

From: Greg.Gulick@priorityhealth.com
To: E-OHPSCA-FAQ.ebsa
Cc: Brian.McLane@priorityhealth.com; marti.lolli@priorityhealth.com; David.Bilardello@priorityhealth.com
Subject: Comments on Reference Based Pricing Question in FAQ XIX
Date: Friday, August 01, 2014 4:12:53 PM

Per the request set forth in the FAQs About Affordable Care Act Implementation (Part XIX) dated 5/2/2014, Priority Health is submitting the following comments on the application of the out-of-pocket limitation to the use of reference based pricing.

Reference pricing, that uses cost calculators based on real contracted pricing, provides health plans with the ability to reduce overall health care costs without impacting quality or provider choice. In the current payment model there is wide variation in cost for the same procedure in the same market with little variation for quality. Numerous federal and independent studies have shown the high degree of price variation and recognize it as one of the leading areas to eliminate avoidable costs. Unlike limited networks, where choice is limited to a small provider panel, reference pricing has the ability to allow for member choice, reduced plan costs and no negative impacts on quality. To ensure that reference pricing does not lead to limited choice, as narrow networks have, reference prices should be set at a level to ensure reasonable access for members. Because much of pricing variation comes from the location where the service is performed, these standards should use each place of service as a unique count and include stand alone surgical centers that perform the service where the reference price is applied. Because pricing variation can be so wide and members have the choice of receiving the services at lower cost facilities, applying the costs above the reference price to out of pocket maxes spreads the elective costs to other members. Like has occurred with generic drugs when a brand becomes available, applying the cost difference to the member who elects more expensive drugs has been an important tool in controlling oral medication costs. Similar logic can be applied to elective procedures, like MRIs or Knee Arthroscopies, where there is little to no difference in outcome based upon where the service is performed.

We also recommend allowing the use of reference pricing for individual and small groups without the application of the costs above the reference price to total out of pocket calculations. By expanding Reference Based pricing products and allowing for these amounts above the reference price to be excluded from the OOP maximum, all individuals and employer groups can benefit from these innovative and cost-saving initiatives.

Please let me know if you have any questions. Thanks!

Greg

Greg Gulick, JD, MHA, MBA
Senior Counsel
Priority Health
1241 E. Beltline NE
Grand Rapids, MI 49525
616.464.8009 (o)

