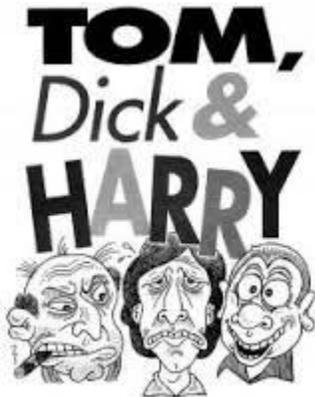


The Phenomenon of Balance Billing Under PPACA



“Balance billing is representative of the last throes of a failed health care delivery system.”

The Phenomenon of Balance Billing Under PPACA

By Bill Rusteberg

With the advent of the Affordable Care Act (ACA), health plans are strictly limited to government mandated plan designs. As a result the only effective method health plans can employ these days to remain competitive is to pay health care providers less. Thus there has been a market movement among all the major carriers (all two of them) to establish limited, alternative PPO networks comprised of health caregivers willing to earn less. These new, leaner networks of cheap labor are called Narrow Networks.

With more caregivers now finding themselves out-of-network, the phenomenon of balance billing has returned from the past, to a time before PPO's were invented and health insurance plans were indemnity plans.

Essentially there are three health care reimbursement schemes in today's highly regulated and restrictive market:

PPO Plans – Every Tom, Dick, and Harry is in-network. As a result, there is no steerage and absolutely no incentive on the part of providers to charge less. Quite the contrary, PPO intermediaries encourage providers to charge more so PPO “discounts” can appear greater and greater each year. The only promise PPO's can deliver is *the promise of no balance billing* and continued, unchecked escalating costs. PPO plans are the most expensive plans in the market today. [More Evidence of The Failure of PPO's](#)

Narrow Network PPO Plans – Only Tom is in-network. Dick and Harry refuse to work for less. Most narrow networks are really, really narrow. Some are so narrow that when they turn sideways they disappear. Balance billing can become a headache for plan participants with little or no plan sponsor support to provide patient advocacy services or legal protection against balance billing attempts by Dick

and Harry. Members who seek care outside narrow networks must be prepared to fend for themselves. [A PPO Network Within A PPO Network?](#)

No Network Plans – These plans are becoming more common and growing rapidly. Called Cost Plus or Reference Based Pricing plans, members may go to any provider of choice. Although balance billing may occur, No Network Plans are proactive in balance billing defense to include patient advocacy services and legal protection. In the event of a balance billing issue, members can be assured of strong patient advocacy support and legal defense if necessary. *No Network Plans are the most cost effective in today's market with average savings above and beyond PPO discounts of 40% and more.*

What are the statistics of balance billing on No Network plans? A recent study by Jim Farley and Stephen Rasnick is instructive.

Source: https://m.box.com/shared_item/https%3A%2F%2Fapp.box.com%2Fs%2F9wffor3c5phhuopvwb6ixemo2a4ghqy/view/25774744987

This study is based on a block of mature business that has no network in place and reimburses providers 150% of Medicare. Below are statistics from the study:

Cost Plus – Reference Based Pricing Plan Statistics

Balance Bill Statistics 2014 – 1.6% of Total Billed Charges (Based on Plan Reimbursement of 150% of Medicare)

Emergency Room Physicians – 21.3%

Anesthesiologists – 15.1%

Radiologists – 17.2%

Pathology – 7.5%

Ambulance – 3.4%

% Of Total Bills Subtotal – 64.5%

Hospital Emergency Room – 5.5%

Facility – 28.2%

Other – 1.3%

% Of Total Bills Subtotal – 35.0%

Charge vs Allowable – 100% Billed Charges vs 150% of Medicare

Inpatient – 27.4%

Outpatient – 25.3%

Hospital ER – 22.9%

Urgent Care Center – 50%

Professional – 63.4%

Balance billing under No Network plans is not as prevalent as one may believe. The misperception has been fueled, in part, by PPO intermediaries who have been known to resort to highly successful scare tactics to maintain status quo. *“Don’t buy that Cost Plus plan because hospitals won’t accept it, your employees will be balance billed and their credit will be ruined”* warn PPO intermediaries and other vested interests.

With their financial backs to the wall, fueled by skyrocketing health care costs, plan sponsors are beginning to realize, *for the first time*, that cost of services is directly proportional to what one agrees to pay.

Narrow Network and No Network Plans are becoming increasingly popular, replacing more expensive PPO plans. Moving to these types of plans can mean the difference between profit and loss to many employers throughout the United States.

Balance billing is representative of the last throes of a failed health care delivery system.



Rick Scott, Florida Governor & former CEO of Hospital Corporation of America:

“How many businesses do you know that want to cut their revenues in half? That’s why the health care industry won’t fix the health care industry.”