



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

August 1, 2014

Daniel Maguire  
Office of Health Plan Standards and Compliance Assistance  
Department of Labor  
200 Constitution Ave. NW, Ste N-5653  
Washington, DC 20210

Submitted Electronically to: [E-OHPSCA-FAQ.ebsa@dol.gov](mailto:E-OHPSCA-FAQ.ebsa@dol.gov)

Dear Mr. Maguire:

Thank you for the opportunity to comment on the standards that should be in place for plans using reference based pricing structures in order to ensure that individuals have meaningful access to medically appropriate, quality care.

#### **About WellPoint, Inc.**

WellPoint is one of the nation's leading health benefits companies. We believe that our health connects us all. So we focus on being a valued health partner and delivering quality products and services that give members access to the care they need. With nearly 69 million people served by our affiliated companies including more than 37 million enrolled in our family of health plans, we can make a real difference to meet the needs of our diverse customers. We're an independent licensee of the Blue Cross and Blue Shield Association. We serve members as the Blue Cross licensee for California; and as the Blue Cross and Blue Shield licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as the Blue Cross Blue Shield licensee in 10 New York City metropolitan and surrounding counties and as the Blue Cross or Blue Cross Blue Shield licensee in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.), and Wisconsin. In most of these service areas, our plans do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia and Empire Blue Cross Blue Shield, or Empire Blue Cross (in the New York service areas). We also serve customers in other states through our Amerigroup and CareMore subsidiaries. To find out more about us, go to [wellpoint.com](http://wellpoint.com).

#### **Overview: Value of Reference-Based Pricing Structures**

WellPoint, Inc. has successful reference based pricing structures in place for several of our self-funded clients in many geographic markets. The foundation to a successful reference based pricing structure is built upon engagement, navigation and adjudication. When the program is



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

solid on all three of those components, it is a sound program which results in significant savings while upholding high quality care. These savings come from enrollees choosing lower cost treatment sites, from imposing benefit limits on higher cost sites, and also from competitive price movements which may occur.<sup>1</sup> In sum, these programs drive efficiency in the healthcare delivery system, while maintaining high quality care for consumers, consistent with the goals of the Affordable Care Act (ACA).

Reference based pricing programs further price transparency for the consumer by making information available and actionable. When members are given information on the cost of their care and provided with choices on where to receive that care within a reference based pricing structure, plans are engaging consumers in their health care. These programs are a consumer-friendly tool that helps to control costs for both the member and the plan without sacrificing access to high quality providers and facilities.

In addition to providing increased transparency surrounding the cost of care, reference based pricing programs give providers and facilities the chance to compete on cost and quality. Providers and facilities that are outliers on cost, and thus outside of the reference based pricing structure, are evaluating their prices and competing to be favorably reflected in the reference based pricing program. This is a strategy aimed at engaging consumers in their healthcare and fostering competition in the market.

A more basic narrow network alone does not accomplish what a reference based pricing program does because basic networks cannot be created around singular services alone. A reference based pricing program allows for the program to be designed around common services that oftentimes have great variability in price. By setting a reference price, members are not limited in choice for all of their health care services and instead are empowered with information and given choices on where to receive their services that fall within the reference based pricing program.

WellPoint's reference pricing programs are designed with strong consumer protections. Members and providers will have access to resources, should member safety ever be questioned. Reference based pricing structures are never set below the median market price. In fact, most providers are paid at their full contracted rates while avoiding outlier prices for the services. We believe these payment structures should not be in place for emergency services, but instead for common procedures that have great variability in price. Additionally, these structures should only be made available when there is already a large network of providers in place thus fostering consumer choice and encouraging competition among providers and facilities.

---

<sup>1</sup> <http://online.wsj.com/news/articles/SB10001424052702303448104579152111004814066>



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

### **First Pillar of a Sound Reference Based Pricing Program: Engagement**

Consumers should be given an opportunity to be engaged in their health care and be provided with provider choice. But for successful engagement to occur, consumers must be given the appropriate information.

#### **Standards that should be in place to engage members participating in reference based pricing structures:**

- The Reference-Based Pricing program is accurately reflected on the Summary Plan Design;
- Customer Service availability for member questions on the program; and
- Information on the reference based pricing program is provided at all Open Enrollment meetings.

With the implementation of the ACA, there is an increased focus on transparency and consumer engagement. When consumers are engaged in their health care, they are able to receive the care that they need, from a high quality facility, while helping be a force for efficiency in the healthcare system. Reference based pricing structures further the transparency goals set forth in the ACA.

### **Second Pillar of a Sound Reference Based Pricing Program: Navigation**

In order for a reference based pricing structure to be effective, there must be appropriate navigation of members to high quality providers who accept the reference price for the specified procedure. In addition to appropriate navigation of members, plans must ensure that members have an adequate number of providers to choose from when shopping for their care.

#### **Standards that should be in place to navigate members participating in reference based pricing structures:**

- A review of designated providers confirms that access would provide equal or greater availability of quality than what was already available without the reference based pricing structure;
- Information on the reference based pricing program is communicated to the Physician and Hospital PPO Network; and



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

- Information on the reference based pricing program is communicated to specialists and referral providers directly affected.

### **Third Pillar of a Sound Reference Based Pricing Program: Adjudication**

In order to ensure proper adjudication of the program, reference based pricing structures must provide members with access to high quality care. To best accomplish this, the program should consider the member's location and have leniency and exception processes in place for members when extenuating circumstances exist.

#### **Standards that should be in place to adjudicate reference based pricing structures:**

- Confirmation that the member's commute is equal to or better than normal network access standards;
- Travel benefits, reflective of service, for members who need access to other reasonably priced providers; and
- The program should have a prospective leniency and exception process available.

### **Summary of Recommendations**

Reference based pricing programs can be a powerful force for efficiency in the healthcare system, consistent with the goals of the ACA, but there must be appropriate consumer protections. The following are essential components of a sound reference based pricing program:

- The Reference-Based Pricing program is accurately reflected on the Summary Plan Design.
- Customer Service availability for member questions on the program.
- Information on the reference based pricing program is provided at all Open Enrollment meetings.
- A review of designated providers confirms that access would provide equal or greater availability of quality than what was already available.
- Information on the reference based pricing program is available to the Physician and Hospital PPO Network.



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

- Information on the reference based pricing program is available to specialists and referral providers directly affected.
- Confirmation that the member's commute is equal to or better than normal network access standards.
- Travel benefits, reflective of service, for members who need access to other reasonably priced providers.
- The program should have a prospective exception process available.
- Members and providers will have access to resources, should member safety ever be questioned.

With these consumer protection standards in place that ensure access to quality care, amounts above the reference based price should not apply towards out of pocket maximums because doing would negate the reference price by requiring the plan to pay a higher amount if the member's out of pocket maximum is, or has been, reached. This would greatly dilute the ability to provide a cost effective program to both the plan and plan participants for higher cost procedures. By encouraging members to use facilities within the reference based price, it removes the excess amounts above reference based prices from the cost of care that is reflected in future plan premiums.

Additionally, while the Department's guidance only explicitly allows for reference based pricing programs in the large employer market, these programs are effective irrespective of market segment, and greater penetration of these programs will drive more efficiency in the healthcare system, consistent with the goals of the ACA. Thus, we request the Department expand the guidance to make these programs allowable in all markets.

\*\*\*

We appreciate this opportunity to comment on the standards that should be in place for reference based pricing structures in order to ensure meaningful access to medically necessary high quality



1121 L Street  
Suite 500  
Sacramento, CA 95814

**Anthony Mader**  
Vice President  
Public Policy

care. Should you have any questions or wish to discuss our comments further, please contact Alison Armstrong at (805) 336-5072 or [Alison.Armstrong@WellPoint.com](mailto:Alison.Armstrong@WellPoint.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Mader", with a long horizontal flourish extending to the right.

Anthony Mader  
Vice President, Public Policy