIS system. Through this module, the insurance company
can have a real-time understanding of the medical service for the insured personnel, which can effectively prevent the moral risk in excessive medical care by real-time inspection and early warning, so as to achieve a comprehensive control of the medical risks between hospitals and insurance institutions.

Adjusting the Pricing System for Direct-billing Service. Because the direct-billing service mainly meets the medium and high-end medical needs, its pricing for medical care should certainly be higher than the charging standard of common medical care. It is suggested that the government can make a unified pricing towards the commercial insurance direct-billing service and adjust the charging standard in time according to the demand-supply situation of the medical market, in order to increase the profits of medical institutions. Of course, the medical service of a better quality and a more reasonable price for the patient should be taken as the prerequisite of this profit.

Conclusion

With the rapid development of commercial health insurance, insurance companies are now having a much closer cooperation with hospitals. The collaboration with the designated hospitals has become an important part in the risk management and customer service of health insurance. As a creative and innovative work, the promotion of direct-billing service is still limited in many ways. It requires the management department of commercial insurance companies and medical institutions to work together to improve the mechanism, strengthen the regulation and play a positive role, so as to accelerate the in-depth integration of medical care and insurance, helping implement the “Health China” strategy.

References


