

Patient Advocacy and Plan Participant Education

Employee Education Is Key To Success

Covered employees and dependents should be given advance education of RBP. ID Cards are provided disclosing that the plan is a Reference Based Pricing plan. Additional education on how Reference based pricing works and what to do if a provider sends a “balance billing” or other provider push-back are key. It is best to teach employees what to do in the event of an unexpected bill arriving in the mail, or if a provider doesn’t understand Reference based pricing. Strong plan language about the RBP model is necessary. We recommend a 90-day implementation if you initiate a RBP program, to provide ample time to educate employees and their dependents for the best chance of success. Education can include payroll stuffers, group meetings, intranet postings, HR buy-in and support to assist.

Patient Advocacy Program

Advanced Benefit Consulting recommends the use of a Reference Based Pricing management firm which includes a patient advocacy program, which would step in and assist in situations where provider push-back may occur.

If the patient receives a balance bill or discusses the bill with an employee or dependent which implies additional charges will occur, a Patient Advocacy Program can be used to step in and manage the situation, negotiate and educate the provider, and provide overall support and assistance to the employee.

We recommend a pre-established maximum, to allow the patient advocate a range from which they can negotiate a settlement, in the event this should happen. Usually if the RBP allows for 140% to 150% of Medicare rates, we would recommend a maximum of 200% in the event of such incident, to protect the employees and dependents from possible balance billing.

RBP plans offer fast payment (7-10 days) to incentivize providers to accept the RFP payment model.

FINALLY, HEALTH INSURANCE TRANSPARENCY



Consumers shop for most things and compare quality and price... including new homes, automobiles, colleges and universities, yet with health care, consumers have no idea how much that care actually costs. The idea of transparency in health care services would allow consumers to know in advance your price of hospitals, outpatient surgery-centers and other facilities and services. Historically, provider costs have been predominantly unknown... We accept the bill without question, and the starting point, before network discounts, is a mystery.

Under a Reference Based Pricing Model, the employer providing the health plan, as well as the employees and dependents participating in the plan, will have pricing transparency. Prices will be known up front, allowing consumers to know the cost of care.



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REFERENCE BASED PRICING



A New Health Plan Financing Alternative
With Cost Savings for Self-Funded Health Plans

WHAT IS REFERENCE BASED PRICING??

Reference Based Pricing (RBP) is a health plan financing strategy leveraged by large, mostly self-funded employers that can result in significant reductions in claims cost, while providing freedom of choice of providers and complete transparency of the true costs of facilities/hospitals.

A Reference-based pricing model replaces traditional facility PPO contracts with a fully transparent and sustainable pricing mechanism, by using a percentage of Medicare Rates as the payment allowance benchmark. Compare this to the unknown “discount” of a PPO network, which is unpredictable and varies greatly by provider and service. PPO contracted rates are generally a hidden, arbitrary number.

Reference Based Pricing reimburses hospitals and other facilities based on a multiple of Medicare rates, which is known, fair and acceptable to most providers. Because the rates are generally higher than Medicare rates (most commonly 140% to 150% of Medicare), most facilities accept this pricing structure.

Prior to services being rendered, a fair price is established based on the Medicare rates. Both the provider and the patient can be advised up front of their costs, because they are known in advance.

RPB plans can have “open access” to all facilities, or lower OOP costs for select facilities known to accept RPB without issue.

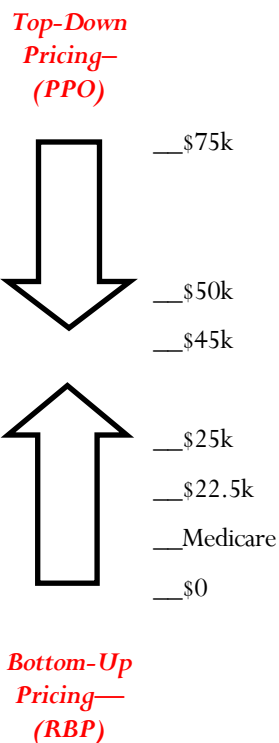
Reference Based Pricing Example

*In the example below, a hospital charges \$75,000 for a procedure and offers a 40% discount off of the billed rate, allowing \$45,000, or a PPO contract rate of \$45,000. In contrast, the **RBP plan pays 140% of Medicare**, or \$22,250. This results in a savings of \$22,750 for this procedure.*

In a traditional PPO, the hospital sets the price; then the plan receives a discount (say 40%), or top-down pricing...

In a RBP plan, the health plan operates from the bottom up, instead of top down. Medicare sets the price and the plan pays a set percentage of the government-allowed Medicare rate (say 140% of Medicare)

Example provided by HST, a Reference Based Pricing Managing firm, Irvine, CA, using 140% of Medicare Rates.



Can An Employer Modify the Percentage of Medicare?

Some RBP managing firms will allow you to select a rate other than 140% of Medicare. For example, you can select 150% of Medicare, to decrease the possible push-back of providers.

You can also pre-establish a maximum percentage benchmark, such as 200% of Medicare, in the event of provider push-back, to allow for additional negotiated payment.

Actual Cost of Service (as reported to Medicare)	Provider's Billed Charge for Service	Sample Medicare Allowed Charge for Service (150%)	Sample PPO Network Fee Allowance for Service
\$150	\$900	\$225	\$420
"Base Cost"	600% Mark-Up	50% Mark-Up	280% Mark-Up

Example provided by Shepler & Fear, A General Agency, Sacramento, CA, using 150% of Medicare Rates.



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