

## Education Session II:

What would life look like if we implemented reference-based pricing?

**HORTON**

September 2020

# Meeting Agenda

1. What is a Network?
2. What is Referenced-Based Pricing (RBP)?
3. What does RBP Look Like to an Employee?
4. Clearing Up Myths About RBP
5. Next Steps

# Glossary of Insurance Terms

Term	Definition
Allowed Charges	The amount billed by a provide for a service, after any discounts are applied. Includes the amount paid by both the plan <u>and</u> the member.
Billed Charges	The amount billed by a provider for a service, prior to any discounts or payments being applied.
Direct Contract	A negotiated rate agreement between a provider and a third party.
Discount	The amount an insurance company negotiates with health care providers for services rendered.
Medicare Rate	A standardized fee set by Medicare to pay doctors or other providers/suppliers on a fee-for-service basis.
Member Cost	The amount owed by the member, after any provider discount and plan payments have been applied to billed charges.
Multiple of Medicare	An amount, expressed through a percentage, in excess of the Medicare reimbursement schedule.

# Glossary of Insurance Terms

Term	Definition
Network	A network is a list of doctors, other health care providers, and hospitals that a plan has contracted with to provide medical care to its members. These providers are called “network providers” or “in-network providers”.
Noise	A term used to refer to the change and potential disruption experienced by employees and plan managers in transitioning from one plan to another.
Paid Charges	The amount billed by a provider for a service, after any discounts have been applied.
Plan Charges/Cost	The amount paid by the health care plan.
Reference-Based Pricing (RBP)	A cost-containment strategy that pays doctors, labs, clinics and hospitals a percentage of an established benchmark.

1

# What is a Network?

# Understanding Networks


A network is nothing more than a contract between an insurance company/TPA and a provider who agrees to take a certain discount from their billed charges in return for having members directed to them.

The screenshot displays a search results page for a healthcare provider. At the top, there is a navigation bar with filters: 'All Specialties', 'All Tiers', 'All People & Places', 'All Genders', 'All Patient Ratings', 'All Blue Distinction...', and 'More Filters'. Below this, a section for 'VIEW ONLY' includes a checkbox for 'Accepting New Patients' and a 'WITHIN 50 miles' distance filter. The main content area shows 'List view' and 'Map view' options, with 'List view' selected. A 'Sort By Best Match' dropdown is also present. The provider profile for 'Derick Dermatology Llc' is shown, including a circular icon with a medical cross, the name 'Derick Dermatology Llc', and the specialty 'Dermatology'. To the right of the name are buttons for 'Add to Compare' and 'View Profile'. Below the name, the 'LOCATION' is listed: 'Derick Dermatology Llc', '525 E Congress Pkwy Ste 200, Crystal Lake, IL 60014', and a 'Get directions' link. The 'CONTACT INFORMATION' section shows the 'Phone: 847-381-8899'. A star rating of 4.0 is displayed with five stars (four filled, one outlined) and a link to 'View 1 rating'. A red dashed box highlights a badge that says 'In your network' with a small icon of a person and a checkmark.

All Specialties ▾ All Tiers ▾ All People & Places ▾ All Genders ▾ All Patient Ratings ▾ All Blue Distinction... ▾ More Filters ▾

VIEW ONLY: ☐ Accepting New Patients WITHIN 50 miles ▾


List view Map view Sort By Best Match ▾

 **Derick Dermatology Llc**  
Dermatology ☐ Add to Compare [View Profile](#)

LOCATION  
Derick Dermatology Llc  
525 E Congress Pkwy Ste 200, Crystal Lake, IL 60014  
[Get directions](#)

CONTACT INFORMATION  
Phone: 847-381-8899

★★★★☆ 4.0 [View 1 rating](#) >

 In your network

# Member Incentives for Staying “In Network”

Because of the discounts negotiated, members are incentivized to use providers within their network as opposed to those out of network.

Medical

Dental

Virtual Visits

Spending Summary

Referral and Prior Authorization Information

Member Advantages

Discounts

Related Links

Please Read: HIPAA Privacy Notice

BlueCard® Program

Important Information About COBRA Coverage

Member Resources

Member Rights and Responsibilities

My Health Snapshot

View your year-to-date health and spending summaries

RAOUL GRAVEL

Plan Type: PPO+

Group Number: P21650

ID Number:

Medical Benefit Highlights ?

Here you will find information for your medical coverage benefits. Please note that this page contains highlights only. For complete details about your medical coverage benefits, please refer to your benefit booklet or medical coverage benefit plan documents.

Medical Benefits Highlights for: RAOUL GRAVEL ▾


	PPO	Out of Network
? Individual Deductible	\$400.00	\$900.00
? Family Deductible	\$1,200.00	\$2,700.00
? Individual Out of Pocket Maximum	\$2,900.00	\$8,400.00
? Family Out of Pocket Maximum	\$8,700.00	\$25,200.00
? Coinsurance	80%	60%
? Virtual Visits Copay	\$44.00	N/A
? Lifetime Maximum	NO LIMIT	N/A



# Member Discount Illustration

## The Hospital Bill

Page 1 of 2

 Advocate Health Care

Thank you for choosing Advocate Good Shepherd Hospital as your health care provider.

Date: 10/16/2018  
Responsible Party: RAOUL GRAVEL  
Account Number:

**REQUEST FOR PAYMENT**

**Account Summary**

Patient Name: RAOUL GRAVEL  
Date(s) of Service: 10/01/18 - 10/04/18  
Description of Service: MEDICAL INPATIENT SERVICES

Total Charges \$ 12,649.00  
Total Payments and Adjustments - \$ 11,351.26  
Total Account Balance \$ 1,297.74

**AMOUNT YOU OWE \$ 1,297.74**

**Payment and Other Information**

To pay online, visit [www.advocatehealth.com/billpay](http://www.advocatehealth.com/billpay). Additional payment methods include mail and pay over the phone.

To learn more about payment plans or to speak with Customer Service, please call 630-645-2400 between the hours of 8:00AM-4:30PM Monday - Friday. Hablamos español.

Advocate offers financial assistance to patients in need. To learn more about financial assistance or to obtain free copies of our financial assistance policy, application, and plain language summary, please visit our website at [www.advocatehealth.com/financialassistance](http://www.advocatehealth.com/financialassistance) or call 630-645-2400. Financial counselors are also available at the hospital to assist you. See reverse side for more details.

**Insurance Information**


Primary: BLUE CROSS PPO  
Second: None on File

If your insurance or address is different than what we have on file, please contact us or complete the form on the reverse side.

**Important Message**


We have billed your insurance and the balance is now your responsibility. Please contact your insurance carrier immediately if you feel the claim was not processed correctly. If you anticipate difficulty paying this bill, and would like information about payment options that may be available to you, including payment plans and financial assistance consideration, please contact our customer service department. If you have already mailed your payment, please disregard this letter and thank you for your prompt payment.

99-OPAP01-2

 Advocate Health Care  
P.O. Box 3039  
Oak Brook, IL 60522-3039

**Pay By Mail** Account #: 629797390

Amount Due	Due Date	Amount Paid
\$ 1,297.74	10/30/2018	\$

Credit Card Number  Exp. Date  Circle Card 

Credit Card Holder's Signature

Advocate Good Shepherd Hospital  
P.O. Box 4248  
Carol Stream, IL 60197-4248

001721  
G0010S 1117318 575641139  
RAOUL GRAVEL

62979739010302016000001297749

Page 2 of 2

**Account Activity: RAOUL GRAVEL**

Account Number: 629797390  
Date(s) of Service: 10/01/18 - 10/04/18

Date	Description	Qty	Activity
10/12/18	BCBS VOUCHER PMT	-	\$11,351.26
10/12/18	COINS=1297.74		\$0.00
10/16/18	BILLING UNIT XFR SP		\$1,297.74
10/16/18	BILLING UNIT XFR INS	-	\$1,297.74
<b>Total Account Balance</b>			<b>\$ 1,297.74</b>

Please note: Your physicians will bill separately for their professional services.

**Payment and Contact Information**

For your convenience, Advocate offers online bill pay. Managing your account has never been easier. Sign up today by visiting Advocate's website at [www.advocatehealth.com/billpay](http://www.advocatehealth.com/billpay).

- 24/7 Access, 365 days a Year
- View Account Details
- Pay Bills Online

Reach our customer-friendly automated system by calling 630-645-2400 for access to:

- Review account information including an itemized bill
- Make a payment by credit card
- Verify insurance information
- Speak with a customer associate during working hours of 8:00AM-4:30PM, Monday-Friday
- Hablamos español

Correspondence can be faxed to 630-645-2300 or mailed to PO Box 3039 Oak Brook, IL 60522-3039

## Understanding the Charges

Billed Charges	\$12,649.00
- Negotiated Discount	\$unknown
- Actual Plan Payment	\$unknown
- "Voucher" Payment	\$11,351.26
<b>= Member Payment</b>	<b>\$1,297.74</b>

**HORTON**



# Member Discount Illustration

## The ER Physician Bill

**MAKE CHECKS PAYABLE TO:**  
**TRI-COUNTY EMERGENCY PHYS LTD**  
 PO BOX 4195  
 SAN DIMAS, CA 91773-8195

**CREDIT CARD CHOICES:** VISA, MASTERCARD, DISCOVER, AMEX

**CLIENT:** GST **ACCOUNT NUMBER:** 11/13/2018 **ACCOUNT BALANCE:** \$48.46

**STATEMENT** **REMIT TO:** TRI-COUNTY EMERGENCY PHYS LTD  
 PO BOX 4195  
 SAN DIMAS CA 91773-8195

**ADDRESSEE:** BGN1022A \*\*\* 7000011153 02.0012.0345 11153/11  
 AUTO ALL FOR AADC 600  
 RAOUL GRAVEL

**ST0000629797390102220180000000048463**

**IMPORTANT NOTICE - THIS IS THE ONLY ITEMIZED STATEMENT OF SERVICES YOU WILL RECEIVE, PLEASE RESPOND NOW**  
 Your account must be paid in full within 90 days of the date of this statement unless minimum payments of \$50.00 are made by the due date or it will become delinquent. Any balance remaining on a delinquent account will automatically be assigned to a collection agency. Partial payments less than \$50.00 will not extend the delinquency date of your account.

**To pay online go to [www.erstatement.com](http://www.erstatement.com) - Your password is:**

**YOU ARE RESPONSIBLE FOR THE BALANCE SHOWN AS YOUR INSURANCE HAS APPLIED IT TO EITHER YOUR CALENDAR DEDUCTIBLE, CO-INSURANCE OR CO-PAYMENT.**

DATE	RP	PS	EXAM CODE	SERVICE DESCRIPTION	DIAGNOSIS CODE	CHARGE AMOUNT
10/01/18	1	23	99285	EMERGENCY PHYSICIAN SERVICE	J39.1	\$980.00
10/17/18			963	BCBS PAYMENT		(\$193.84)
10/17/18			813	CONTRACTUAL ADJUSTMENT		(\$737.70)
10/17/18				Insurance payment for services rendered 10/01/18		

**CURRENT MONTH:** \$48.46 **OVER 1 MONTH:** \$0.00 **OVER 2 MONTHS:** \$0.00 **MINIMUM \$50.00 PAYMENT OR AMOUNT DUE:** \$0.00 **ACCOUNT BALANCE:** \$48.46

**RP:** 1 - BRAUN, MICHAEL, W.D. **PS:** 23 - EMERGENCY ROOM

**RENDERING PROVIDERS:** 2 - **PLACES OF SERVICE:** ADVOCATE GOOD SHEPHERD HOSP

**FOR BILLING INQUIRIES CALL: (844) 312-6776** **OFFICE HOURS:** Mon - Fri 9:00 am - 6:00 pm C.S.T. \*\*\*

## Understanding the Charges

Billed Charges	\$980.00	
- Negotiated Discount	\$737.70	(75.2%)
- Actual Plan Payment	\$193.84	
<b>= Member Payment</b>	<b>\$48.46</b>	

# Member Discount Illustration

## The Hospital Physician Bill

**MAKE CHECKS PAYABLE TO:**  
**Best Practices Inpatient Care, Ltd.**  
 BILLING OFFICE:  
 PO Box 268  
 Lake Zurich, IL 60047-0268  
 (847) 235-3075

**Pay Your Bill Online At**  
[www.BESTPRACTICESINPATIENTCARE.COM](http://www.BESTPRACTICESINPATIENTCARE.COM)

**ADDRESSEE:**  
 RETURN SERVICE REQUESTED 4 1  
 RAOUL GRAVEL

**SAVE TIME, PAY YOUR BILL ONLINE!**  
 Visit: [www.bestpracticesinpatientcare.com](http://www.bestpracticesinpatientcare.com)  
 Your Bill Pay Code is: 1  
 (See back side for more payment options)

**Due Date:** 11/04/2018  
**Pay This Amount:** \$189.49  
**Acct #:** 821522

**REMIT TO:**  
 BEST PRACTICES INPATIENT CARE LTD  
 PO BOX 268  
 LAKE ZURICH IL 60047-0268

**STATEMENT** PLEASE DETACH AND RETURN TOP PORTION WITH YOUR PAYMENT

**LAST PMT:** 10/10/2018 **AMOUNT:** \$92.51 **Page 1 of 1**

Date	Physician's Name	Description	Charges	Medicare Payments	Ins. Payments	Patient Payments	Adjustments	Balance
<b>WHY AM I RECEIVING THIS BILL? PLEASE SEE REVERSE SIDE.</b>								
10/01/2018	CAMPAU M.D.	ADMIT HISTORY & PHYSICAL	429.00		126.36		207.87	94.77
10/02/2018	BUTT M.D.	HOSP VISIT, EXTENDED	220.00		90.34		107.08	22.58
10/03/2018	RAMPURWALA	HOSP VISIT, EXTENDED	220.00		90.34		107.08	22.58
10/03/2018	RAMPURWALA	INPT DIR. PROLONGED MGMT.	211.00		105.77		78.79	26.44
10/04/2018	SIDDIOU M.	HOSP DISCHARGE>30	227.00		92.51		111.37	23.12

**PAY YOUR BILL ON LINE AT:**  
[WWW.BESTPRACTICESINPATIENTCARE.COM](http://WWW.BESTPRACTICESINPATIENTCARE.COM)

**AMOUNT DUE - PATIENT RESPONSIBILITY:** \$189.49

STATEMENT DATE	ACCOUNT NUMBER	TOTAL BALANCE	INSURANCE PENDING	PAYMENT DUE DATE
10/15/2018		\$189.49	\$0.00	11/04/2018

**MESSAGES:**  
 PROTECT YOUR CREDIT AND YOUR INSURANCE! IN ADDITION TO COLLECTION ACTIONS, YOUR FAILURE TO PAY DEDUCTIBLES AND COINSURANCE MAY CAUSE INTERRUPTION TO YOUR INSURANCE.

**BILLING QUESTIONS:**  
 Best Practices Inpatient Care, Ltd.  
 PO Box 268  
 Lake Zurich, IL 60047-0268  
 (847) 235-3075

**SEE REVERSE SIDE FOR IMPORTANT BILLING INFORMATION**

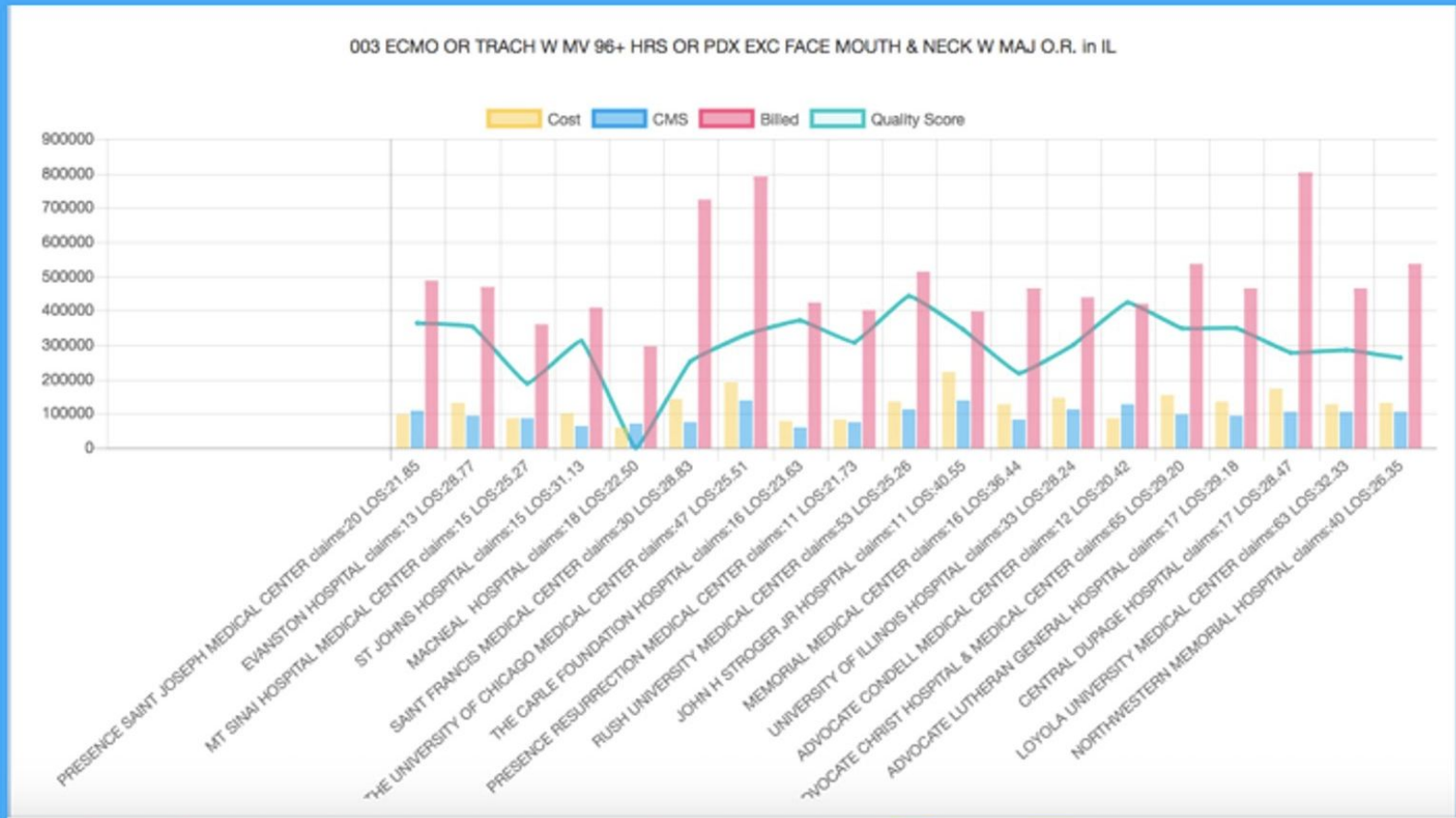
## Understanding the Charges

Billed Charges	\$1,307.00
- Negotiated Discount	\$612.19 (46.8%)
- Actual Plan Payment	\$505.32
<b>= Member Payment</b>	<b>\$184.49</b>

# Digging into Discounts

- The discount amount is proprietary information between the insurance company and the provider.
- On average discounts are between 45% and 60% depending on region and type of service being provided.
  - Remember: Every hospital and provider is different. Even if the discounts are the same at Lutheran General and Glenbrook, the amount of the procedure may vary greatly.
- To better understand overall cost, it is common to look at a specific procedure and the difference between **actual costs**, **billed charges** and **paid charges**.

# Establishing a Baseline



Credit to 6 Degrees Health, Dx LLC

2

# What is Reference-Based Pricing (RBP)?

# Traditional Billing Practices

- The average consumer has no idea what medical services cost before they receive the bill.
- Once receiving the bill, the consumer typically only sees the amount that they owe, not all of the details such as:
  - Total billed charges;
  - Amount discounted by the insurance company; and
  - Amount paid by the plan.
- The lack of transparency that exists in healthcare makes it very difficult for a consumer to understand if they are paying a fair price for the service received.
- Reference-based pricing seeks to challenge the status quo of traditional medical billing, and reduce the charges paid by self-insured health plans.

# The Basics of RBP

- Reference-based pricing (RBP) is an approach to paying medical claims. It is primarily implemented when processing hospital claims.
- There is no network\*. A member can visit any hospital or provider.
- Members are issued an insurance card from a TPA and receive a bill for charges not paid by the health plan.
- Because there is not a network, there are not pre-negotiated discounts with hospital or providers.
- Alternatively, claims are paid based on a **multiple of medicare**. For example:
  - Procedure “X” is **Billed** at \$1,000
  - Medicare Pays** \$500 for Procedure “x”
  - The **Plan and/or Member Pays** 150% of Medicare, or \$750

\* Some RBP vendors have created contracts with hospitals and providers.



# Why Use Medicare?

- Medicare is used as the RBP benchmark because almost all hospitals and medical providers accept Medicare for their services.
- Through Medicare, the federal government has established rates for each procedure:
  - **For Medicare-Participating Providers (e.g. Assignment)**  
Doctors and hospitals agree to accept the Medicare-approved amount for a particular service as full payment for covered services.
  - **For Non-Participating Medicare Providers**  
Doctors and hospitals can charge more than the Medicare-approved amount. However, federal law sets a limit at no more than 115% of the Medicare-approved amount. (Note: Non-participating providers are reimbursed by Medicare for 95% of the fee schedule amount. The remaining amount is paid by the member.)

# Illustrating Medicare vs. Commercial Insurance Costs

An analysis was performed by a reference-based pricing vendor, AMPS. They determined that in Illinois, the typical mark-up is about 664% of Medicare. If the average discount of 50% is applied to a gross charge of 664% of Medicare, the typical medical charge for a commercial insurance plan is 332% of Medicare.

In other words, a hospital gets paid about 332% more by a commercial insurance carrier than they do by Medicare for the same procedure.

Medicare Cost	200%	300%	400%	500%	600%	700%	\$100
Medicare Cost	Typical Markup for a Non-Medicare Patient +564%						\$664
Medicare Cost	Typical Markup for a Commercial Insurance Patient with Discount +232%						\$332
Medicare Cost	RBP +60%						\$160

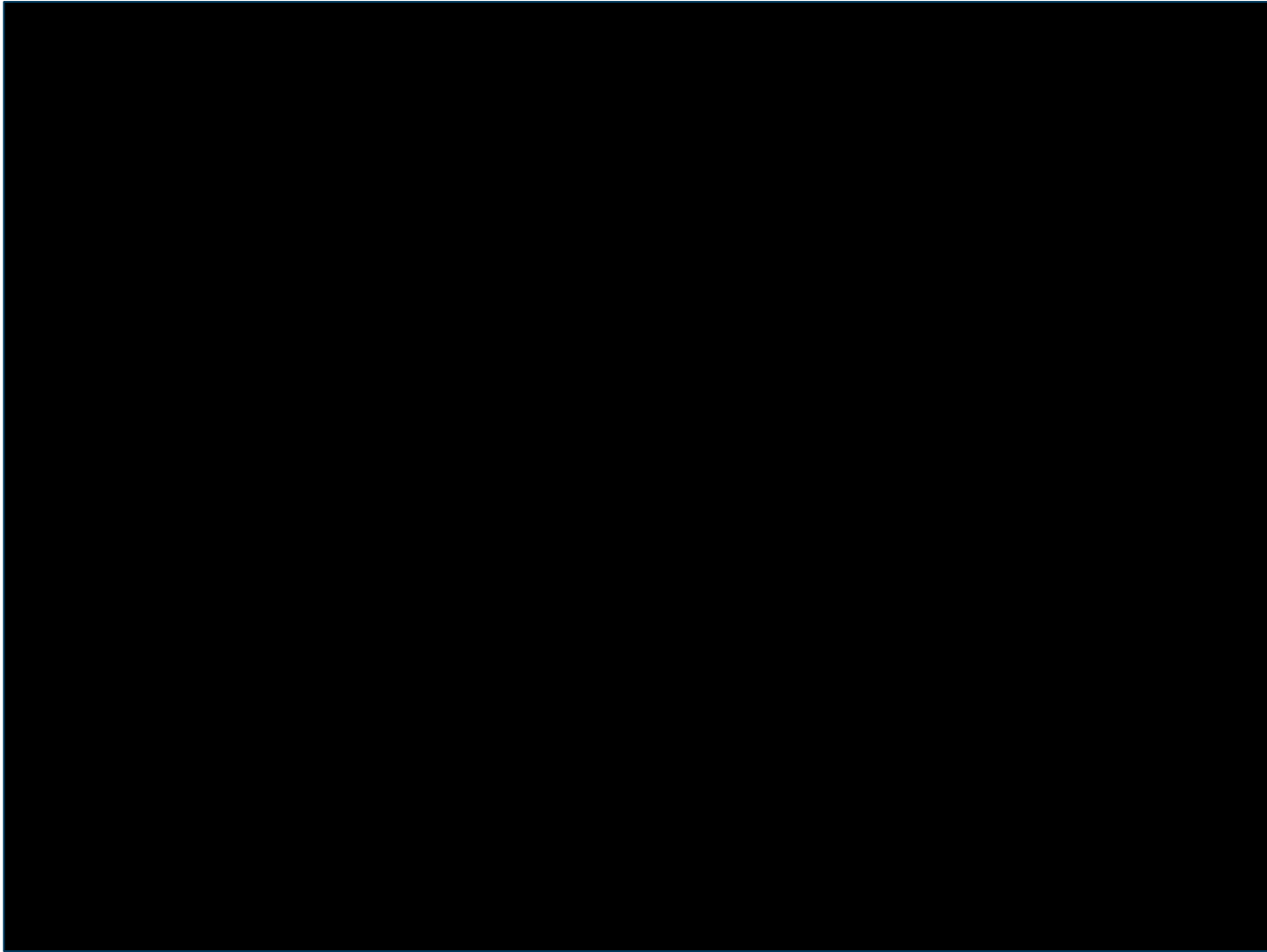
# How Does RBP Save a Plan Money?

- RBP vendors typically reimburse medical claims at between 120 and 150 percent of Medicare, depending if the claim was delivered by a provider or at a facility.
- If a BUCAH plan reimburses a medical claim at 332% of Medicare, it is pretty easy to see how implementing RBP can save money.
- In a recent analysis, using Glenbrook's claim data, performed by RBP vendor ELAP, **a transition to RBP could save upwards of \$4.2M.**

3

# What does RBP Look Like to an Employee?

# Illustration from RBP Vendor, ELAP



# RBP is Continuing to Evolve and Gain Popularity

- Many RBP vendors have entered into **direct contracts** with hospitals and providers, or have partnered with various healthcare systems to provide an in-network “feel” to avoid the issue of balance billings. Chicagoland examples include:
  - Amita Health;
  - Lurie Children’s Hospital of Chicago; and
  - Northwestern Medicine.
- Other RBP vendors have made it their policy to negotiate with any medical provider up to the limits of the plan (as determined by the plan design), or until the claim is settled.
- RBP has grown in popularity for more than the cost savings that can be realized. RBP has also provided consumers transparency in the medical billing process so that they can maximize their benefits and minimize their out of pocket expenses.

# Typical Employee Experience

- In most cases (96%), hospitals accept the reimbursement from the RBP vendor at between 120% and 150% of Medicare and everything goes smoothly.
- However, in some cases, the hospital or doctor will not accept the reimbursement as payment in full and will issue a **balance bill** for the amount due to them that was not paid.
- The balance bill would include the **member payment responsibility** and the amount the hospital or doctor is still requesting to be paid.
- In this case, the employee would not pay the bill. Alternatively, they would forward the bill to the RBP vendor for processing and negotiation with the provider.
- The employee would be guided through the payment process by a dedicated support team.



# Rare Employee Experiences

- If an employee does not forward the balance bill to the RBP vendor in a timely manner, the provider may implement additional collection activities. (This is when a bill is received by a member, and ignored as opposed to being opened and shared with the RBP vendor.)
- Occasionally a provider will not recognize the RBP vendor (e.g., the name of the insurance card) as an insurance provider. In this rare situations, a provider may refuse to provide service or schedule an appointment without prepayment for services.

4

# Clearing Up Myths About RBP

# “The Decision Tree”

90 Degree Benefits, a strategic benefits partner with multiple companies across the nation, created an infographic called “The Decision Tree” that presents the rewards and risks of RBP.

<b>Reward</b> Dramatic Cost Reduction	<b>Risk</b> Noise and Disruption
<ul style="list-style-type: none"><li>• Savings of 25%-30% on your health plan costs and cost transparency;</li><li>• Health plan sustainability-flat or marginal risk charge renewals;</li><li>• Opportunity to add benefits or increase existing ones;</li><li>• Increase in employee take-home pay through lower health plan payroll deductions; and</li><li>• Employee proportion (coinsurance) of health care cost is less under RBP.</li></ul>	<ul style="list-style-type: none"><li>• More work for HR departments and employee education required;</li><li>• Balance billing;</li><li>• Plan participant may have some medical providers up front or chose another provider;</li><li>• Possible debt collection or credit impairment if employees are not educated on RBP plan;</li><li>• Possible employee perception that health plan is not good if RBP is poorly administered; and</li><li>• Although rare, health care payment dispute may devolve into litigation.</li></ul>

# RBP Facts

There are a lot of assumptions about RBP. Trustmark, one of the largest TPAs in the nation, offers a series of facts to set the record straight about RBP.

- A majority of doctors and hospitals will accept reference-based pricing benefit plans.
- Members can select any doctor or hospital.
- Reference-based pricing saves employers and members money.
- Balance billing doesn't only happen with reference-based pricing plans (it happens with PPO plans when members use out-of-network providers).
- Employees are not stuck with paying balance bills.
- Employers don't negotiate balance bills with providers.

5

# Next Steps

# Next Steps

- **What Is Our Next Step - September 17, 2020**

This is the meeting where we will review all of our options (e.g., BCBS-IL renewal, transition to a different large TPA, or transition to reference-based pricing). We will review potential contribution rates for the upcoming school year under each model, and discuss the implications of any decision.

- **Finalize Employee Plans and Agreements - October 2020**

The Board of Education will take action to approve the premium-equivalent rates and health plan structure in October.

- **Open Enrollment - November 2020**

Employees will complete the open enrollment process via Skyward in November.

- **New Plan Year Begins - January 1, 2021**

The new plan year, and any changes made will take effect on January 1st.