

FAIR HEALTHCARE PRICING IS WITHIN REACH

Trading a PPO for an approach known as metric-based or reference-based pricing is a business-saving strategy that's readily available to employers. Many businesses striving to improve their cost management have taken the first step in that direction by adopting a self-funded or self-insured model for their health plan. According to data from the U.S. Department of Health and Human Services, more than 82 percent of employers with 500 or more employees are self-insured.⁴ This includes large companies such as Federal Express, AT&T Corporation, and Marriott International to name a few.⁵

Taking self-funded health plans to the next level

Employers on self-funded health plans can make even greater strides in reducing their healthcare expenditure by using a reference-based pricing cost-containment solution. It's been identified as a top trend in 2017 by Wells Fargo, and it's recognized for its cost-saving benefits and transparent view into healthcare expenses.⁶ Reference-based pricing empowers employers and enables them to transform their bottom line with costs savings upwards of 30 percent.

How it Works

One of the most powerful benefits of reference-based pricing is how it restores control to employers and their employees. The health plan documentation plan defines pricing limits upon which claims will be paid, ensuring that fair prices are paid for medical services. A reference-based pricing solution is a bottom-up approach to healthcare charges that starts with the actual cost amount and adds a fair profit margin to calculate the bill. This is contrary to a PPO model, which starts at the top with a potentially inflated price from a facility's chargemaster and offers a discount.

In a health plan that uses reference-based pricing, a common metric is used to determine payments. This can be the Medicare approved amount or the actual cost to deliver the service based on reported figures. A reasonable profit is added for fair and prompt reimbursement to the healthcare provider.

Other hallmarks of quality reference-based pricing solutions include:

Cost Savings: Beyond the savings gained from starting at cost and going up, self funded health plans are administered by a third party administrator (TPA) and oftentimes, those TPA's allow for plan customization that support cost containment goals.

Legal Advocacy: For employer health plans and their employee members, it's important to select a provider who provides expert legal backing.

Direct Relationships: Building bridges between employers and hospitals helps to make healthcare a community-centric solution that supports open dialogue between patients and providers. Establishing agreed upon reimbursement levels enables plan members to seek out community providers with confidence that their bills will be within claim limits.

Up to 30%

Cost savings for employers who adopt a metric-based pricing solution.

Reference-based pricing restores information and control.
