



Converting Group Medical Insurance

The Benefits of Converting Group Medical Insurance to a Reference-Based Pricing Model

Dear Reader,

In recent years, the landscape of employee benefits has undergone significant changes. As healthcare costs continue to rise, many employers are exploring alternative approaches to traditional group medical insurance. One such approach gaining popularity is the reference-based pricing (RBP) model. RBP offers a unique solution that can bring cost savings, transparency, and flexibility to both employers and employees. In this article, we will explore why employers might want to consider converting their group medical insurance to an RBP model.

Understanding Reference-Based Pricing

Reference-based pricing is a reimbursement model that sets a predefined price, or reference point, for specific medical services. Instead of relying on the negotiated rates between insurance companies and healthcare providers, RBP establishes a fair and reasonable cost for each service based on publicly available data or a percentage above

Medicare rates. Employers then rely on a 3rd party program administrator to manage the pricing negotiations with Providers and Facilities.

Now, let's delve into why employers should consider making the switch to an RBP model:

Cost Containment

One of the primary motivations for adopting RBP is cost containment. Traditional group insurance plans often come with unsustainable escalating premiums, deductibles, and out-of-pocket expenses, placing a significant burden on both employers and employees. RBP, on the other hand, allows employers to set cost limits and control healthcare spending more effectively. By establishing clear pricing benchmarks, RBP can lead to reduced overall healthcare expenses, making it an attractive option for cost-conscious employers.

Transparency

RBP models promote transparency in healthcare pricing. With traditional insurance plans, the negotiated rates between insurers and providers can be shrouded in secrecy, leaving employees unsure of what their medical services truly cost. RBP simplifies the process by providing clear pricing guidelines, making it easier for employees to understand their healthcare expenses and make informed decisions about their care. At the same time, an RBP model allows the program administrator to truly audit hospital bills to remove all inaccurate and unfairly inflated hospital charges.

Provider Choice

One of the concerns with traditional insurance plans is limited provider networks. Employees may find themselves restricted to a specific set of doctors and facilities, leading to potential dissatisfaction with their healthcare options. RBP offers more flexibility, as employees can choose any provider willing to accept the reference price. This expanded network can improve employee satisfaction and access to care.

Customization

RBP models are highly customizable to suit the needs of your organization. Employers can tailor reference prices based on their budget, employee demographics, and specific healthcare priorities. This flexibility allows you to create a plan that aligns with your company's unique circumstances and provides the right balance between cost control and employee coverage.

Expected Savings

By converting to an RBP model, employers have the opportunity to realize significant cost savings over time. While the initial transition may require some adjustments, the long-term benefits of cost containment and transparency can result in substantial financial advantages for both employers and employees.

The shift from traditional group medical insurance to a reference-based pricing model offers numerous advantages for employers looking to control healthcare costs, improve transparency, and provide more flexible healthcare options for their employees. While the transition may require careful planning and communication, the potential benefits are well worth the effort. Ultimately, RBP empowers employers to take control of their healthcare spending while ensuring that employees have access to quality care without breaking the bank. Consider exploring the possibilities of reference-based pricing to create a more cost-effective and employee-friendly healthcare solution for your organization.

Reach out to us if you have question or would like to schedule a consultation.

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With Respect,

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