

How does EBS-RMSCO pay out-of-network claims?

This summary explains how we determine the rates we pay for covered services you may receive from out-of-network providers.

What are “out-of-network” or “non-participating” providers?

These providers are hospitals, physicians, and other health care providers that do not have a contract with us, and therefore do not participate in our provider network. This letter does not relate to payments we make for the services of in-network providers. It only relates to payments we make for the services of out-of-network providers.

How does EBS-RMSCO determine the rates it will pay for out-of-network provider services?

EBS-RMSCO pays for out-of-network services in accordance with the specific terms that apply to each member’s benefit plan. We offer employer groups a choice of methods for reimbursing their group members’ out-of-network services. Under most plans, EBS-RMSCO will pay based on the amount that is the lower of:

- the out-of-network provider’s actual charge billed to the member,
or
- the amount payable according to the specific reimbursement method identified in the member’s benefit plan.

The lower of these two amounts usually is not the amount ultimately paid to the member or provider, as it is reduced by any co-insurance and/or deductible that is owed by the member.

What are the various pricing methods that could apply to a member’s claims for out-of-network services?

1) “UCR” Method:

Under many of the benefit plans that we administer, the amount that we will pay for services of an out-of-network provider (except for treatment of an emergency condition) is based on the amount that is the lower of:

- the out-of-network provider’s actual charge billed to the member,
or
- the usual, customary and reasonable amount (“UCR”) charged for the services by providers in the geographic region where the member obtained his/her care.

Existing System

At this time, we are primarily using a nationwide database developed by Ingenix, Inc., which is owned by UnitedHealth Group, to establish UCR reimbursement rates.

The Ingenix database, known as the Prevailing Healthcare Charges System (PHCS), is designed to be based on actual provider charge data contributed by entities nationwide, including EBS-RMSCO. Ingenix combines charge data that it receives into a database that reflects a range of provider charges (percentiles) for each medical or dental procedure code related to the services performed within a geographic region.

While plan sponsors may select any percentile for their own benefit plans, EBS-RMSCO most frequently uses the 85th percentile rates to price out-of-network claims. This means that EBS-RMSCO applies payment amounts that are equal to or greater than 85% of the provider charges in the Ingenix PHCS database, for services with a particular procedure code in a particular zip code.

At times, the out-of-network provider's charge will exceed the amount EBS-RMSCO uses as UCR. When that happens, the member is responsible to pay the difference to the provider. That out-of-pocket cost is in addition to any co-insurance and/or deductible owed by the member.

New Database to Replace Existing System

In 2008, the Attorney General of the State of New York ("NYAG") investigated conflicts of interest related to the ownership and use of Ingenix databases, including the Ingenix PHCS database. The NYAG also investigated whether use of the Ingenix databases result in appropriate reimbursements. In January 2009, UnitedHealth Group entered into a settlement with the NYAG whereby UnitedHealth Group will discontinue production of the Ingenix databases. The Ingenix databases will be replaced by a new, independent database that will be owned and operated by a qualified university/nonprofit organization approved by the NYAG. The new database will feature a more transparent, independent rate-making process. Until the new database is available, EBS-RMSCO will continue to use the Ingenix PHCS database.

2) *Other Methods:*

In addition to the UCR payment approach, where possible, EBS-RMSCO attempts to negotiate a reimbursement rate through a third party vendor or directly with the non-participating provider.

How is member cost-sharing determined?

The amount that a member may be responsible for paying for out-of-network services rendered by a non-participating provider is based primarily upon the terms of the member's benefit plan. Members may be responsible for payments of co-payments, deductibles, and co-insurance. On claims for out-of-network services, members may also be responsible for payment of the balance that remains after the EBS-RMSCO pays its

share. For example, if a non-participating provider charges \$120 for out-of-network services, the UCR pricing model may produce a rate of \$100. After applying the member's 20% co-insurance (\$20), EBS-RMSCO would pay \$80. The member would pay the \$20 co-insurance plus \$20 which is the difference between the UCR rate and the provider charge.

What other policies may affect the payment of claims?

Our claims coding policies may also affect the amount that we pay for a claim. An example of this is a policy commonly known as "bundling." If a provider bills with multiple procedure codes, rather than the more appropriate code that includes several of the separately coded services, our policies permit us to consolidate (or "bundle") the services under the code that covers multiple services.

Another example of a payment policy that may impact the amount we pay on your claim involves multiple surgery edits. This arises when we receive a claim for payment for multiple surgical procedures performed on the same day, often by the same provider. To the extent that these procedures involve the same shared pre-procedure and post-procedure services and documentation, our policy allows for 100% coverage of the primary/major procedure and a lesser percentage of coverage for the subsequent, secondary procedures.

Your benefit plan and/or Explanation of Benefit documents provide details relating to these and other payment policies.

What should you do if you have questions?

Please refer to the telephone number on the back of your identification card if you have questions about how we price out-of-network provider claim(s).