



Considering a Reference-Based Pricing Solution? Four Must-Ask Questions

**A step-by-step guide to help you do your homework
and make the right decision.**



These questions may sound basic, but the answers are far from simple. We cover what you need to know.

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Your search for a better way to provide healthcare has led you to reference-based pricing (RBP), but how do you determine which solution is the best choice for your business? The cost savings and control that come with RBP are appealing, but not all solutions offer the same level of service, expertise, protection and savings. While many companies can reprice healthcare claims to Medicare, not everyone takes care of your employees and gives equal weight to the parts that pave the way for a positive experience.

Let's dive into the details.

1

Plan Mechanics: How is the RBP Plan Structured?

There are three main components that establish the foundation of an RBP solution: reimbursement structure, stop loss discount considerations and fee structure.

REIMBURSEMENT STRUCTURE

The metrics used to determine how much is paid for a specific claim defines a plan's reimbursement structure. Plans can be structured based on paying a percentage above what Medicare pays for the same service, and/or the hospital's cost to deliver the service plus a fair margin. While some RBP solutions will use a combination of reference prices, paying at a percentage of Medicare is the most common methodology. Generally, 140% of Medicare is standard across most RBP plans.

Some RBP vendors use the terminology "value-based reimbursement." It's important to understand the exact methodology applied when evaluating this type of structure because it may just be a trendy way to say reference-based pricing.



WHY IT'S IMPORTANT: How providers are paid is the foundation of any RBP plan. It's critical to have a full understanding of the mechanics so you can compare your options and select the vendor that aligns with your goals.



WHAT TO ASK

- What is the plan's reimbursement structure to providers?
- What services are covered, facility only or facility and physician? Are the reimbursement structures different?
- Is a percentage of Medicare the only methodology being used? Do you consider the cost of care as reported by the hospital to ensure they're being reimbursed fairly?
- If you use a methodology that pays the greater amount of two reference prices, what is the average reimbursement?

STOP LOSS

Stop loss insurance is a powerful risk management tool for self-funded employers, allowing you to protect your business and plan assets from catastrophic claims, while still benefiting from the effective management of your offered benefits.

It's critical that stop loss carriers understand a health plan's terms and how claims will be paid. That becomes even more important for plans using RBP because each RBP program has unique features, such as initial reimbursement limits, settlement strategies and legal defense features.

How the RBP solution's fees interact with your stop loss insurance policy is a consideration with far-reaching impacts. Stop loss insurance carriers prefer solutions that retain their projected savings because there is less risk and variability in claim costs. Look for a fee structure that includes stop loss fees as an indicator of a solution that holds a strong line on savings.



WHY IT'S IMPORTANT: The cost of stop loss coverage is influenced by the carrier's confidence in the effectiveness of a plan's cost containment features and their comfort level for risk. Lower risk equals better rates and higher savings for you.



WHAT TO ASK

- Are your fees included in the claims cost and is this accepted by your stop loss carrier?
- How does use of RBP impact stop loss premiums and expected claims cost? Does stop loss treat all RBP programs the same?
- Does your solution "cap" payments at a percentage above Medicare?
- If a healthcare provider pushes back on your RBP claim reimbursement, will stop loss treat a settlement as part of the claim cost?
- Will stop loss keep the plan year open for claims and potential settlements that extend beyond the contract period? If so, for how long? If not, why not?
- If a provider requires a pre-service agreement for a member's treatment, how will stop loss treat that claim?



Some vendors promote payment caps at a percentage above Medicare, e.g., 200% of Medicare. While this sounds like a cost-saving feature, the provider may not accept that payment and the client would be left paying the difference.

FEE STRUCTURE

Fees can be calculated in a variety of ways for RBP plans, and depending upon the solution's fee structure, savings percentages will be impacted.

While some RBP solutions offer a per employee per month fee (PEPM), others offer fees based on a percentage of billed charges. To get an accurate comparison, you can calculate the PEPM by taking the total estimated annual fees and dividing it by the number of employees and then dividing that by 12 months.



WHY IT'S IMPORTANT: Understand what the total savings are net of fees. A solution's fee structure will dictate its true savings potential and may limit how much member support is provided. It's also important to know if there are any add-on fees down the road.



WHAT TO ASK

- How are your fees calculated?
- Are you taking on certain fiduciary duties?
- Are legal fees included and what are their limitations?
- What are your savings net of fees? Does this include any potential unbudgeted costs?
- Do you have the ability to perform direct contracting? Are there additional fees associated with this?



Understand how fees are covered by stop loss, including legal ones. A PEPM is an administrative fee, meaning it falls outside of stop loss coverage. Fees based on a percentage of billed charges are part of the claim, so they are covered under stop loss.

Negotiations: The Before and After

One of the opportunities to improve the member experience presents itself on the front end of the care process. “Pre-service negotiations,” which include mostly elective procedures, is sometimes touted as an effective approach, but it’s important to look under the covers.

PRE-SERVICE

In theory, getting providers to agree to payment terms prior to care is a great way to reduce balance bills and improve the member experience.

But the devil is in the details. Some RBP solution vendors simply embed high-level payment term language into provider materials that’s never read, and more importantly, that the provider has never “agreed” to.



WHY IT’S IMPORTANT: Pre-service negotiations sound positive and suggest that providers have agreed to payments prior to care. Beware! If an agreement on terms is not actually established, the process is meaningless from the plan or member perspective because pushback may still occur and savings may be lost.



WHAT TO ASK

- Do you conduct pre-service negotiations? If you fax a payment amount to a provider as part of your negotiation, is a provider legally required to adhere to that figure?
- How many people are dedicated to proactive outreach to providers in establishing agreements prior to and same-day service?
- What percentage of your pre-service negotiations are signed off or agreed to by the provider? Are the key terms and acceptance of payment obtained in writing?
- Does a pre-service negotiation ensure there won’t be any balance billing?

POST-SERVICE

Giving the plan the ability to negotiate with care providers in the case of a balance bill can function as a valuable strategy for an RBP solution. Establishing a potential negotiations threshold amount streamlines the process for members and reduces the occurrence of balance bills.



WHY IT’S IMPORTANT: The flip side of negotiating with providers is that it reduces the savings for the plan. Over time, this can lead to an erosion of savings and the inherent benefits that were the motivation for choosing an RBP solution.



WHAT TO ASK

- When negotiating, what is your average negotiated allowable settlement as a percent of Medicare?
- What is your limit on negotiation levels and savings erosion?
- What is your average number of attempts to negotiate a single claim?
- What happens to the balance bill if the provider will not accept your maximum allowable settlement amount?
- How much expertise does your legal team have with RBP litigation, specifically where members reside?
- What support is available for claims that can’t be settled?

2 | The Key to Success: What is the Member Experience?

For many employers considering RBP, saving significant dollars is the biggest motivator but the true measure of success is employee satisfaction. The only way to sustain the plan and reap the long-term savings is to ensure employees are engaged and happy.

Pick the RBP company that demonstrates a clear commitment to employee education and support—in all facets of the healthcare journey—and you'll be set up for success. In fact, how a solution treats its members from start to finish is where the rubber meets the road.

EMPLOYEE SUPPORT - EDUCATION

When choosing an RBP solution vendor, be sure to delve into their education and communication initiatives to help boost employee satisfaction and engagement.



WHY IT'S IMPORTANT: Selecting a partner with experience, tools and material to effectively support employee education removes the burden from your HR team.



WHAT TO ASK:

- Do you offer live resources, as well as printed and digital communication options?
- What is included in your employee education?
- Do you have HR support for OE meetings and live training support?
- Do you offer automated and ongoing education tools?

EMPLOYEE SUPPORT - FINDING CARE

Helping employees navigate the right care choices at the start, and guiding them to providers who historically accept the RBP payment, are important components of the member experience. Ultimately, healthcare is local. This makes it critical to choose a solution vendor that has a breadth of data and experience in your area.



WHY IT'S IMPORTANT: Selecting providers based on cost, quality and anticipated plan acceptance improves the member experience and can reduce balance bills, while employers maximize savings. Choose a solution that has the technology and data to equip members with information to help them make informed decisions.



WHAT TO ASK

- What live support is available to help members find quality providers who work well with the plan?
- Do members have web and mobile access to assist them in selecting providers?

- Is cost, quality and access data available to members? What data is used to determine the quality, cost and access to care? What is the size of the data sets used? How often are they updated?
- Do you offer a concierge level of service for members? If so, do they have access to a technology solution that allows them to steer members based on cost, quality and access to care?
- What type of support does your solution provide for members who seek care out-of-network (OON)?

EMPLOYEE PROTECTION - BALANCE BILLS

Every plan, including those provided by major carriers, experience balance or surprise bills. How a plan manages the occurrence of balance bills and protects its members is one of the key components of the plan, so be sure to get all the facts. Almost every RBP vendor says they offer support for balance bills, but this is an area where you'll find big differences in breadth and scope of that support.



WHY IT'S IMPORTANT: The type of support provided for balance bills will ultimately determine the success of your plan. Maximum support ensures your plan savings are maintained while your plan members have the best resources available to assist them in the event of balance bills.

Frequency - Behind the Numbers

Statistics around balance bills can be calculated in various ways, so it's critical to understand the origin of the data being shared and the true rate of balance bills. This rate, alongside what occurs from a plan perspective to support members, significantly influences the success of an RBP plan.



WHAT TO ASK

- What percentage of facility claims in a full replacement (not OON) plan result in an initial balance bill?
- Do you include physician claims in your average balance bill rate, and if so, what is the balance bill rate for facility only?
- Does this rate include all initial balance bills? Describe the data being used in the calculation.

- What is your average percentage of balance bills that end up in collections?
- What is your average percentage of balance bills that end up in impairments?



ALERT

The answers "zero" or "this never happens" may be an indicator of limited experience or exaggerated numbers.

Support for Plan Members

While preventing balance bills on the front-end is helpful, no RBP solution can eliminate them. It's important to understand the RBP solution vendor's commitment and skill in handling balance bills.

A window into that commitment can be understood by a close look into their Member Services organization. Member services representatives are those who handle balance bills or provider issues.



WHAT TO ASK

- What is your ratio of member services representatives who handle balance bills to employees?
- How many member service representatives do you employ?
- Are member service representatives dedicated to a specific employee for the life of the case or is each case handled by a broad “team”?
- What is the average response time for an inquiring member?
- Do you provide service guarantees for your member services?
- What is your customer satisfaction (CSAT) score for member services?

Balance bill support for members



WHAT TO ASK

- What support do you offer for members that receive a balance bill?
- Do you provide legal representation for members? If so, explain how and when it begins.
- Is the member responsible for any charges associated with their defense? Is the plan?
- Once a balance bill occurs, what steps do you use to reduce future balance bills?

- Do you actively reach out to members who have had facility claims to see if they have a balance bill or do you solely depend on the member to notify you of a balance bill?



ALERT

If a vendor isn't reaching out to members post-service, they are missing balance bills that are impacting your members.

Support and expertise offered for rare events like credit impairments



WHAT TO ASK

- How do you prevent credit impairments?
- What happens if a credit impairment occurs? Does an attorney work with the member to resolve impairment issues and restore credit?

3 | Experience & Client Support: What's the Story?

In an industry with abundant opportunity, it's not unusual for new businesses to enter the market. RBP is a nuanced solution that requires a certain level of sophistication and knowledge to do it right. That's why working with a trusted and experienced RBP solution partner is crucial.

CLIENT MIX

As a recommended baseline, look for a breadth of at least eight to ten years of experience in auditing, repricing and defending claims for clients in all 50 states. The total number of claims processed is another key indicator of experience.



WHY IT'S IMPORTANT: A deeper dive into an RBP solution's client story can tell volumes.



WHAT TO ASK

- How many clients do you have and what is their average tenure?
- What is your client retention rate for the past three years?
- How many clients have left to go to another RBP vendor, and how many have you taken over from another vendor?
- What is your longest tenured full replacement client? Remember, just doing out-of-network RBP is not the same as acting as a full plan replacement.
- What is your average group size? What is your median group size?
- Do you have client references available and written case studies of successful client partnerships?
- What is your Net Promoter Score (NPS)?

CLIENT SERVICES

The service level that clients can expect from their RBP solution vendor has a significant impact on the strength of the relationship and can greatly influence the client story. A solution that provides support for member education and engagement helps to drive the successful transition to a new plan.



WHY IT'S IMPORTANT: Choosing an RBP partner, rather than just an RBP solution vendor, paves the way for success from beginning to end.



WHAT TO ASK

- What kind of client services do you provide?
- Am I guaranteed a dedicated account representative for onboarding and implementation?
- At a minimum, how frequently will I meet with an account representative?
- Do you have any resources, programs or personnel dedicated to HR?
- Do you provide onsite and virtual open enrollment?
- Do you offer customized member materials?

4 | The Brass Tacks: What about Savings & Guarantees?

Many RBP solution vendors will present savings amounts and operational metrics during the discovery process but obtaining a guarantee on those performance figures is harder to come by. Consider the following details that can have a significant impact on how cost effective your move to RBP is at the end of the day.



WHY IT'S IMPORTANT: Different solutions express savings differently, so it's critical to understand and compare apples to apples as you do your homework.



WHAT TO ASK

- Do the projected savings include fees? Potential legal fees? Negotiation fees? If not, how are these accounted for in the real savings numbers?
- What percentage of savings can I expect, and what amount am I guaranteed?
- Operationally, what type of performance will you promise as part of our agreement?
- Will you put fees at risk in order to hit performance metrics, including savings?
- What type of guarantees are in place for members related to service and support?
- What is your mechanism for transparency into plan performance?

Where Do Direct Contracts Fit In?

As RBP programs have evolved, some RBP solution providers offer direct partnerships with health systems in select geographies. These provider partnerships allow direct, "logoed" access to care at below market rates. It's important to understand several factors about these relationships.



WHAT TO ASK

- Do you have direct contracts in place with health systems? In which markets? How long have you been providing these relationships? How many do you add per year?
- Do you consider quality when establishing direct contracts? How do you evaluate a provider's performance and outcomes?
- Do your direct contracts provide below-market rates? How do you determine "market"?
- Do your direct contracts include physician contracts? If so, how many? Do they cover all specialties in the market?

The Bottom Line

Keep these four critical components in mind when choosing an RBP solution. The right solution partner will enable you to reach your savings goals, roll out a seamless implementation and ensure successful employee adoption.

Use this hands-on checklist for your next discovery conversation with an RBP solution vendor. It summarizes the most important considerations of the RBP story, so you can get the full picture before you buy.

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ELAP Services is pleased to provide this guide to assist you in understanding RBP and choosing the solution provider that's right for you. As the pioneer and leader of RBP, ELAP is approaching 15 years of experience and solution expertise that's unrivaled in the industry.

At ELAP Services, we have a great story to tell.

Learn more today.



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