



Exploring a Reference-Based Pricing Model?

Learn the 3 Most Important Considerations.

As employers look for new ideas to help them contain healthcare costs, many are reviewing a reference-based pricing methodology (also referred to as defined benefit arrangements, value-based payments, reference-based reimbursements, and others). Essentially, it is the practice of tying the allowed amount for a claim payment to a multiplier of a baseline payment level (e.g., Medicare). With the savings potential range averaging \$600-\$1,600 per member per year (15-40%) of total medical cost over a PPO model (depending on region, design, vendor, and more), it's no surprise this methodology is causing a stir.

If your organization is exploring a reference-based pricing arrangement, here are three key elements to consider:

- 1. Education:** These designs are more disruptive to a population than traditional PPO plans. A well thought out education program for executive leadership, management, employees and their families is vital to sustaining the savings impact of a reference-based pricing program.
- 2. Partners:** The selection of partners who are integrated and experienced in offering a reference-based pricing model is critical.

From consultants, TPAs, overlay networks and pricing vendors; each one plays an important role in the overall success of a program and the employee experience.

- 3. Design:** A reference-based reimbursement program should align philosophically with your benefits strategy. There are many options to choose from in how a plan is designed. Determining the appropriate design for your culture, in addition to ensuring protections with plan and stop loss language, are essential to a successful program.

The nuances matter here. If you're exploring a referenced-based pricing model for your organization, ask your Alliant representative ([or contact us here](#)) for the information you need to uncover the hidden details you'll want to be aware of. Alliant is here to support you.

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