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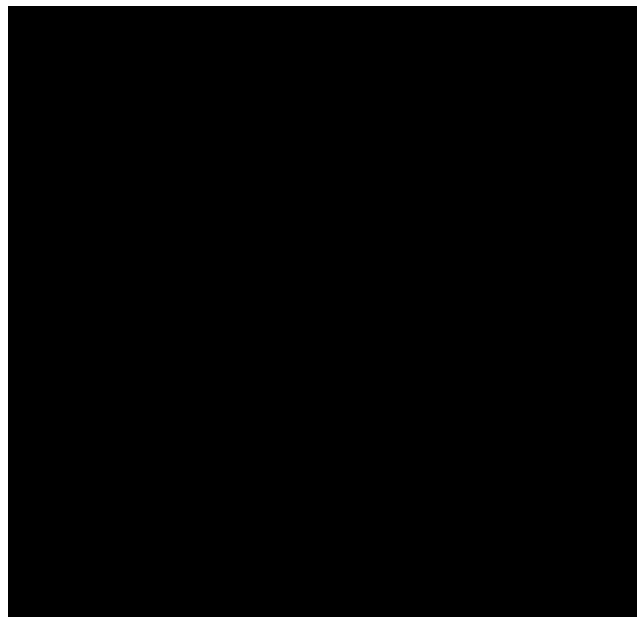
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Cost-control plan for health care could cost you

AP By RICARDO ALONSO-ZALDIVAR
14 hours ago



WASHINGTON (AP) — You just might want to pay attention to the latest health insurance jargon. It could mean thousands of dollars out of your pocket.

The Obama administration has given the go-ahead for a new cost-control strategy called "reference pricing." It lets insurers and employers put a dollar limit on what health plans pay for some expensive procedures, such as knee and hip replacements.

Some experts worry that patients could be surprised with big medical bills they must pay themselves, undercutting financial protections in the new health care law. That would happen if patients picked a more expensive hospital — even if it's part of the insurer's network.

The administration's decision affects most job-based plans as well as the new insurance exchanges.

Other experts say reference pricing will help check rising premiums.

A recent policy ruling from the administration went to unusual lengths to acknowledge concerns, saying the pricing strategy "may be a subterfuge" for "otherwise prohibited limitations on

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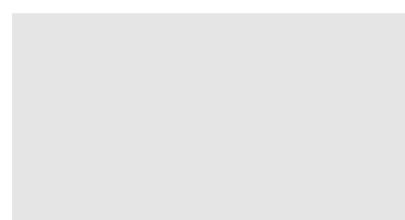
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"reasonable method" to ensure "adequate access to quality providers." Regulators asked for public comment, saying they may publish additional guidance in the future.

HHS spokeswoman Erin Shields Britt said in a statement that the administration is monitoring the effects of reference pricing on access to quality services and will work to ensure that financial protections for consumers are not undermined.

One way the new approach is different is that it sets a dollar limit on what the health plan will pay for a given procedure. Most insurance now pays a percentage of costs, and those costs themselves can vary from hospital to hospital. Now if you pick a more expensive hospital, the insurance still pays the same percentage.

The new strategy works like this:

Your health insurance plan slaps a dollar limit on what it will pay for certain procedures, for example, hospital charges associated with knee and hip replacement operations. That's called the reference price.



FILE - This April 11, 2014 file photo shows President Barack Obama, flanked by outgoing Health and H ...

Say the limit is \$30,000. The plan offers you a choice of hospitals within its provider network. If you pick one that charges \$40,000, you would owe \$10,000 to the hospital plus your regular cost-sharing for the \$30,000 that your plan covers.

The extra \$10,000 is treated like an out-of-network expense, and it doesn't count toward your plan's annual limit on out-of-pocket costs.

That's crucial because under the health care law, most plans have to pick up the entire cost of care after a patient hits the annual out-of-pocket limit, currently \$6,350 for single coverage and \$12,700 for a family plan. Before the May 2 administration ruling, it was unclear whether reference pricing violated this key financial protection for consumers.

Some experts are concerned.

"The problem ... from the patient's perspective is that at the end of the day, that is who gets left holding the bag," said Karen Pollitz of the nonpartisan Kaiser Family Foundation.

Previously a top consumer protection regulator in the Obama administration, Pollitz said the administration ruling amounts to a substantial change for consumers.



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year, nearly double the 7 percent in 2012.

It's been pioneered in California by CalPERS, a giant agency that manages health and retirement benefits for public employees.

CalPERS started with knee and hip replacements in 2011, steering patients to hospitals that had been vetted for quality and charged \$30,000 or less.

Ann Boynton, the agency's health benefits director, said the program has been a success, with patients able to choose from about 50 hospitals.

"People do not feel like we went to bargain-basement hospitals where the quality is not good," she said. "The quality is the same, and in some instances, better."

Economist James C. Robinson of the University of California at Berkeley studied the CalPERS experiment and found not only that many patients shifted to lower-cost hospitals, saving money, but that expensive hospitals responded by cutting their prices.

Although insurers don't appear to be using reference pricing on the new health exchanges, Robinson said he thinks it's only a matter of time.

However, the strategy appears to be suitable only for a subset of medical care: procedures and tests that are frequently performed, where the prices charged vary widely but the quality of results generally does not. In addition to knee and hip replacements, that could include such procedures as MRIs and other imaging tests, cataract surgery and colonoscopies.

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