

# KNOW YOUR BENEFITS.

From the Creative Benefits Employee Services Team



## Reference-based Pricing

Keeping health care expenses to a minimum requires cooperation from everyone. Those who constantly utilize expensive medical services can sometimes raise costs for the whole group. With this in mind, not only is it cost-effective for you to choose a less expensive procedure, but that decision can also help lower everyone's overall costs.

To help encourage this cost-conscious attitude, some employers implement a method called reference-based pricing (RBP).

### How it Works

RBP works by setting spending limits on certain medical procedures or services—meaning you would only be covered up to the established limit for these services and would have to pay the cost difference out of pocket. However, limits are only set on “shoppable” services. These are services where you can take time to make a decision based on price and quality, like for prescriptions, lab tests or joint replacements. In all of these examples, there are lower-cost options

that are typically the same quality as the more expensive alternatives.

RBP is most commonly applied to procedures with fluctuating costs. For instance, colonoscopies may range from \$400 to \$6,000, depending on the physician. In this case, an organization using RBP might set the spending limit to the median price of the procedure, based on market findings.

**RBP enables you to choose the best option for your health and budget, while illuminating potentially unnecessary costs.**

If you use a health facility that charges above the spending limit for a specific procedure, you will need to cover the difference out of pocket. The RBP method helps encourage participants to shop for the most affordable procedure, instead of simply choosing the most expensive option without comparing alternatives. This method saves you money, while lowering overall costs for the group.

### Personal Value

Having established limits on specific services means you must consider cost, in addition to quality, when choosing where to have a procedure. This requires research on your part, but, more importantly, this encourages active participation in your health care. RBP enables you to choose the best option for your health and budget, while illuminating potentially unnecessary costs.

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