HEALTHCARE PRICED RIGHT?

Written By Bruce Shutan

REFERENCE-BASED PRICING NOW INCLUDES KINDER AND GENTLER APPROACHES, BUT QUESTIONS LINGER ABOUT THE VALUE OF THIS TOOL

Reference-based pricing (RBP) has evolved over the years – taking on different forms to generate reimbursement models that providers deem to be fair and reasonable, avoid litigation, and reduce or eliminate employee friction and balance billing. The latest iteration pushes further into patient advocacy and improved customer service for quicker problem resolution and a softer landing for health plan members.

However, few employers have actually adopted this approach. While RBP has now been around long enough to gain meaningful traction, the fact is that only about 10% to 20% of employers are estimated to have incorporated RBP into their health plans. A poll of SIIA Spring Forum attendees reflects this mixed response, with 44% feeling ambivalent about it. Just 26% of respondents had a positive opinion of RBP, 18% had a positive view in the short-term but questionable one in the long-term, and 8% had a negative opinion in both its short and long-term value.

Some industry experts question the value of RBP, which finds itself at a crossroads where employers have the option of unbundling these services as they see fit, pursuing hybrid or competing solutions, or direct contracting without risking provider acrimony.

Under the RBP approach, which self-insured health plans use to make their coverage more affordable in the face of wild cost variations from one market or facility to the next, a reference price is set for medical procedures. It's often, though not exclusively, a multiplier of Medicare reimbursement ranging from about 140% to 180% above that marker.

This pricing method emerged as an alternative to discounts from billed charges that traditional provider networks use to price claims based on usual, customary and reasonable (UCR) prices. It is firmly rooted in the belief that these discounts were offered on medical services whose prices were inflated to begin with, hence the need to build a better model. Supporters laud the results, though many point out that brokers have been slow to learn about or adopt this approach.

GREATER FLEXIBILITY AND CUSTOMIZATION

Even within varying RBP designs, there's a push for improvement that acknowledges the need for greater pricing transparency and higher expectations for fiduciary responsibilities. The latter is seen as a response to the Consolidated Appropriations Act (CAA), while the former dovetails into the passage of the No Surprises Act and Transparency-in-Coverage rule.


Omar Arif

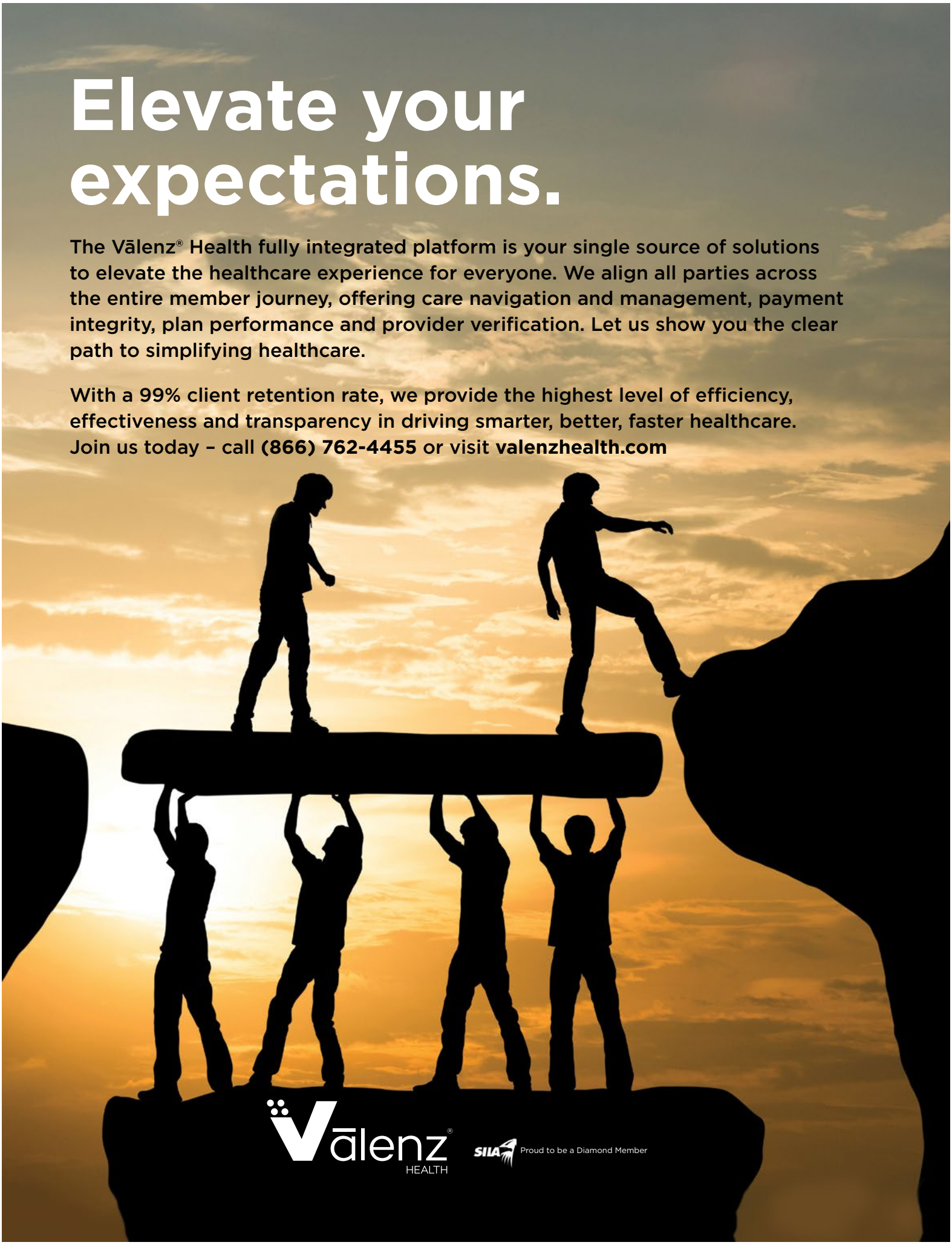
The CAA has helped RBP vendors with regard to facility pushback because many health systems might not have known what they were allowed to bill, appeal or go through arbitration, notes Omar Arif, SVP of growth for ClaimDoc, which uses RBP to drive cost savings. "And so, we've seen a downward trend in the number of balance bills that we receive across our book of business, and I suspect it's the same among other reference-based pricing vendors," he notes. Steerage to low-cost, high-quality providers and advocacy have made RBP more palatable for employers and health plan members alike, Ariz adds.

Generally speaking, RBP has become much more flexible and customizable, says Erin Duffy, director of business development for RBP service provider Imagine 360. Self-insured employers are able to


Erin Duffy

mix and match models that may or may not include a steerage concierge or legal defense that can accommodate as few as two employees or groups with more than 10,000 lives. "In my short time in space," she observes, "I have seen an uptick in interest from all parties – from brokers or consultants to employers at renewal."

These developments are far removed from inauspicious beginnings. Mike Castleberry, chief revenue officer of the TPA Consociate Health, recalls meeting with ELAP Services 10 years ago when "one of the first things they talked about was how many lawyers they had on staff, how ready they were to litigate. And I remember thinking, gosh, what an interesting way to go into an HR director's office and say, 'Hey, I'm ready to go battle for you in court and against these providers that are causing all these troubles.' I think what they realize now is most people don't want to put their employees or business in that position. No one wants to go to court. That's not fun for anybody but lawyers."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Brian Wroblewski

An important lesson he says that was learned from RBP's salad days was that an overly aggressive approach is misguided because hospitals control the entry to inpatient and outpatient care with a powerful vertical that owns everyone from the primary care physician through gerontology and every specialty between the two. "They keep you out, and you can't outlast them," he interjects.

In recent years, there has been more standardization of the tools needed to make RBP work, according to Brian Wroblewski, EVP for ClearHealth Strategies, which minimizes out-of-network exposure for self-insured employers. The approach evolved from a range of fully loaded, feature-rich service providers to delivering more advocacy and hand-holding touchpoints that go as far as scheduling member appointments. Another key marker involves the division of church and state in terms of handling provider and customer relations.

Given that TPAs have historically owned the member experience, he says they have strengthened those ties through advocacy that extends member service and raises comfort levels. There's also a greater willingness to lean into boutique partners for nuts-and-bolts pricing, backend service and provider intervention.

With regard to pinning down fair and reasonable prices, his experience is that there's not much pushback if clients are willing to engage in provider dialogue where it makes sense. "The provider community has gotten more accustomed to these types of plans, and overall, less hostility and contention exists," he says.

RBP vendors that have sustained success over the years were able to master the core essentials of proper reimbursement, backend explanation and intervention, network access, referring cases that involve a disagreement over price and resolving disputes with the provider community, according to Wroblewski.

When a large client finds a facility that's pushing back against a lower reimbursement, Castleberry notices that smart TPAs are willing to ask what price they'll accept and simply make a deal. That could mean jettisoning RBP in favor of a direct contract to lock in reasonable rates. "It's easy for the TPA to administer," he explains. "The hospitals are now happy because they got to negotiate. They're excited about having a direct relationship with the employer. That's revenue coming directly to them, and it's not going through one of the BUCAH networks."

There are other examples of creative arrangements that seek to strike the most reasonable middle ground that pleases all parties. "If you look at what HST is doing, and their willingness to put in that balance-bill protection, where they're taking risks on that above 140% of Medicare space, taking that out of the member and the employer's concern, they're kind of a hybrid," Castleberry notes. "You get the best of both worlds: you get protection with better rights on the reference-based pricing side. However, if the provider pushes back, it's no longer your worry; they're gonna handle that."

CAVEATS TO CONSIDER

While RBP supporters are bullish about the extent to which it can bend the cost curve, Wroblewski cautions that it does not reduce or eliminate balance bills compared to other plan types. Rather, he says it reduces overall economic exposure – generating enough savings that allow self-insured employers to defray issues on the back end with balance billing.

Merrit Quarum

Others see more value in approaches they consider superior to RBP. Although well-intentioned, RBP has failed to provide a methodology that is transparent and understandable, explains Merrit Quarum, M.D., CEO of WellRithms, a bill-review company that uses advanced payment-integrity technology.

He identifies a laundry list of problems for employers, health plan members and providers, beginning with the use of a pure Medicare multiple that is arbitrary and incapable of offering a fair market value for medical services. Moreover, not every medical procedure has a Medicare allowance, which he says makes reasonably pricing some claims virtually impossible.

There's also a tendency to underpay hospitals and overpay for laboratory services, Quarum adds, while regional acceptance or rejection of RBP complicates provider negotiations. The latter point undermines multistate employers' search for standardized pricing.

Another serious issue is that providers who feel pressured to accept below-market rates will claw back reimbursement from their patients to offset any perceived shortfall, resulting in balanced billing and dissatisfaction across the board.

"RBP was intended as an enhancement for commercial plans that would be confined to high frequency and elective procedures for which both price and performance are known," he says, "but unfortunately, it has become a substitute. This is now a standard industry practice that undermines the model's initial purpose."

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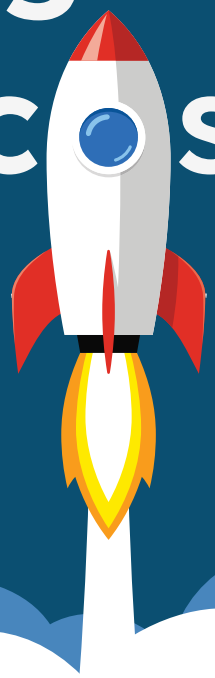

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Mindful of RBP's shortcomings, WellRithms uses a proprietary medical pricing database to reprice medical bills based on hospital cost-to-charge ratios reported quarterly to the Centers for Medicare & Medicaid Services. Other key metrics include geographical cost variations and quarterly inflationary adjustments from the U.S. Department of Labor.

Human expertise, however, becomes just as important to the company's bill review. For example, a team of physicians and surgeons, rather than coders or administrative personnel, scrub bills line-by-line to spot redundancies and items that never require separate billing. Quarum, who used to practice occupational medicine, says understanding the medicine behind these charges guarantees precision in claims payment accuracy, prevents overbilling, and eliminates fraud, waste and abuse.

While Medicare is one of several metrics ClaimDoc uses to reprice every facility claim that it clinically audits, the company favors a more comprehensive approach. Other key datasets include the hospital's self-reported cost and American Medical Association guidelines, as well as UCR reasonable reports to determine fair prices that are also legally defensible. "We're not trying to undercut our providers so that they can't stay in business," Arif explains. "But we also don't want them taking advantage of our plans."

CONSIDERING OTHER APPROACHES

Some industry observers believe the future will likely be brighter for direct contracting than for RBP because it's more customizable. Castleberry notes that while employers like the stability of those arrangements, hospitals embrace an opportunity to break up their BUCAH payer mix, knowing there will be fewer dollars that can be leveraged against them.

"It gets you to that dollar amount, but you don't have the noise or structure," he says, "and then you typically get a better engagement. They may offer concierge service from the hospital where you get preferential treatment for your time slots for appointments."

Semantics also play a role. "We really don't even talk in terms of reference-based pricing anymore," Arif admits. "We talk in terms of replacing a managed care contract that's typically not very good for a self-funded plan with no network at all. And whether that's a just true reference-based pricing model, a direct contracting model or combination, there are a lot of ways to do it."

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One notable trend Wroblewski sees forming is that brokerage houses will likely begin in a more pronounced way to build their own products that are offered alongside traditional plans rather than identifying what they consider to be best-of-breed vendors in the space. While believing the overall economic impact is significant enough, he says, "It's a slog for brokers to introduce [RBP] in a massive style, particularly if they're working with a client that has been relatively happy in an economy that has been super strong – even with interest rates rising."■

Bruce Shutan is a Portland, Oregon-based freelance writer who has closely covered the employee benefits industry for more than 35 years.