

Incurred Expenses

An *expense* must be *incurred* as a condition precedent to benefit entitlement.

The word *expense* means a demand which must be met and conveys the idea of an obligation to pay out money. Consequently, there must be a demand for payment (a bill) for hospital, medical or surgical services that the participant is obligated to pay in order to qualify for benefit payment. A participant must be subject to a legally enforceable debt before there can be liability under a reimbursement-type policy. When the covered person is responsible for paying for the services received, those expenses qualify as *expenses incurred*. A charge is *incurred* on the date services are received.

Where a participant receives medical, hospital or surgical care for which no expenses are incurred, the plan has no legal liability under the plan terms since no *expenses* have been *incurred*.

Usually, a physician or other provider furnishes a service or supply to a patient under an express contract between himself and the patient. The physician agrees to furnish a service and the patient agrees to pay a fee for it. After the physician has furnished that service, the patient is expected to pay that specific fee or, if no fee was discussed, the patient is expected to pay a reasonable fee.

Sometimes a physician or other provider furnishes a service without any prior agreement with the patient. This generally occurs in the case of an unconscious patient, or for services rendered by secondary provider (e.g., assistant surgeon, anesthesiologist, pathologist or consultant) at the request of the patient's attending physician. In such situations the law presumes an implied contract between the physician and patient, and the patient is expected to pay the fee.

However, for secondary providers, custom varies widely with respect to the method of billing and payment. The provider may render a bill directly to the patient or indirectly to the attending physician. When the bill is sent to the attending physician, she/he, in turn, may:

- Send it to the patient for payment, or
- Pay the bill and include an itemization of the service, charge and identify the secondary physician in the statement to the patient or
- Pay the bill and include the charge, without specific itemization, in the statement to the patient.

Each of these methods of billing is considered proper and ethical. It is general practice to pay a benefit for the covered charge, upon receipt of evidence of that charge and the service for which it is made, regardless of the billing method used.