

REFERENCE-BASED PRICING PROGRAM

Healthcare spend has been running unopposed. Now it has a running mate, and it's called **REFERENCE-BASED PRICING.**

There's no denying the challenges faced by employers when it comes to providing affordable, quality healthcare for their employees. Media outlets, from television to print, amplify the issue and work to uncover the injustices surrounding paybacks and arrangements made between insurance carriers, providers and government officials which drive up costs for health plans, employers and consumers. Affected by serious budget crises themselves, state and government agencies are giving unconventional practices, like Reference-Based Pricing (RBP), a shot to shore up their healthcare debts and still provide care.

Self-funded employers have to adopt a new strategy when it comes to health benefits. Buying healthcare, not health insurance is the first step. This initial mind shift can be unsettling, but the benefits are paramount. The next step is addressing how to manage plan pricing. Pricing can be addressed by employing several different methods, from partial to full PPO replacement and other customized strategies, such as direct contracting with facilities. A trusted pricing partner should provide the data and industry experience to support the decision-making process. States, such as Montana, and other employers are witnessing plan savings of 72% or more with RBP plans that include a claim pricing solution or comprehensive, turnkey program such as Innovate360.

Payer Compass provides Reference Based Pricing solutions as an alternative to traditional PPO networks that address the irrational, rising costs of care faced by Third Party Administrators, Brokers, Stop-Loss Carriers and Employers.

RBP eliminates the restrictions of a network and pays hospitals a Medicare rate plus a percentage. Why? It hits the mark for cost-based-care, providing the actual costs for a provider's services, which also supports price stability across facilities for the same procedure. To date, the implementation of this strategy is yielding dramatic savings and assurance that the provision of care for future years is sustainable.

Beyond the pricing factor, employers also need to take into account the health of their employee population and consider adopting Utilization Management and population health services that add significant value to plan efficacy and overall increased employee health. These programs focus on the top 4% of the affected employees that use ~75% of the plan.

According to the Kaiser Family Foundation/Health Research & Education Trust 2016 Employer Health Benefits Survey, employers were paying more than \$18K per employee family annually, with a rise of 3% each year. Organizations and their employees don't have to accept this any longer.

REFERENCE-BASED PRICING READINESS CHECKLIST

 With several different Reference Based Pricing program vendors to choose from, it's important to know what to look for when making your selection. Here are some key points you'll want to keep in mind.

- Is the proposed RBP program offering cost predictability with a Per-Employee-Per-Month (PEPM) pricing structure?
- Is the proposed solution a turnkey program or supported by separate entities, creating more confusion, disjointed interests and potential noise with plan members?
- What is the savings benchmark? Look for an average of 70% or more.
- What kind of experience does the vendor have with the facilitation of direct contracts?
- Does the plan include legal support with a reputable source?
- What is the claim pricing model? Cost to charge ratio, Percent of savings & Percent of billed charges can be costly options.
- If looking for Case or Health Utilization Management services, does the vendor hold URAC accreditation(s)?
- Does the vendor offer a fiscally responsible subscription model to support plan savings goals?
- Medical bill review adds additional program costs and slows down the reimbursement timeline. Find a partner who has built-in solutions with no extra fees for bill audit.
- What is the balance bill rate? 2% is acceptable. Question those who promise 0%.
- Are appeals support and fiduciary services included in the program costs?
- Are the services scalable to meet the volume of your current and future business?
- Is the vendor experienced to offer different types of RBP models based on what best suits your group? i.e. Full PPO Replacement, Carve-out/Specialty Services, Direct Contracting or Narrow Networks