CONNER STRONG & BUCKELEW

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# Q&A on Webinar on Reference Based Pricing








## Responses to Questions from Conner Strong & Buckelew's August 17, 2017 Webinar on Reference Based Pricing

Thank you for your participation in our webinar devoted to explaining *Reference Based Pricing (RBP)*. Several webinar participants submitted questions in advance of the session. While we addressed each of the questions during the webinar, we have provided herein the written explanations for all pre-submitted questions. Thank you again for your participation in this important webinar. If you have further questions related to RBP, please contact your Conner Strong & Buckelew account representative.

## 1. What if a surgery price is quoted and then the person encounters a complication? Please explain the process.

There may be instances where the patient has a complication or where a procedure does not go as planned that then requires an adjustment to the pre-agreed price. In these instances, the reference based price that was agreed upon is updated based on the unique conditions and circumstances in question. The care management facilitator that handles the reference based price works in good faith with the hospital to update the reimbursement based on the situation in question.

## 2. Is Reference Based Pricing (RBP) a strategy that can be employed by a self-insured entity with several TPAs in place? If so, how?

Generally, no. Not all TPAs are set up to adjudicate and integrate with RBP technology. As such, each of the TPAs (if more than one is used by the plan sponsor) would need to be set up with RBP integration. A consolidation strategy to a single TPA may be the best approach to effectively proceed with a RBP solution.

## 3. What are the risks of balance billing?

In the model that Conner Strong & Buckelew has developed, so long as the member uses a provider that has agreed to the RBP amount up-front, there is no risk of balance billing as the hospital and the care management facilitator will have agreed in writing to the amount that will be paid. There is a risk of balance billing if the member uses a provider that does not agree to the pre-negotiated RBP. In these instances, the member is advised up front of the near certainty that they will be balanced billed so that there are no surprises.

## 4. What is the turn-around time for ROI?

Generally, once we have a group's detailed paid claims history, a file of the providers that have been used (with their Tax IDs), plan design and the group's census, we can develop an ROI analysis in two weeks.

## 5. Which plans are using reference pricing currently?

There are a few TPAs nationally that are engaged with RBP. After an exhaustive market review, Conner Strong & Buckelew has selected *HPI* (a subsidiary of Harvard Pilgrim Health Plan) as our suggested TPA partner. Other solid TPAs engaged in RBP include *Lucent Health and Health Scope*.

## 6. What are the known risks of this program and how can they be mitigated?

The biggest risk with a RBP model is a lack of member education and a carefully timed roll out that allows for significant time for proper readiness and communication. Absent significant education and perhaps six months of advanced planning, employer's run the risk of members not understanding how the plan works. Education and over-communication is a key to success. The best way to mitigate these risks is to allow for a significant lead time for set up and implementation (assume 2x the usual length of a normal plan) to ensure appropriate lead time and education. Another key to success is to ensure that all plan materials (i.e., plan document, SPD, etc.) are properly updated to reflect the new structure of the program.

## 7. How do you manage the balance due bills that arrive at employees' home? How often does this happen? What are the outcomes?

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In the pre-approval process, the member is made aware of the providers that will accept the reference based price and the ones that will not. They are clearly advised of the likelihood of a balance bill if they use a provider that will not accept the reference based amount. An estimated 2% to 3% of the time the member chooses to use a provider that has not agreed to accept the reference based amount. In these instances, the health plan will pay the claim using the reference based amount and the provider will then likely balance bill the member the difference between the referenced based price and their usual charge.

## 8. Does the existence of a health plan network mitigate the effectiveness of RBP?

In a RBP model, there is not a "hospital network". Members can use any hospital of their choice. However, during the pre-approval process they are advised of the hospitals in their area that will accept the reference based price. An estimated 97% to 98% of the time the member chooses a hospital that will accept the reference based price in order to avoid balance billing. The health plan TPA will still have a physician network and a network for ancillary services like lab, durable medical equipment, etc.

## 9. Is reference based pricing being used for prescription drugs?

Not at this time although we expect that RBP will soon be used in pharmacy plans. The volatility and constant changes in the average wholesale price (AWP) make using a RFP model more challenging for medications. However, we anticipate that solutions are forthcoming. Conner Strong & Buckelew does make *Good Rx* available to all of its clients and their employees. *Good Rx* is web based platform that compares the cost of medications from one pharmacy to the next so that at least members can get their medications at a pharmacy that offers the medication at the lowest cost. The website for *Good Rx* is www.connerstrong.goodrx.com.

## 10. Who do you use as your vendor?

Conner Strong & Buckelew has selected *HST* as its suggested reference based pricing technology partner and *HPI* (a subsidiary of Harvard Pilgrim Health Plan) as its suggested TPA partner. While Conner Strong & Buckelew has carefully vetted these providers as best-in-class for RBP, we will work with other RBP programs if beneficial for our clients.