

**LABORERS HEALTH AND WELFARE TRUST FUND
FOR NORTHERN CALIFORNIA
220 CAMPUS LANE
FAIRFIELD, CALIFORNIA 94534-1498
TELEPHONE: (707) 864-2800 OR TOLL-FREE (800) 244-4530**

**IMPORTANT NOTICE:
“PRIVATE CONTRACTING” AND MEDICARE**

**TO: ALL RETIRED LABORERS COVERED UNDER THE FUND’S DIRECT
PAYMENT PLAN (MANAGED CARE)**

Under Medicare, a physician can bill in one of two ways for covered services:

1. He can *accept assignment* and accept Medicare’s rates or
2. He can *decline assignment* and charge up to 15% more than Medicare’s rates. You pay the physician and submit the physician’s charges to Medicare for reimbursement.

However, a recent change in federal law now allows physicians to privately contract with their patients.

What is “private contracting”?

Under “private contracting,” a physician can “opt out” of Medicare reimbursement for Medicare covered services. This means that the physician may charge you any fee he chooses for his services and you are responsible for payment of those services.

If you choose to enter into “private contracting” with a physician, that physician must tell you, in advance, that you must agree to a “private contract.” The “private contract” between you and the physician must state clearly that:

- You are giving up your right to have Medicare pay for the services.
- You agree that the physician will not bill Medicare.
- You understand that Medicare will not pay for the services and that it is not likely that other insurance will pay.
- You have the right to receive services from physicians and practitioners whose services are covered under Medicare and whose bills Medicare would pay.

What will the Trust Fund pay under “private contracting”?

Let’s say you enter into “private contracting” with a physician. The physician charges you \$150 for an office visit, as an example. Medicare will not pay for the services nor can your physician bill Medicare for the services. You and your physician have a “private contract,” which does not involve Medicare. However, the Retired Laborers Plan will pay 20% of the usual, customary and reasonable charges (UC&R). Let’s say it is determined that UC&R is \$80. The Plan would then pay \$16 ($\$80 \times 20\%$). You are responsible for the balance of \$134. As you can see from this example, under “private contracting,” you can incur a substantial amount of out-of-pocket expenses.

To further illustrate, the breakdown of charges would be as follows:

- Physician’s Billed Charges \$150
- Plan pays 20% of \$80 (UC&R) (16)
- You are responsible for the balance of \$134

This example assumes that the services are Medicare covered services. That is, had the physician not “opted out” of Medicare, the services would be covered by Medicare. If you incur expenses that are not covered by Medicare, the Retired Laborers Plan will *not pay* any amount of the billed charges. You would be responsible for the full payment of the charges.

If you have any questions regarding “private contracting,” please call the Fund Office at 707 864-2800 or toll-free at 800 244-4530, Monday through Friday, 8:30 AM to 4:00 PM.

Sincerely,

BOARD OF TRUSTEES

SEPTEMBER 2004

-PLEASE PLACE THIS INSERT IN YOUR HEALTH AND WELFARE BOOKLET-