

Best quality at the lowest price

BLISCare offers Americans more control over their healthcare and can protect surgeons from the threat of being sued. Bart Hedges of Greenlight Re reveals how this innovative product can play a role in changing American healthcare

With approximately 64 million Americans classed as obese, it is no surprise that the volume of bariatric surgeries has steadily increased over the past 15 years. Nevertheless, bariatric surgery remains a relatively untapped market with less than 1% of the potential market undergoing surgery each year.

Since bariatric surgery was approved as an effective treatment for morbid obesity in 1992, the number of Americans opting for surgery has dramatically increased. Approximately 220,000 Americans had this surgery in 2008 according to the American Society for Metabolic and Bariatric Surgery (ASMBS). As the number of procedures increased, so too did the number of surgical complications.

By 2004, the American health insurance market reacted to the growing number of expensive complications by limiting coverage for bariatric surgery. As a result, a significant number chose to pay for surgery out of pocket – thus the term ‘cash-pay’. In the past, if a cash-pay patient underwent bariatric surgery and experienced complications as a result, they would have to bear the full expense of the subsequent medical care.

This not only had significant financial implications for the patient, but also,

potentially, for the surgeon, as Bart Hedges, president and chief underwriting officer of Greenlight Re, explains. “Even when the surgeon explains the possible complications prior to surgery, if the patient is faced with substantial medical bills as a result of a complication, the natural impulse – in the US, at least – is often to sue the surgeon,” he states.

With the sudden increase in cash-pay procedures, and the subsequent efforts by providers to collect significant additional bills from the patient, the rate of malpractice claims surged. Medical malpractice carriers responded by rating bariatric surgery separately, dramatically increasing premium or excluding coverage completely.

With the market in critical need of a solution, the ASMBS turned to Art Richards and Regi Schindler for help. Their solution was to craft a completely new insurance product that enabled the bariatric patient to pay a small fixed premium to cover additional medical care necessary to treat a complication.

The new product was called ‘BLIS-Care’ and is offered exclusively by BLIS to select members of the ASMBS. Unlike a health insurance type of product, the insured is the surgeon. When the surgeon authorises medical care to treat the post-bariatric surgical complication,



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BLIS (the company formed by Richards and Schindler) reimburses the provider directly. The patient has no financial responsibility for the complication-related care.

Initially BLIS was unable to secure reinsurance, so they worked with captive manager Nick Leighton of Atlas Insurance Managers and the Cayman Island Insurance Monetary Authority, (CIMA) to establish a Cayman Captive SPC called BLIS Insurance. BLISCare was initially written through BLIS Insurance, and after demonstrating effective underwriting and pricing, BLIS was able to secure reinsurance through Cayman-based Greenlight Re.

The creation of BLIS insurance is set to have a significant impact on the world of bariatric surgery and perhaps the

entire US healthcare market. As it turns out, everyone paying for surgery, not just cash-pay bariatric surgical patients, wants protection from complication-related costs. BLIS is working with self-insured employers and even health insurance organisations to build bundled surgical pricing, which includes BLISCare complication protection.

BLIS insurance

“BLIS is essentially a warranty product,” says Hedges. “If a cash-pay patient opts for bariatric surgery, they are then quoted a price that includes the warranty product coverage. If they suffer complications as a consequence of the surgery, the hospital will pay for any subsequent medical expenses.”

“What’s more, because the patient never feels that financial strain, they are far less likely to sue the surgeon,” he continues. “However, it is important to note that the insurance is dependent on the hospital working with the BLIS surgeon accepting the limited indemnification that can come from the insurance product.”

A key benefit of BLIS insurance is that the patient can feel confident that they will be receiving first-rate medical care. “Opting for a BLIS surgeon means that you know you are getting the best,” confirms Hedges. “The surgeons are all very carefully selected – all are members of the ASMBS and are ‘Centers of Excellence’ eligible.”

“It is important to remember that bariatric surgery is not a cosmetic procedure,” he continues. “The issue of comorbidity in terms of conditions such as diabetes is one that should not be underestimated. Bariatric surgery is about life saving medical treatment – it’s about living longer and improving a person’s health.”

Gaining more control over healthcare

Looking forward, BLIS looks set to play a key role in the growth of consumer-directed healthcare – essentially, the idea that patients or ‘consumers’ should have more control over their own healthcare.

“In our everyday lives, whether we are buying a car or just shopping for groceries, when we are spending our own money, we look for the best quality for the lowest cost. This idea is at the heart of consumer-directed healthcare,” explains Hedges. “In the US, if someone goes to the doctor and is offered the choice between an MRI scan or an X-ray, assuming both would be equally effective for their particular needs, the vast majority of people would opt for the MRI scan



(despite the fact that it is more expensive) because they are not spending their own money.”

“However, if they were spending their own money, this may not be the case,” he continues. “Instead, they would do what consumers do best, and opt for good quality service at the best possible price – at the moment, there is little incentive to do so.”

A further problem currently facing the US healthcare system is that of insufficient information, and this is an issue that BLIS aims to address. “At present, a patient has little access to meaningful information about their potential surgeons. Information is often available but expressed in basic clinical terms which may be difficult for patients to understand,” says Hedges. “In order to address this, Regi Schindler, of BLIS, has created the ability to measure risk in terms of dollars and cents – the universal language. This BLIS data is the foundation on which BLIS is able to underwrite and price surgical complication risk. The highest quality providers will have the lowest cost of risk and therefore the best available cash price. Cash-pay patients will be able to find out which surgeons produce the best outcomes at the lowest cost, and this will certainly make BLIS an attractive option going forward.”

The role of Greenlight Re

With BLIS looking to expand into a variety of new markets in the near future, such as plastic surgery or cosmetic dentistry (essentially any elective surgery) using the BLIS model, the role of Cayman Island-based reinsurance company Greenlight Re is becoming increasingly vital to its success.

Greenlight Re’s relationship with BLIS consists of two components – the first of which is reinsurance. “The BLISCare

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insurance product is sold through State National, the fronting carrier, enabling the product to be sold to almost the entire nation,” explains Hedges. “BLIS produces the BLISCare insurance product which is then backed up by State National, our counterparty – we provide reinsurance to State National. This means that Greenlight Re ‘takes the risk’.

The second component of the relationship is capital investment. “BLIS, like any new venture, requires new capital to grow – in this case, to be able to sign-up or add new surgeons and generally expand their platform,” explains Hedges. “At the moment, there are over 95 BLIS surgeons but in five years, when BLIS has fully implemented its business model, I can see there being over 500 BLIS surgeons, each capable of performing 30 or 40 BLIS covered surgeries every month. Consequently, I imagine we will see an increasing number of patients enjoying BLIS complication protection via their BLIS surgeon.”

Looking forward, Greenlight Re plans to continue to support BLIS as the insurance product expands into new markets, in terms of both capital investment and reinsurance. “We want to provide them with the financial wherewithal to allow the product to grow into a much larger transaction,” concludes Hedges. “Whether it is in new areas, or simply continuing to expand the current platform, we look forward to continuing to facilitate the growth of BLIS in the future.”