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How PPM Health Plans Can Solve the MEWA Problem

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While a physician practice management (PPM) structure allows for compliance with corporate practice of medicine laws and ease of administration, it often creates inadvertent health plan issues that should be navigated carefully to avoid compliance issues and/or difficulties with selling PPM entities.

In Depth

MEWA PROBLEM

The PPM structure helpfully allows physicians to focus on the clinical practice of medicine through a physician practice professional corporation (PC), while outsourcing the business of the practice of medicine to a management services organization (MSO, which, together with the PC, is referred to as the PPM). Ideally, employees of the MSO and employees of each PC associated with the PPM structure could be combined and covered under a single group health plan to allow for experience rating of a larger group of employees, which leads to cost savings for the PPM structure and all employees, and simplifies the offering of healthcare coverage administration.

Because the MSO and the PC under the PPM structure typically do not have adequate common ownership – purposefully so to ensure the PPM structure complies with the corporate practice of medicine rules – allowing the PC and MSO entities to participate in the same health plan can create health plan compliance concerns, such as a multiple employer welfare arrangement (MEWA). It is preferable to avoid creation of a MEWA, as MEWA requirements can be burdensome and prohibitive, including exposure to state laws (some of which outlaw self-funded MEWAs) and extensive reporting requirements to certain states and the US Department of Labor. As a result, having a MEWA can result in state and/or federal penalties and the structure presents significant complications when it comes to selling the PPM to a third party.

MEWA ALTERNATIVES

All, however, is not lost. Rather than separately purchasing commercially available group health insurance (*e.g.*, in the small group market, which is expensive and lacking in transparency), MSOs and PCs have several other options to provide group health plan coverage and avoid or accommodate being a MEWA. These include the following:

- The MSO and PCs establish “mirror plans,” where each entity maintains a self-funded group health plan but stop-loss insurance may be pooled among entities. Alternatively, the MSO and PCs may use a group captive medical stop-loss structure to manage risk associated with stop-loss insurance for self-funded plans.
- The MSO and PCs establish separate “level-funded” plans, where the MSO and PCs establish and maintain their own self-funded group health plans.
- The MSO and PCs purchase fully insured group health coverage that is underwritten as a single, large group through a professional employer organization (PEO). While this usually in fact creates a MEWA, MEWA compliance is the responsibility of the PEO provider not the PPM structure.

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