

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.

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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 shows a provider profile for Derick Dermatology Llc. At the top, there are filter tabs for 'All Specialties', 'All Tiers', 'All People & Places', 'All Genders', 'All Patient Ratings', 'All Blue Distinction...', and 'More Filters'. Below these, there are options for 'VIEW ONLY: Accepting New Patients' and 'WITHIN 50 miles'. The profile card includes a 'List view' and 'Map view' toggle, a 'Sort By Best Match' dropdown, and buttons for 'Add to Compare' and 'View Profile'. The provider's name is 'Derick Dermatology Llc' with the specialty 'Dermatology'. The location is '525 E Congress Pkwy Ste 200, Crystal Lake, IL 60014' with a 'Get directions' link. The contact information is 'Phone: 847-381-8899'. The provider has a 4.0 rating (4 stars and 1 half star) with a 'View 1 rating' link. A red dashed box highlights the 'In your network' status.

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

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:

	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 ER Physician Bill

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

HOURS: Mon - Fri 9:00 am - 6:00 pm C.S.T. ***

CREDIT CARD CHOICES: VISA MASTERCARD DISCOVER AMEX

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

A SERVICE FEE WILL BE CHARGED FOR ANY CHECK RETURNED UNPAID
 MINIMUM \$50.00 PAYMENT OR AMOUNT DUE

Pay at www.erstatement.com

ADDRESSEE: BGN1022A *** 700001153 02.0012.0345 11153/1
 AUTO ALL FOR RADC 600
 RAOUL GRAVEL

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

STATEMENT

ST00062979739010222018000000048463

PLEASE CHECK BOX IF ADDRESS OR INSURANCE HAS CHANGED. INDICATE CHANGE(S) ON REVERSE SIDE. DETACH AND RETURN WITH PAYMENT.

Email us at: patient@erstatement.org For Billing Inquiries Call: (844) 312-6776
 Unless this bill is paid in full by the due date, the provider reserves the right to seek all available insurance coverage and sources to expedite payment.

CLIENT	ACCOUNT NO.	STATEMENT DATE	PATIENT NAME	TAX ID NO.	DATE OF LAST PAYMENT
GST		10/22/18	RAOUL GRAVEL	363307038	10/17/18

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			993	BCBS PAYMENT		(\$183.94)
10/17/18			813	CONTRACTUAL ADJUSTMENT		(\$737.70)
10/17/18				Insurance payment for services rendered 10/01/18		

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 - Your password is: _____

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

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

RP 1 - BRAUN, MICHAEL, W.D. PS 23 - EMERGENCY ROOM
 RENDERING PROVIDERS 2 - PLACES OF SERVICE }
 3 -
 4 - ADVOCATE GOOD SHEPHERD HOSP

TRI-COUNTY EMERGENCY PHYS LTD PRIMARY INS: BCBS OF ILLINOIS OFFICE HOURS: Mon - Fri 9:00 am - 6:00 pm C.S.T. ***

FOR BILLING INQUIRIES CALL: (844) 312-6776

THIS DOCUMENT CONTAINS PROTECTED HEALTH CARE INFORMATION AND IS SUBJECT TO PRIVACY REGULATIONS PURSUANT TO THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996. IF YOU ARE NOT THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR RELEASE OF THIS INFORMATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS INFORMATION IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE AND RETURN THE ORIGINAL DOCUMENT TO US AT THE ADDRESS LISTED BELOW, VIA U.S. POSTAL SERVICE. THANK YOU FOR YOUR COOPERATION. FOR MORE INFORMATION REGARDING YOUR PRIVACY RIGHTS, PLEASE WRITE TO: DIRECTOR OF COMPLIANCE, P.O. BOX 861295, ARCADIA, CALIFORNIA, 91066-1295.

Understanding the Charges

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

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

ADDRESSEE:
 RETURN SERVICE REQUESTED 4 1
 RAOUL GRAVEL

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

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
WHY AM I RECEIVING THIS BILL? PLEASE SEE REVERSE SIDE.								
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	RAMPURNALA	HOSP VISIT - EXTENDED	220.00		90.34		107.08	22.58
10/03/2018	RAMPURNALA	INPT DIR. PROLONGED MNGMT	211.00		105.77		78.79	26.44
10/04/2018	SIDDIQUI M.	HOSP DISCHARGE-30	227.00		92.51		111.37	23.12

*10/25/2018
Revised*

PAY YOUR BILL ON LINE AT:
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:
 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
= Member Payment	\$184.49

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



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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.

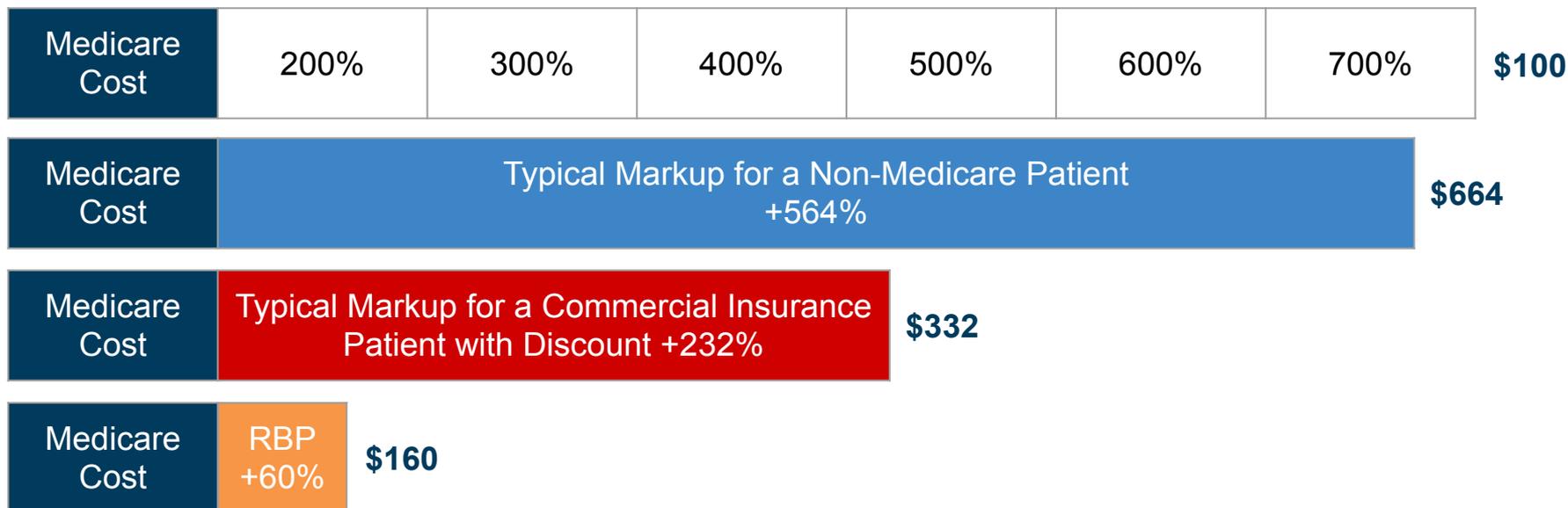
Why Use Medicare?

- 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.



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 maximum 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.

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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.

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

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.