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BEYOND THE NUMBERS

Alliance for Health Policy Briefing  
**Surprise Medical Bills**  
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PRESENTED BY  
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## Disclaimer

The opinions expressed in this presentation are those of the presenter and not necessarily those of Wakely Consulting Group. The presenter wishes to thank Liz Myers and Darren Johnson for contributing analyses for this presentation.

## Thoughts for Today

- Categories of surprise medical bills
- The “in-network” surprise
- How prevalent is the issue?
- Implications for insurance premiums
- Considerations for fixing the problem



## Categories of Surprise Bills

- Patient receives services from providers in which the patient has little control over the setting and little ability to choose the setting. E.g. ambulance and air ambulance.
- Patient chooses to use an out-of-network provider. In this case the cost sharing can be a percentage of charges. Balance billing may also occur.
- Patient sees an out-of-network provider and is referred to other services that are also out-of-network (e.g. imaging center). Sometimes the provider may have ownership in such downstream providers.
- The “in-network surprise”

## The In-Network Surprise

- Issuers create contracted networks to help control costs and cost increases. In-network benefits are structured to encourage enrollees to use these contracted network providers.
- The in-network surprise occurs when the insured patient has intentionally chosen to use an in-network facility and primary provider (e.g. surgeon), and expects to pay the cost sharing associated with in-network benefits of his/her insurance.
- However, after the fact, the patient receives a bill from a provider they did not choose, perhaps did not even see, and who is not in-network.

## The In-Network Surprise

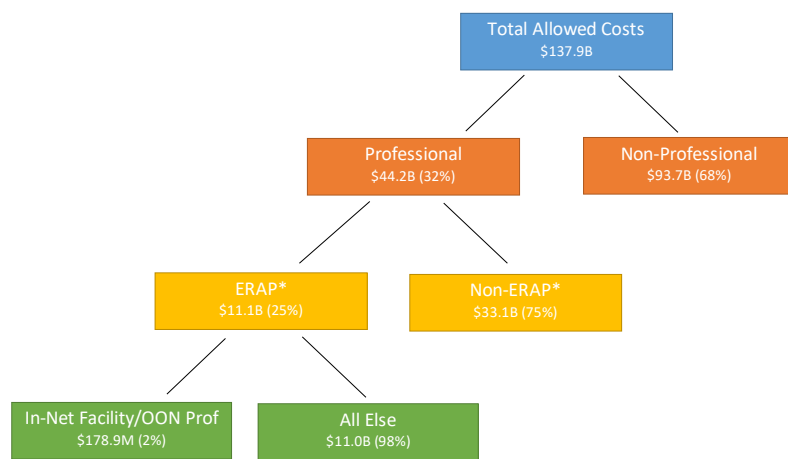
- This is usually a situation where the provider has not contracted with the issuer, but is under contract with the in-network facility.
- Typical examples
  - Radiologist
  - Pathologist
  - Anesthesiologist
  - ER physician

## How Prevalent is the Issue?

- To understand the magnitude of the in-network surprise bills, we analyzed 2016 claims data from the IBM Watson Health MarketScan database.
- We were able to identify physician claims for non-facility out-of-network services associated with same stay in-network facility claims.



## How Prevalent is the Issue?



\*Include emergency room, radiology, anesthesia and pathology professional services

## How Prevalent is the Issue?

### Considerations

- These results are averages and there are some data limitations. Some believe the problem has gotten worse since 2016.
- Percentages will vary by issuer/payer and by geographic area.
- There are large differences in average cost for in-network and out-of-network, and the distribution has a long tail. Some are multiples of Medicare reimbursement levels.
- The issue is significant cost to the enrollee.



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## Implications for Insurance Premiums

- Addressing the in-network surprise has a small impact on premiums, but a large impact on patient cost sharing.
- Adding the other categories of surprise billing results in a much larger percentage of cost.
- It has been reported that some proposals, e.g. reimbursing at the median in-network rate, could have a 2% premium savings.



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## Possible Ways to Address the Issue

- Require hospitals to include provisions in contracts with hospital-contracted physicians requiring participation in all hospital issuer contracts.
- Federal/state mandated reimbursement
  - Median or average in-network reimbursement
  - Percentage of Medicare
  - Arbitration

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