

## What is Reference-Based Pricing?

**Reference-Based Pricing (RBP)** is simply a strategy that seeks to reimburse facility-based services by using the actual costs of delivering those services as a reference point. Medicare reimbursement rates are most commonly used as this reference point because:

- ▶ **95%** of facilities in the U.S. understand and accept Medicare reimbursements
- ▶ Medicare reimbursement are developed by CMS using actual facility data to determine the true cost of providing a service

An **RBP strategy** delivers savings by providing employees transparency into the price of medical services. By shifting away from the PPO model where inflated “retail” charges off a mysterious “charge master” are reduced by a pre-negotiated discount, RBP focuses on reimbursing facilities based on their actual cost of delivering a service.

RBP Models establish facility reimbursements by taking the commonly accepted Medicare rate for a particular procedure and adding a **30%-50% profit margin** for the facility. By coupling this reasonable and collaborative approach with swift and accurate payments, facilities are willing to accept reduced reimbursements compared to traditional PPO’s.

This strategy is producing **18% to 22% savings** versus current medical program costs while helping plan participants to become better healthcare consumers. Additionally, as the starting point for reimbursements is based off of Medicare, year-over-year trend is greatly reduced. Annual Medicare trend is less than 2% over the last 10 years while commercial PPO’s are closer to 12%.

## Key Benefits of Reference-Based Pricing



### Cost Savings

RBP strategies save both employers and employees on their medical costs by attacking the high price and variation of medical services. By basing reimbursements off actual facility costs, payments under an RBP program are consistently lower than typical PPO reimbursement for facility-based services; sometimes up to half as much for the exact same procedure.



### Transparency

Most facilities under the current PPO model are unable to provide employees with pricing information before they seek service. RBP models provide upfront pricing information and allow patients to evaluate their options before any services are performed. By helping patients become better consumers of their individual healthcare, they in turn help drive down your organizations healthcare costs.



### Patient Support

Patient support teams works directly with both patients and providers prior to services to establish a mutually agreed upon reimbursement, virtually eliminating the potential of balance billing. In rare cases, less than 1%, where patients are balanced billed, Case Managers work directly with hospitals on the employee’s behalf to resolve quickly.

This graph is an illustrative savings analysis comparing a traditional PPO plan to RBP. This projection equates to an estimated **\$4,687,000** in savings over three years.

Estimated trend of current plan costs at 12% and RBP trend at 5% compounded each year.



TO LEARN MORE, PLEASE EMAIL US AT

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