

ASHP Drops Reimbursement to \$30 Global Fee - 1999 Withholds Will NOT be Returned

Editorial Staff

The reaction was one of anger and frustration when most of the 1998 withhold amount was not returned to the chiropractic providers of American Specialty Health Plans (ASHP).¹ Now, six months later, more bad news of further earnings erosion could dramatically impact approximately one of every six DCs in the U.S.

ASHP is by far the largest chiropractic health maintenance organization (HMO) in the United States, and probably the world. With over 24 million members, 10,000 chiropractic providers and revenues in excess of \$80 million, ASHP sets the trend for chiropractic in managed care.

Recent management decisions are placing incredible pressure on those 10,000 DCs. The decision to keep an estimated 93 percent of the 1998 withholds cost chiropractors an estimated \$7 million in revenues, money they expected to get back. Now the latest announcement promises even more financial hardship.

On January 1, 2000, ASHP announced it would no longer collect a withhold from the fees paid to its chiropractic providers. This announcement came in conjunction with a reduction in the "office visit and adjunctive therapy" fee from \$38 to \$34.1 At that time, DCs were still paid additionally for initial examinations, re-examinations and other EM services.

The July 5, 2000 announcement further compounded the injury by reducing the payment to DCs to "an all-inclusive \$30 per diem for each office visit" that includes "the initial examination, the subsequent examination, one or more manipulations at each visit, one or more adjunctive therapeutic modalities or procedures at each visit, brief evaluation, and/or any consultative service." Only x-rays, chiropractic appliances and clinical laboratory services are excluded from the \$30 global fee. All of these fees are before any co-pay (usually \$5 to \$10) is deducted.

Then ASHP announced: "As allowed by the *chiropractic service agreement*, we will not be returning any financial withhold for 1999 dates of service." While many ASHP providers probably didn't expect much after ASHP's decision to keep most of the 1998 withhold, this hardly came as welcomed news.

When looking at decreasing reimbursement, the immediate question is: Why? A response letter from ASHP President and CEO George DeVries commented:

"While our rates have remained stable and relatively unchanged for the past 12 years, our competitors have introduced lower rates that have been accepted by their providers. These competitors recently also began offering some of our clients vastly reduced rates for chiropractic services. Some of our client health plans have, in turn, requested that we reduce our premium rates in their attempt to reduce costs while maintaining quality (over half of the HMOs in the country lost money in 1999 and the balance operated on an average two percent margin). The combination of these two factors, the financial state of HMOs, and the aggressive pricing strategy

of our competitors recently forced us to commit to reducing the premium charged to our health plan clients."

Mr. DeVries also announced that the ASHP staff had been reduced "from 660 to 500 over the past eight months."

While ASHP's actions appear reasonable, some providers have suggested that the real reason for the \$30 global fee is to maintain inordinately high profits. ASHP doctors point to several facts that support this contention:

ASHP Moves to New Offices - The old ASHP offices were located in modest- but-adequate facilities near San Diego stadium. Just before the July 5th announcements, they moved to the "Paladion," an upscale building in the heart of downtown San Diego at 777 Front Street.

Only 43% of Premiums Paid to Providers - According to the latest available revenue statements for the year ending June 30, 1999, ASHP received \$74,024,163 in premiums while paying only \$32,030,140 for "physician services." DCs have suggested that since they are the ones caring for the patients, they should get most of the premiums paid to ASHP, not just 43 percent.

ASHP's Unusually Large Profit of \$14,680,763 - When looking at the fee reductions, one has to consider how the company and the providers. The income before taxes from the same revenue statement shows earnings of \$14,680,763. This is an amazing 19.4% of total revenue and almost 46 percent of the total paid for "physician services." This means that for every \$30 paid to an ASHP DC (gross income to them) for a patient visit, ASHP enjoyed almost \$14 of profit. Depending on the amount of co-payment deducted from that \$30 fee, the ratio of ASHP profit to chiropractic payment would be much higher. ASHP's financial success is in sharp contrast to Mr. DeVries comments that "over half of the HMOs in the country lost money in 1999 and the balance operated on an average two percent margin."

ASHP's HealthyRoads.com Competing with Providers - The July 5 announcement included information about ASHP's HealthyRoads.com website. This website has generated much concern that ASHP is in competition with its providers. While ASHP will not reimburse for vitamin supplements provided to patients, its website openly sells vitamins, herbs, homeopathic products, sports nutrition, aromatherapy products, books, videos, foot care and body care products. All of these are sold directly to ASHP patients allowing them to "save up to 45 percent."

If there is any good news, it is that ASHP does "not anticipate any additional fee reductions will be needed." And while they expect that some DCs will be tempted to resign from ASHP, they contend "the new reimbursement is comparable to what others are paying." ASHP's announcement does include one point that bears repeating:

"But each chiropractor will need to decide whether or not to stay part of ASH based on what is best for his or her individual practice."

Editor's note: Please see "Positioning and Power Continues to Plague Chiropractic Providers" on page three for additional thoughts on ASHP.

Reference

1. Interview with the CEO of American Specialty Health Plans. Dynamic Chiropractic March 6, 2000. <http://www.chiroweb.com/archives/18/06/01.html> .

