CHAPTER 22

TRANSPARENT OPEN NETWORKS

"The single most important ingredient in the recipe for success is transparency because transparency builds trust." – Denise Morrison

What is a Transparent Open Network?

A transparent open network (TON) offers purchasers such as employers and unions fair and fully transparent pricing for medical services/procedures ranging from specific treatments (e.g., knee replacement or colonoscopies) to specific conditions (e.g., diabetes or kidney disease). Services and procedures are typically bundled, meaning there is just one bill for all the services received for a specific treatment or condition that includes multiple providers and sometimes multiple settings. Another dimension of transparency is that the market is open to any provider who has sufficiently high-quality indicators and charges fair prices.

A TON offers employers an alternative to traditional fee-for-service (FFS) payment models, in which individual services are listed on itemized billing statements from multiple sources.

How Does It Work?

Providers (typically independent imaging centers, specialty hospitals, ambulatory surgery, and some forward-looking hospitals) supply up-front pricing at significantly reduced rates in exchange for increased volume, quick pay, reduced friction, and avoiding claims/collections problems—all factors that allow providers to net a similar amount to standard insurance billing while charging less.

Providers contract directly with an employer or third-party to offer services outside of a typical payment and network structure. In exchange for significantly reduced rates, employers encourage plan members to use these providers, typically by waiving all of the individual's costs including copays, coinsurance, and deductibles.

How Does Reference-based Pricing Fit in?

Reference Based Pricing (RBP), also commonly known as Cost Plus Pricing, offers self-insured plans a defined benefit structure with more economical reimbursement levels. These are based on various pricing data sets, most notably Medicare, and are designed to be fair and reasonable to providers. RBP vendors offer nationwide coverage and countless employers have had great success with them. Some people believe they put employees at risk for balance billing but, in reality, the RBP vendors address this in their service contract. (And of course, we know employees are already at tremendous financial risk with status quo plans, high deductibles, confusing billing, and more.) It can also be seen as confrontational, because the employer is essentially telling the provider what they are willing to pay as opposed to the provider setting the price.

The reality is very few issues crop up and they are overwhelmingly addressed in a simple manner. In most cases, the RBP discussion opens a broader conversation and starting point

for a TON, often leading to direct contracting. RBP vendors commonly handle the transition for a high-volume provider organization to a direct contract that they facilitate.

Why Should You Support It?

Unlike FFS, which allows for wildly variable, opaque pricing free from market forces, which can incentivize providers to offer unnecessary services, TON benefits providers, employers, and employees. Providers get access to individuals whose employers offer quick pay and reduced hassles, while employers get access to bundled, transparent rates at prices typically 30 to 50 percent lower than typical *network* discount prices (and even more off of chargemaster prices). Employees get access to a new benefit that offers medical services and procedures without financial penalties in the form of copays and deductibles. In short, providers get easier administration and certainty, employers get great prices, and patients get the care they need at no additional cost.

What Are the Key Elements to Look for?

Transparency

It's not possible for employers to measure the value of their health care dollar without access to pricing and quality information. The same information is needed by employees if they are expected to seek high-value care. At a minimum, all medical services and procedures should be available at fair, honest, and up-front prices, making health care services as straightforward as other products and services we buy. Quality information should also be readily available for employers and employees alike.

Bundled Payment

Bundled payment for a specific treatment allows employers to trade endless, confusing, itemized bills for just one bill covering the hospital, surgeon, anesthesia, equipment, etc. For

treatment across a specific condition there is just one bill for all physician visits, diagnostics, and care management.

Shared Risk

Medicare has long required providers to share risk under three different "global" periods (zero-day postoperative, 10-day postoperative, and 90-day postoperative) by refusing to pay for mistakes, complications, and re-admissions. A TON brings that practice to private health plans.

Efficient Administration

Typical claims administration is filled with inefficiencies: slow payment cycles, prior authorization, network requirements, complicated payment models, employee cost sharing, etc. For a TON to work, employers must make it easy for employees to access care, offer quick pay to providers (typically five days or less), eliminate barriers like copays and deductibles, and often remove administrative requirements such as prior authorization. It's important to remember that the goal of this model is to simultaneously lower employer costs, reduce costs and eliminate hassles for providers, and provide a true benefit to employees and members.

Employee Education

Models that encourage the use of specific providers for specific treatments are often a new idea for employees and their families. They need to understand that TON is *not* like HMO models, which were often associated with denied care, long wait times, and poor customer service. The message needs to be simple, clear, intriguing, and very short, preferably one sentence: *Don't forget, if you need medical care, we have a group of the highest-quality providers you can see, and choosing this won't cost you anything out of pocket.*

Ease of Use

Health care has always been confusing, frustrating, and very often scary. A TON should be effortless. Consider offering concierge-style customer service, which gives your employees easy access to the humans and resources they need, including hassle-free appointment scheduling, medical records transfer, and both web and mobile access. These services can also create comfort for your employees around sensitive health issues they don't want to discuss with you or your internal benefits manager.

How Can You Ensure Quality?

An effective TON functions best in tandem with a value-based primary care model and use of shared decision-making tools to avoid overtreatment and radiation exposure from unnecessary scans. Any high-quality provider should be participating in all applicable quality reporting whether they are a health system, ambulatory surgery center, imaging center, or independent physician practice. Here are some resources that can help ensure that the providers you use are, in fact, of the highest quality.

- *HealthInsight* is a private, nonprofit, community-based organization dedicated to improving health and health care. They offer a free ranking tool for hospitals nationwide.
- *The National Quality Forum* (NQF) is a nonprofit, nonpartisan, membership-based organization that works to catalyze improvements in health care. They offer access to a huge library of evidence-based quality measures.
- *Hospital Compare* is a government website that allows you to find and compare quality information for more than 4,000 Medicare-certified hospitals across the country.
- *The Leapfrog Hospital Survey* is the gold standard for comparing hospitals' performance on national, professionally endorsed standards of safety, quality, and efficiency that are most relevant to consumers and purchasers of care.

What Challenges Can You Expect?

1. Administrative Challenges

Your broker, consultant, carrier, or TPA may be unable or unwilling to provide transparent specialty care and the administration to execute a TON.

2. Provider Reluctance

It is common for the large health systems you currently use to push back on requests for price and quality transparency.

3. Complex Implementation

The process can be quite cumbersome and drawn out should you decide to go it alone. You might consider using a third party to help streamline the process.

4. Employee Education

TON models require continued messaging and clear, easy-to-understand action steps.

5. Data Sharing

It could be difficult to obtain pricing and quality information from your current broker, consultant, carrier, or TPA. Since it is your spend, you have a right to this information.

6. Data Analytics

Traditional claims analysis software programs and services are often limited in scope and not designed to provide clarity or actionable insight.

7. Confusion about Price Transparency Tools

Many price transparency tools (e.g., Castlight) provide information on insurance PPO network pricing, but they don't remove the hassles and costs for either providers or individuals

related to claims, copays, etc.

8. Obfuscation to Preserve Status Quo

Your current providers who aren't forward-looking are likely to use common "fear, uncertainty, and doubt" tactics meant to freeze progress. As stewards of your organizations' and employees' hard-earned money, you must choose whether to protect your bottom line or that of your vendor.

What Action Steps Can You Take?

Ask your broker, consultant, carrier or TPA if they participate in any transparency initiatives.

Encourage your broker, consultant, carrier, or TPA to make cost and quality data available to both you and your employees.

Consider modifying your benefits plan to provide incentives for employees and their families to access care from transparent providers.

Visit a local hospital or surgery center to discuss or consider tapping a third-party TON vendor in your region that may expand to serve your employees.

Additional Resources

Please go to healthrosetta.org/health-rosetta for ongoing updates, including lists of TON organizations, case studies, best practices, toolkits, and more.