

# EXCLUSIVE: Insurance plan pits hospitals vs. employers

## New fad, but workers warned they will be left with the bill

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Julie Mueller, president of Custom Design Benefits  
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Written by **Cliff Peale**

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A standoff over a new health care plan just being introduced here has some workers facing the threat of new medical bills.

At least nine local employers with more than 5,000 employees already have signed up for the new plan, called TrueCost.

Enrollment seems certain to grow. Employers who fund their own health plans say it allows them to manage or even reduce health care costs because payments are set at Medicare rates plus a 40 percent "provider bonus."

But hospitals and doctors say that isn't enough money. They insist they didn't negotiate the payments, won't honor the plan and will send bills to patients for their full charges.

The bottom line: As employers throughout Greater Cincinnati and Northern Kentucky seek the newest ways to stem the inexorable rise in health care costs that are choking the system, they will have to face doctors and hospitals that traditionally have been able to set their own price.

The so-called balance billing by systems could leave consumers as the casualty.

"We explained it to our people and said, 'This is one of the risks,'" said Andrew Quinn,

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president of Madisonville-based electrical connector manufacturer IlSCO, which started Jan. 1 on TrueCost.

“We’re hoping it doesn’t get to that.

“We’re doing this because we have to do it, not because we want to.”

With nearly 60 percent of Americans still getting insurance through a company-sponsored plan, the dispute is only the latest result of a health care marketplace that has left employers desperate for solutions to skyrocketing costs.

They say they’ve been forced to cut back plan benefits, push high-deductible plans that shift the risk to their workers and other measures that haven’t substantially slowed the increases.

At fault, employers say, is a system with no transparent link between services and payments.

“They can charge whatever they want,” said Julie Mueller, president of Custom Design Benefits, the third-party administrator based in Monfort Heights that is marketing the plan to employers.

“They’ve been able to charge and get reimbursed pretty much without any limits. And here we are.”

The battle lines are drawn as more companies sign onto the plan. Home City Ice in Bridgetown has been signed up for a year, and employers such as the Mason City Schools and IlSCO started Jan. 1.

On the other side, all of the region’s big health systems all have said they won’t honor TrueCost.

The plan directly competes with the HMO and PPO plans offered by most insurers such as HealthSpan, Anthem Blue Cross & Blue Shield and Humana.

Hospitals currently negotiate discounts with large commercial groups of insured people. Insurers and hospitals say TrueCost is just trying to impose a lower cost.

Consumers will ultimately end up with the bill, they warn.

“They’re really saying, ‘Here’s what we’re going to pay for a service,’ ” said Ken Page, president of HealthSpan. “ ‘Go find a provider who will provide the service for that amount. Good luck.’ ”

Mueller said employees know the risk and can call an advocate to try to find a provider who will honor TrueCost. She also said hospitals often don’t follow through on their threats to send a bill.

Looming over the health care market is federal health care reform.

Starting in January 2014, employers will have to provide benefits or pay a penalty and every American will have to buy health insurance or pay a penalty.

Those mandates already have added to premiums, increasing the burden on the employers who generally pay two-thirds or more of the health care premium for their employees.

Counting both the company and worker portion, the cost of a health care policy will increase 6.4 percent this year to \$11,566, according to consultant Aon Hewitt.

Workers throughout the region will pay an average \$4,775 out of their own pockets for health care, about \$400 more than last year.

Employers say that with health care costs skyrocketing out of control, they don't have a choice but to try something new.

"If this is out there and it's available, I feel the responsibility to save the taxpayers money," said Richard Gardner, treasurer of Mason City Schools, which spends about \$15 million a year on health care.

The district laid off teachers last year to help balance its budget.

"We're kind of on the edge of a different billing structure.

"But I think it's time has come."

### **Hospitals: Doesn't reflect true costs**

TrueCost's big change is that it sets prices based on Medicare rates.

"Medicare pricing is consistent, defensible, fair, rational and transparent," Custom Design Benefits said in a brochure touting the plan.

That contrasts with the current system, where providers set their own charges and negotiate discounts with health plans bringing large groups of consumers.

Hospitals say Medicare rates don't begin to cover what they actually spend on medical care.

"Every hospital sets their own prices," said Jennifer Atkins, vice president of payor contracting and engagement with Pendleton-based Catholic Health Partners, which operates the five Mercy hospitals and Jewish Hospital.

"The discount is the quid pro quo for a group of patients who have access to the hospital."

Employers hope it can hold costs level or even reduce them. At Home City Ice, the company was able to share savings by paying employees' portion of their health care premiums in December, Mueller said.

Gardner says Mason spent about \$15 million on health care last year for about 1,000 employees and their families.

The plan enables the employer and consumer to set their costs and to pay the same price no matter where they get the service.

But hospitals are warning bluntly that they won't accept the plan.

“We hereby request that you, as the plan sponsor, immediately notify the plan participants, including your employees and their dependents, that TriHealth does not agree to the terms of the ID card and that they will be financially responsible for any amount the plan does not pay,” wrote David Bertke, vice president of managed care at TriHealth, which operates Good Samaritan and Bethesda North hospitals and the Queen City Physicians and Group Health Associates doctors groups, in a letter last year to Home City Ice.

St. Elizabeth Healthcare in Northern Kentucky also has told Mueller that it “will be balance billing several patients that presented this TrueCost plan over the past several months.”

Mueller said the plan offers “patient advocates” to help them find another provider or appeal any bills they are sent.

She said no Home City Ice employee has actually had to pay that balance.

### About TrueCost

- **New health plan** introduced by Custom Design Benefits.
- **Sets reimbursement** to doctors and hospitals at Medicare rates plus a 40 percent “provider bonus.”
- **Does not include** provider networks, deductibles or co-insurance.
- **Available to self-funded plans**, where a company assumes the risk of large claims and pays claims itself.

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