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VOLUNTARY BENEFITS ASSOCIATION®

Neil Model is an employee benefits expert with over 40 years of experience in successfully identifying areas for cost savings within the healthcare plans of large and mid-size employers.

HEALTHCARE: CANDY & CAVITIES

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Surprise! You've received a large medical bill from a recent hospital visit that you weren't anticipating. You're confused because the hospital where your procedure was performed and the surgeon who performed it are considered "in-network" by your health insurance, but the statement still shows that you owe a large balance. Unfortunately, you're not alone. The number of individuals receiving surprise bills, also known as balance bills, continues to rise, largely due to the lack of transparency with regard to healthcare pricing.

There are many situations in which balance billing could occur. When a patient finds themselves in a true medical emergency, control over choice of ambulance service, hospital, and emergency room provider is extremely limited, and therefore difficult to control. These patients often receive large bills when their insurance is not accepted by out-of-network providers.

But despite legislative calls to ban such practices, balance billing still occurs, even in instances when an in-network emergency room is visited, or a procedure is planned ahead of time. For example, in the case of an emergency room visit, just because a hospital is considered in-network does not mean the ER doctor on call is also in-network. And in the case of a planned procedure, a facility and surgeon may be in-network, but the surgeon's preferred anesthesiologist may be out-of-network.

While surprise billing seems extremely deceptive and can create huge financial burdens for employees, there are some things employers and plan participants can do to prepare financially, in light of an overall lack of healthcare transparency.

- Employee education – Ensure employees know where to find in-network doctors and facilities and encourage them to be aware of options ahead of time, especially in the event of a medical emergency. Most insurers have mobile apps which provide easy-to-access lists of in-network providers.
- Check state legislation – Some states already have laws in place regarding how surprise medical bills should be handled. It's worth checking the law in your state and informing employees of their options.
- Getting a quote ahead of time – Encouraging employees to call the hospital or surgery center ahead of time to get a quote is one way to take some control of surprise billing. Most providers will express difficulty in providing an accurate quote due to the unique nature of each patient's procedure and possibility for complications, but asking them to quote the highest amount the procedure has ever cost is a great way to determine the upper limit someone could expect to pay.

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While these are a few very temporary solutions to controlling costs amidst a widespread healthcare pricing transparency problem, there are steps employers/plan sponsors can take to add some collective control over rising healthcare costs to their self-insured plans.

Reference-based pricing (RBP), which, as of this year, has had a slow adoption rate by plan sponsors, is a trending cost-containment strategy that uses benchmarks to set healthcare prices, typically as a percentage of Medicare reimbursement rates. These percentages, usually anywhere from 120-300%, are set based on “reasonable” prices for services within local markets. RBP removes in-network and out-of-network designations among providers altogether—employees can seek care anywhere they like.

Despite the opportunity to potentially save 20-30% on medical spend, part of which can be passed on to employees in the form of reduced premiums and deductibles, many employers have been hesitant to switch to RBP due to the perceived difficulty in implementing a new plan. This is where partnering with a trusted benefits provider can truly be beneficial. An experienced advisor can help you with things like:

Simplifying Plan Options
Reference-based pricing (RBP) is for self-funded employer groups. The number and structure of plan options are limitless. Introducing RBP and reducing the number of options can be seen as a positive. For one, existing plans with no out-of-network coverage can be eliminated.

Setting Out-of-Pocket Maximums (OOPM)
Assuming the considerable savings an RBP plan often generates, a plan sponsor may consider reducing the OOPM, making the introduction more palatable.

Contracts
RBP contracts are the most important part of the process. Claims cost basis can be negotiated with physician practices and hospitals both in advance and after incurring expenses. In the absence of a contract, most providers will accept a RBP plan, but they likely will balance bill for the remainder of the cost. The idea of negotiating and creating a contract can be daunting, but benefits advisors who specialize in implementing RBP plans are experienced in understanding the provisions of contracts that provide the best benefits offering to the plan sponsor and their employees. Partnership with an experienced benefit advisor and a reputable RBP vendor is critical.

Employee Education
This is the second most important part of the process. In knowing that there could still be some “surprise bills” with RBP, especially among providers who aren’t under contract, it’s important to educate employees to report any balance billing to you right away. Your third-party administrator (TPA) will be able to advocate on their behalf, and reduce the “noise” to resolve any outstanding charges.

Your advisor must be able to provide resources to educate employees of the change to a RBP plan ahead of open enrollment to cut down on confusion and boost employee engagement.

It’s great that legislators and President Trump recognize and have called for a solution to a lack of healthcare pricing transparency in our country. However, we all know it could take years to agree upon and implement a permanent solution. Reference-based pricing is a great way to take control of your healthcare spending right now and doesn’t have to be a difficult and insurmountable task to implement when working with an experienced benefits advisor. ■

Neil Model is an employee benefits expert with over 40 years of experience in successfully identifying areas for cost savings within the healthcare plans of large and mid-size employers. As the cost of healthcare has continued to rise, he has written many articles on ways to lower total spend, specializing in pharmacy cost containment strategies. He can be reached at nmodel@cbiz.com or 610-862-2460. Be sure to follow him on LinkedIn for all of his latest articles.

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