

## WHA Position

WHA supports a Congressional remedy to reduce instances of surprise billing. However, ***Congress should remove the provision requiring insurers to pay out-of-network providers the median in-network rate.***

- **While insurers will benefit from that provision, consumers will not.** Some are likely to lose their provider of choice if their insurer moves them out of network to pay a lower rate.
- Impacts are likely to be felt the most in rural areas, where hospitals already operate on thin margins and workforce shortages give patients fewer providers to choose from.
- Dropping the benchmark rate mechanism would not impact the legislation's ability to end balance billing and protect consumers.

## WHA Ask:

***Please urge leadership to remove the unnecessary and harmful benchmark rate provision before moving surprise billing legislation to the floor.***

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July 2019

# End Surprise Billing; Keep Patient Choices

## Government-set benchmark rates will undermine patient choice

### Highlights

- WHA supports Congressional efforts to improve health care price transparency, having voluntarily provided Wisconsin consumers with pricing and quality data since 2004.
- Surprise billing legislation currently before Congress could have unintended consequences that decrease access to care, particularly in rural communities.
- Surprise billing issues can be resolved without instituting a government-set benchmark.

### Wisconsin hospitals have a strong tradition of supporting transparency

WHA and our members are strong proponents of transparency. We have voluntarily reported price information through a website called PricePoint since 2004. Consumers have also been able to visit [www.wicheckpoint.org](http://www.wicheckpoint.org) to find data on the quality of care provided by hospitals, giving them a tool to better understand the value of health care services before they schedule them.

- PricePoint provides complete, accurate, and timely data about charges for services provided by Wisconsin hospitals and ambulatory surgery centers.
- Every Wisconsin hospital participates in PricePoint, and it is even licensed out for use in 10 other states.
- Consumers can easily compare charges for common health care services across three hospitals at a time.
- The site also includes an insurance checklist to help patients determine their out-of-pocket cost and avoid surprise medical bills.
- WHA members are increasingly providing online cost-estimator tools, some of which even allow patients to plug in their insurer information to determine expected out-of-pocket costs.



### WHA's Transparency Task Force is Working to Further Improve Transparency

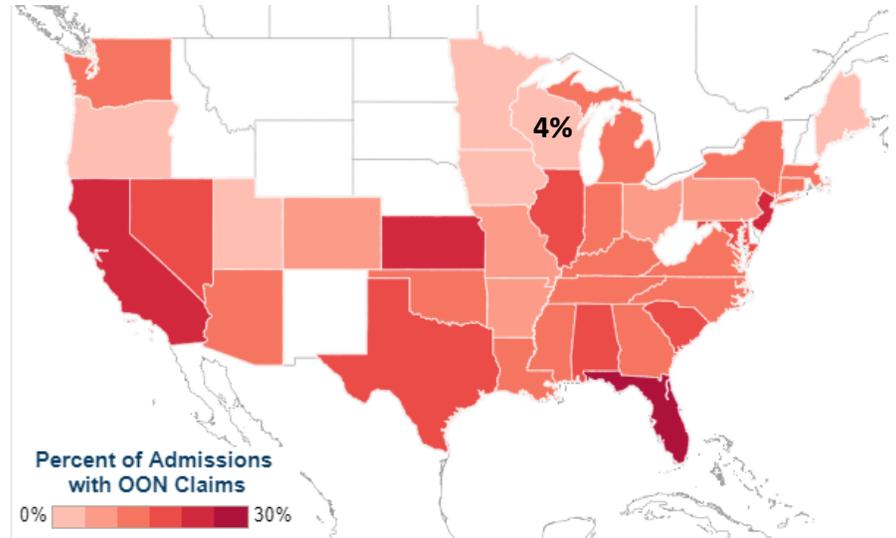
WHA has reconvened its Transparency Task Force, consisting of hospital and health system financial leaders across Wisconsin who are experts in hospital billing, insurance contract negotiation, provider networks, and patient financial counseling. The aim of the task force is to document best practices that improve transparency in health care and provide feedback for policymakers on state and federal legislation being considered.

- At WHA's Transparency Task Force June meeting, members all agreed that using a median benchmark rate will have unintended consequences for health care.
- Once insurers become aware of a median geographic rate, it will become a ceiling for negotiations. Insurers will have no incentive to negotiate above that rate, realizing they will pay less by keeping providers out-of-network.
- The twofold effect of this will be to erode provider networks and options for patients. As insurers realize financial incentives to keep certain providers out-of-network, patients could lose access to some of their current in-network doctors and other providers.

## Wisconsin has Lower Instances of Surprise Billing Compared to Most States

While WHA supports Congressional efforts to resolve surprise billing issues, it also believes legislation should not unfairly penalize states like Wisconsin, where providers have already made efforts to minimize instances of balance billing.

- According to the Health Care Cost Institute, Wisconsin had one of the lowest rates of hospitals admissions that resulted in an out-of-network surprise medical bill, at 4% in 2016.<sup>1</sup>
- The WI Office of the Commissioner of Insurance (OCI) received only 61 surprise billing complaints over a 15-month period from 2018-2019.
  - The majority of complaints (58%) were concentrated among only 5 insurers.
- Low debt collection rates can be a disincentive for hospitals to balance bill. According to Wisconsin hospital debt collection information, unpaid hospital bills that go to debt collection have only an 8.3% collection rate after 12 months.



## Benchmark Rates and Other Provisions Disadvantage Rural Health Care

Rural hospital often do not have the same payor mix or economies of scale as urban and suburban hospitals. This can put them at a significant disadvantage when it comes to financial viability. While rural critical access hospitals (CAHs) are paid close to break-even rates for Medicare patients, they receive on average only 70% of what it costs to provide care for Medicaid patients. Because rural hospitals typically serve a higher percentage of Medicaid and Medicare patients than their urban and suburban counterparts, this can put financial strains on rural hospitals that have fewer private-pay patient to offset government payor losses. The data bears this out:

- According to a 2018 report from the GAO, rural hospital closures more than doubled over the last 5 years; 31 rural hospitals closed in the U.S. from 2008 to 2012 and 64 closed from 2013-2017<sup>2</sup>.
- While Wisconsin has fortunately staved off these closures, WI still had 16 CAHs that had negative total margins (lost money) in 2017 and 29 CAHs that had either a negative margin, or a margin of less than 3%.
- Initial reports indicate that even more hospitals will have negative margins in the upcoming year.
- Statewide, hospital losses from Medicaid, Medicare and uncompensated care are trending upward.
- The Senate HELP bill also includes a provision making it easier for insurers to steer patients away from rural providers, and increasing the distance they travel to access care.
  - The domino effect of this provision could be to further reduce patient volume at rural hospitals, and further decrease their financial viability.

## Congress Should Strip Median Network Benchmarks from Transparency and Surprise Billing Packages

While WHA continues to support Congressional efforts to resolve balance billing, Congress should remove the component that creates a government-set benchmark rate for hospitals.

- This component is unnecessary to protect patients, and will only serve to enrich insurers at the expense of hospitals and patients' choice of providers.
- Alternative mechanisms, such as arbitration or mediation, while not perfect, have shown to work without the adverse market impacts of government-set rates in the private market.
- ***Please request that leadership strip the median in-network benchmark rate from this package before moving it to the floor.***

<sup>11</sup> Health Care Cost Institute. (2019) *Surprise out-of-network medical bills during in-network hospital admissions varied by state and medical specialty, 2016*. Retrieved: <https://www.healthcostinstitute.org/blog/entry/oon-physician-bills-at-in-network-hospitals>. Kevin Kennedy, Bill Johnson, and Jean Fuglesten Biniek.

<sup>2</sup> Government Accountability Office. (2018) *Rural Hospital Closures*. (Publication GAO-18-634). Retrieved: <https://www.gao.gov/assets/700/694125.pdf> See M. Clawar et al., *Range Matters: Rural Averages Can Conceal Important Information* (Chapel Hill, N.C.: North Carolina Rural Health Research Program, 2018).