OUT-OF-NETWORK BILLING IN MASSACHUSETTS: IMPLICATIONS FOR PATIENTS, PROVIDERS, AND MARKET DYNAMICS

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INTRODUCTION

Out-of-network billing occurs when patients receive services from providers that do not have a negotiated rate with the patient’s insurance. Studies show that out-of-network providers see surprise billing situations for emergency care, but in-network rates are often unfair when patients have encountered an out-of-network provider. “Surprise billing” may be especially likely when patients come into contact with multiple providers, or with certain specialties that may render services to a patient without the patient’s knowledge—such as anesthesiologists providing services. Research has found that emergency care frequently bills out-of-network as well.1 Emergency departments are often staffed by physicians that contract separately from the hospital, which can cause patients to surprise billing situations involving out-of-network emergency care delivered at a hospital that is in a patient’s network.1

Without a negotiated rate, payment to providers is typically billing-related, although providers set for their services. Payment may vary across different charges, but they typically take a higher rate for these out-of-network services than they would pay-in-network. Balance billing occurs when patients are charged for the portion of an out-of-network bill that their insurance doesn’t cover.

In almost 2/3 of the cases, the insurer paid the full charge amount of an out-of-network claim (Figure 2). In all other cases, the patient may have been liable for partial or full payment of out-of-network claims. Patients who could have received a balance bill on an out-of-network visit would have received a charge of 124% of actual cost. In all cases, the amount paid by the insurer accounts for most of the difference in spending between in and out-of-network claims.

STUDY DESIGN

Using 2014 data from the Massachusetts all-payer claims database (APCD) for two of the largest commercial insurers in Massachusetts, and overall market function by using claims data for the largest of the commercial insurers in Massachusetts, representing 35% of the commercially insured population, in particular, we estimated differential payment rates for in and out-of-network claims for identical procedures and the implications for patients as well as providers. Previous studies have used data on national insurers, which have a relatively small share of the Massachusetts commercial market. This body of research enhances our understanding of out-of-network billing for a majority of commercially insured members in Massachusetts.

The HPC identified 70,107 out-of-network claims for services provided to 30,538 individuals. Ambulance claims (85%) were from “ERAP” claims making up the rest. The vast majority related to out-of-network physician claims (5%). The HPC identified out-of-network claims using an ‘in network’ designation submitted by the payers. We limited our sample to claims from ambulances and “ERAP” providers accounted for over 95% of the out-of-network claims in our sample (Figure 1).

FIGURE 1: By service/provider type, ambulance and ERAP providers account for 50% of out-of-network claims

The HPC found that in addition to balance billing that patients may incur from out-of-network care, commercial insurers offer copay out-of-network care more frequently than network providers for the same service. We observed that patients will experience significantly lower out-of-network charges in spending between and in-network claims for common identical services across a range of procedure categories (Figure 3). On average, electrocardiograms were 4% more costly when performed by an out-of-network physician, while tissue exams from out-of-network pathologists cost more than twice as much as in-network tissue exams. These figures include potential/balance billing, so in all cases the amount paid by the insurer accounts for most of the difference in spending between in and out-of-network claims.

Even without balance billing, average in-network payment rates for common ED visits were much higher than their out-network rates (Figure 4). On average, insurers paid 94% for a moderate severity ED visit with an in-network provider, and 85% for a moderate severity ED visit with an out-of-network provider—a difference of 7%.

CONCLUSIONS

The HPC sought to understand the impact of out-of-network billing on Massachusetts patients’ insurers, and overall market function by using claims data for the largest of the commercial insurers in Massachusetts, representing 35% of the commercially insured population. In particular, we estimated differential payment rates for in and out-of-network claims.

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FIGURE 2: Who pays for out-of-network services?

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