

Have insurance networks lost their value proposition

By Richard Stephenson, REDU Health

Healthcare insurance has two value propositions - the insurance portion and reduced contract rates from its network of providers. Now we have evidence showing that the network discount has less value than the cash discount rate hospitals offer. REDU Health compared the discount rates between carriers and hospital cash rates and reached some startling conclusions.

The comparison

We compared data from the New Hampshire Insurance Department's website (<https://nhhealthcost.nh.gov/>) for emergency services, especially the costs for emergency departments. The website shows the list prices hospitals charge for three levels of emergency room care: Minor complexity, Low complexity, and Moderate complexity (least to most urgent). It also lists the contract rates for Anthem, Cigna, and Harvard Pilgrim and the hospital cash discount rate for each type of care. We used the list price of each hospital to calculate the discount percentage for carriers and hospitals.

Our research shows emergency departments tend to charge higher level procedures. Therefore, we focused on the more expensive emergency room procedure (Emergency Department Visit - Moderate Complexity or CPT 99283).

General Observations

We found the average discount rate for all carriers came to 35%. When comparing the three carriers, Anthem tended to have the best rates with an average discount rate of 41% while Cigna and Harvard Pilgrim showed significantly lower discounts with an average of 31% each. Surprisingly we found some contract rates higher than hospital list prices (ex. Anthem's rate of \$479 is higher than York Hospital's list price of \$428).

The Real Surprise

REDU Health also compared the hospital cash discounts to the carrier discounts. The 36 hospitals offer cash discounts for Moderate Complexity procedures more than 72% of the time and up to 81% of the time for less urgent procedures. Insurance carriers had contractual discounts with hospitals between 78% and 97% of the time.

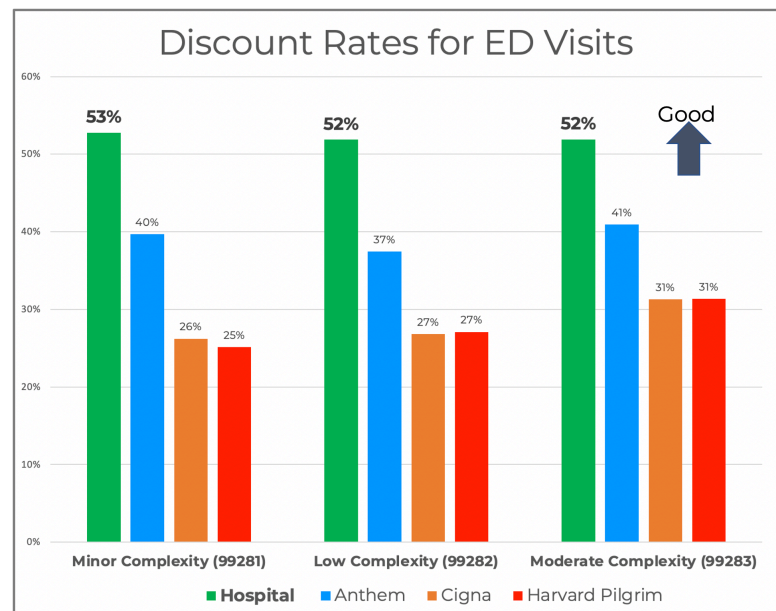
We found the average hospital cash discount came to 52%. We went a little deeper and compared the contract rates with the cash rates for each hospital. Interestingly the cash discount beat all carrier contract rates 47% of the time and came in second 27% of the time.

REDU also looked at the amount of the cash discount for the same Moderate Complex procedure. It found that hospital discounts are significant. The average incremental savings is \$205 with a median savings of \$152. Other emergency

procedures show similar results. This incremental savings would certainly help patients and families, especially when 40% of Americans cannot afford a \$400 surprise bill.

New strategy

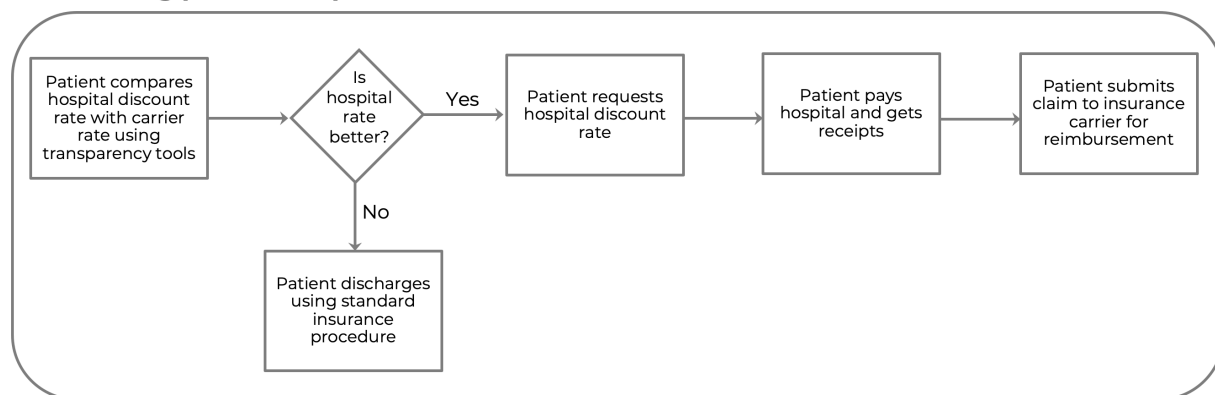
Our findings suggest a strategy for employers and members to reduce their expenses when using emergency rooms. If the cash discount rate is lower than the carrier rate, then members can save additional funds by asking for the hospital's cash discount rate and manually submitting a claim to their insurance carrier for reimbursement.



Even more significant is the savings for self-funded employers and payers. Incentivizing members to ask for the cash discount, directly improves the cost of care by hundreds of dollars. REDU believes employers and payers could motivate members by sharing the savings back to the member. For instance, giving a member half of the marginal savings over the payer's discount or about \$75.

To support this strategy, transparency tools need to make the cash discount rate available to members. REDU sees how this may attract financial organizations to help consumers temporarily finance the cash payment. Moreover, this phenomenon likely extends to other common procedures like labs, radiology and even more complex procedures.

Cost saving process for patients



About REDU Health

REDU Health has a national database of prices for emergency services like ambulance transportation, emergency departments, urgent care clinics and retail health clinics. Prices include list prices, carrier discount rates, **AND hospital cash discounts**. Our data is positioned to help members find emergency care quickly so consumers can choose the appropriate provider at the right time. For more information about REDU Health, send an email to [**info@REDUHealth.com**](mailto:info@REDUHealth.com) or go to [**www.REDUHealth.com**](http://www.REDUHealth.com)

