

Reference Based Pricing

Schedule of Benefits

EPO

Medicaid

Presented by
Pat Campola
Principal
Windsor Strategy Partners
pcampola@wspactuaries.com

Cost Plus

Medicare

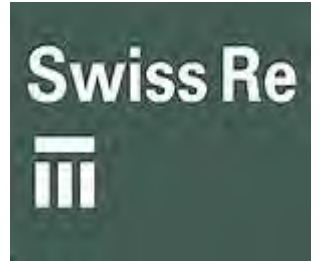
PPO

Hospital Indemnity Plans





Reference Based Pricing



Pat Campola



Windsor Strategy Partners

Always Thinking

- Windsor Strategy Partners
 - Princeton N. J.

John Marshall FSA



Ted Wilson
Analyst



The hospital billing system today is not consistent between the populations they serve.

Hospitals charge on average 4 times the cost to deliver their services. *

Complex tests and services such as cat scans and anesthesia are sometimes billed at 25 times their actual costs**.

Billing practices are different for Retail (no insurance), PPO, Medicare and Medicaid Patients.

The more patients you can deliver to a hospital the higher the discounts.

Hospitals in rural or less competitive markets are unlikely to negotiate their fees.

If the free market cannot solve these disparities the government will.

* RevCycleintelligence article

** HUB article



Reference Based Pricing for Self Insured plans

An attempt at a payment system that is
driven by employers.

Using a percentage of what Medicare
pays as the amount a self insured
plan will pay.



How does Medicare Determine what they will Pay?-Diagnosis Related Group (DRG)

- In order for a hospital to be an approved Medicare facility it must file its actual cost data with Medicare.
- Medicare hospital payments are determined through the Diagnosis Related Group (DRG) assigned to the principal diagnosis causing the hospitalization and any complications thereof.
- The DRG code relates to a set payment amount developed for that particular hospital.
- DRG codes consist of 20 major body systems subdivided into 500 groups.

Comparing PPO and Medicare to Billed Charges

- Average PPO Discount:

- 56%

- Medicare Equivalent Discount:

- 100%- 84.5%
- 110%- 82.9%
- 120%- 81.4%
- 130%- 79.9%
- 140%- 78.3%
- 150%- 76.7%
- 160%-75.2%
- 170%-73.6%
- 180%-72.1%
- 190%-70.3%
- 200%-69.0%

* Source- Windsor Risk Decision Support Model.



Issues Impacting Reference Based Pricing

- Hospitals/Physicians;
- Employees;
- Advocacy Firms;
- Claims adjudication;
- Self Insured Plan Design;
- Where is RBP heading?



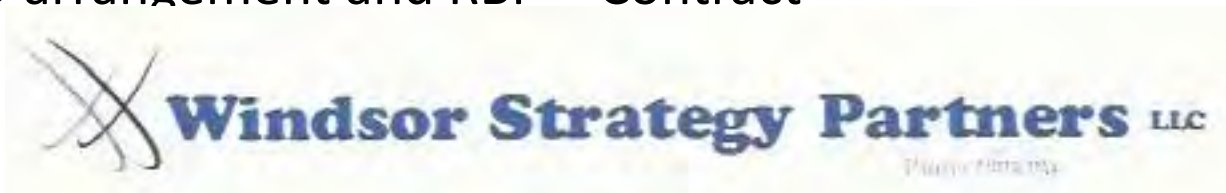
Questions for Hospitals and Physicians

- Can they deny treatment?
- Can they balance bill?



shutterstock.com - 93984838

- Can you have hospital benefits paid under a percentage of Medicare and contract with a physician's network.
- What motivates a hospital to accept payment based on RBP?
- Difference between PPO arrangement and RBP- "Contract"



Issues/Opportunities for Employee/Employer

- Understanding and supporting the employers' motives to control what is paid.
- Educate the employees on the billing differences between Retail, PPO, and Medicare. Hold regular meeting to discuss issues.
- Use the savings achieved to improve benefits being provided or reduce the employees cost for coverage. There can be a win win.
- A benefit to employees, freedom from networks or need for referrals.
- Set up advocacy help to negotiate balance billing.

Claims Adjudication-Questions for Administrator

- How long has the TPA been administering RBP? You don't want to go through a learning curve with them.
- How does the administrator convert billed charges to a percentage of Medicare.
- Is your RBP over just in-patient hospital or all services where applicable.
- Ask to see sample plan document language. It has to be very specific as to when RBP is used.
- Do you have an advocacy service?



Advocacy



- Companies that negotiate with Hospitals to accept the RBP payment;
- Co-Fiduciary;
- Providers of legal assistance for billing disputes;
- Employer and Employee education;
- Plan Document Drafting;
- Subrogation;
- Direct Contracting



How Advocacy Companies are paid can impact your stop loss costs.

- **Partial List of Advocacy Companies**
- Advanced Medical Pricing Solutions- AMPS
- Allied National Companies
- Claim watcher/Homestead
- ELAP
- HSTechnology- HST
- PayerCompass



Comparing PPO and Medicare to Billed Charges-Is it worth it?

- Average PPO Discount:

- 56%

- Medicare Equivalent Discount:

- 100%- 84.5%
- 110%- 82.9%
- 120%- 81.4%
- 130%- 79.9%
- 140%- 78.3%
- 150%- 76.7%
- 160%-75.2%
- 170%-73.6%
- 180%-72.1%
- 190%-70.3%
- 200%-69.0%

* Source- Windsor Risk Decision Support Model.



Where is RBP Heading



- This is a moving target that will change before it settles.
- Expect legal challenges to shape it's future.
- Somewhere between 100% of Medicare and average PPO discounting is a happy median that both employers and providers should be able to agree on.
- Contracting with providers will increase largely driven by advocacy firms who are regularly negotiating with these providers.
- The advocacy firms will look more and more like a PPO within a given region.
- As more government entities adopt RPB it will further set the stage for legislation that establishes Medicare as the most common basis for paying claims.
- RBP will be a another step toward the eventual development of a single payer system.

Happy Holidays to Everyone

