

# 25 THE PHIA GROUP

CARE. EMPOWERED.

**CARE.EMPOWERED.**



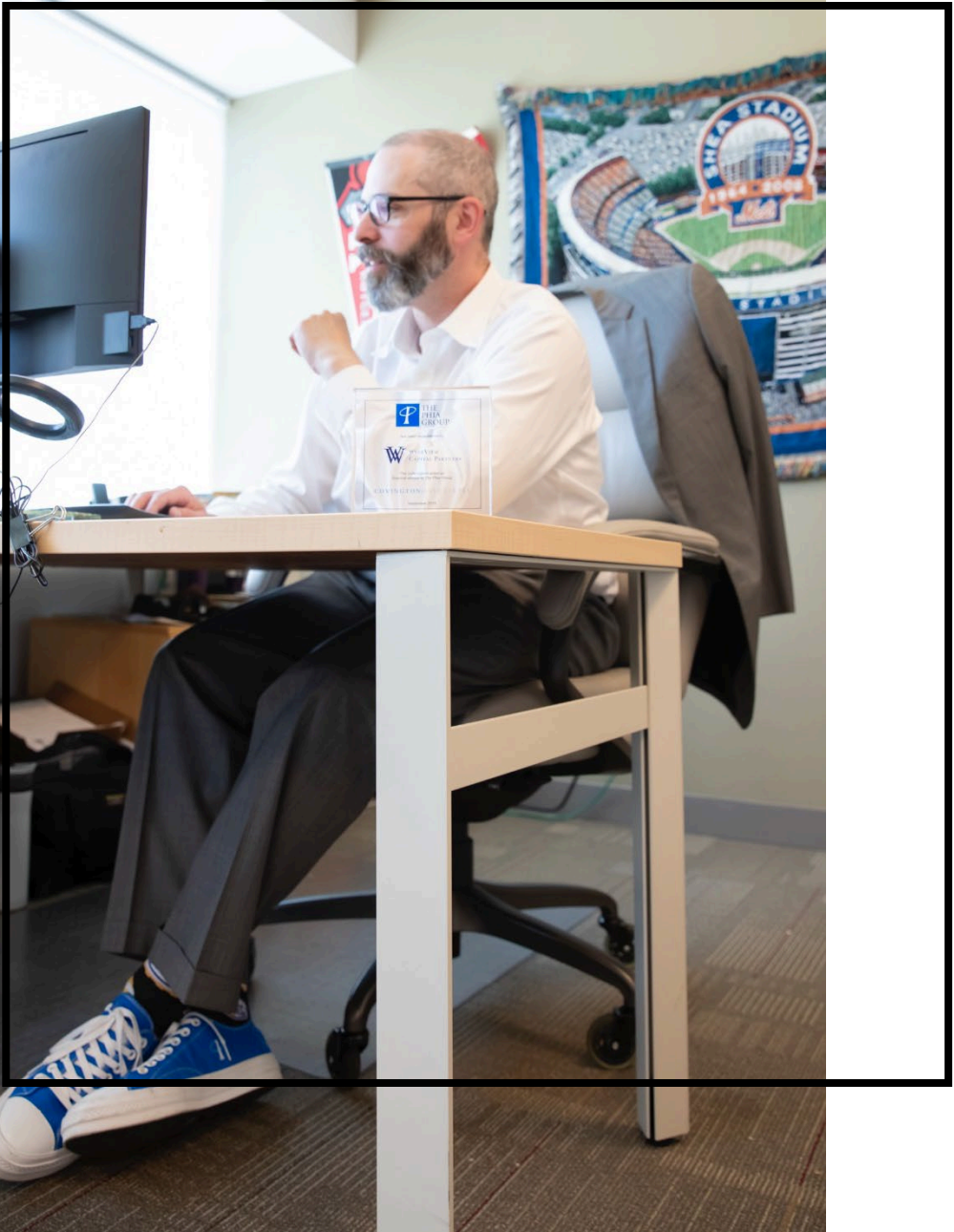


Texas Association of  
Benefit Administrators

# The Human Side of Healthcare

## How Psychology Impacts Benefits

**Disclaimer:** The content in this webinar should not be construed as, and should not be relied upon for, legal or tax advice in any particular circumstance or situation.



# Ron E. Peck, Esq.

- Chief Legal Officer

# Origins of Insurance

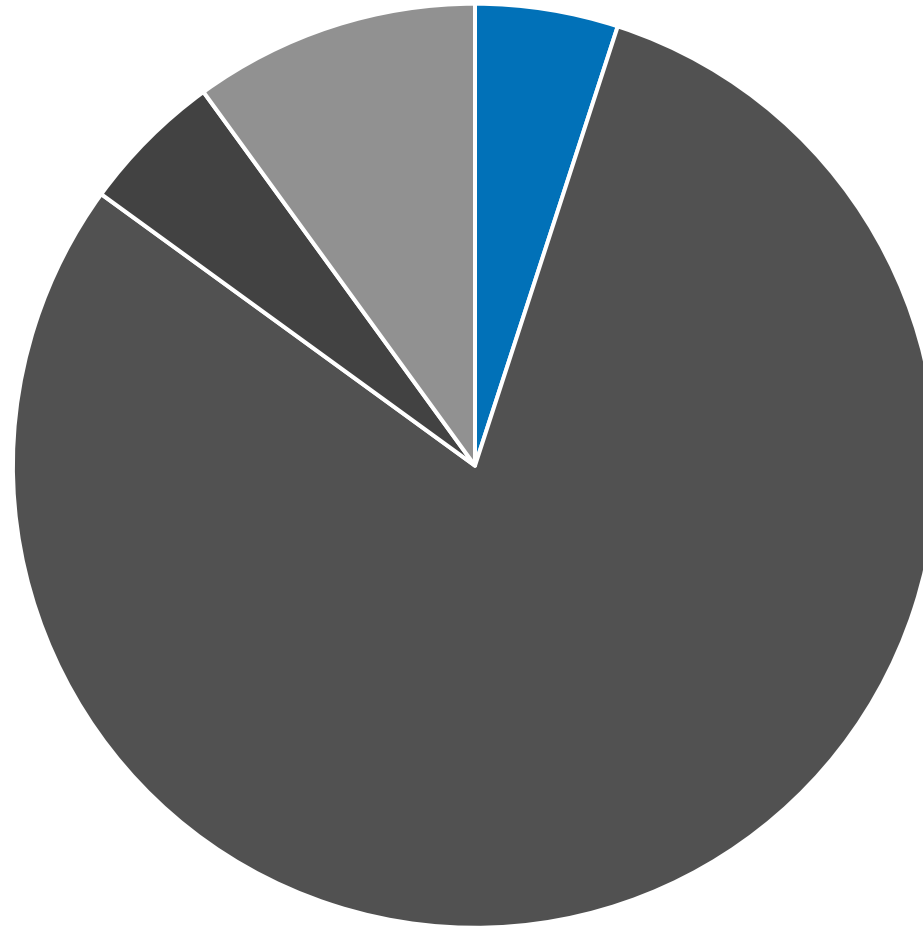


- **Risk aversion**, in the context of psychology, is a behavioral tendency to **prefer a sure outcome over a gamble with an equal – or even higher – expected value.**
- The perception of probability plays a role.
  - **Low probabilities are often overweighted**, meaning people might overestimate the likelihood of rare events, leading to increased risk aversion in the face of unlikely losses.
- Risk aversion is closely related to loss aversion, which is the tendency to feel the pain of a loss more strongly than the pleasure of an equivalent gain.
- **It's Evolution!**

- Where an opportunity to profit off of human nature exists, someone will make some money...
- Around 3000-4000 BCE, Babylonian merchants used "bottomry contracts," which were essentially loans for sea voyages that didn't need to be repaid if the shipment was lost at sea.

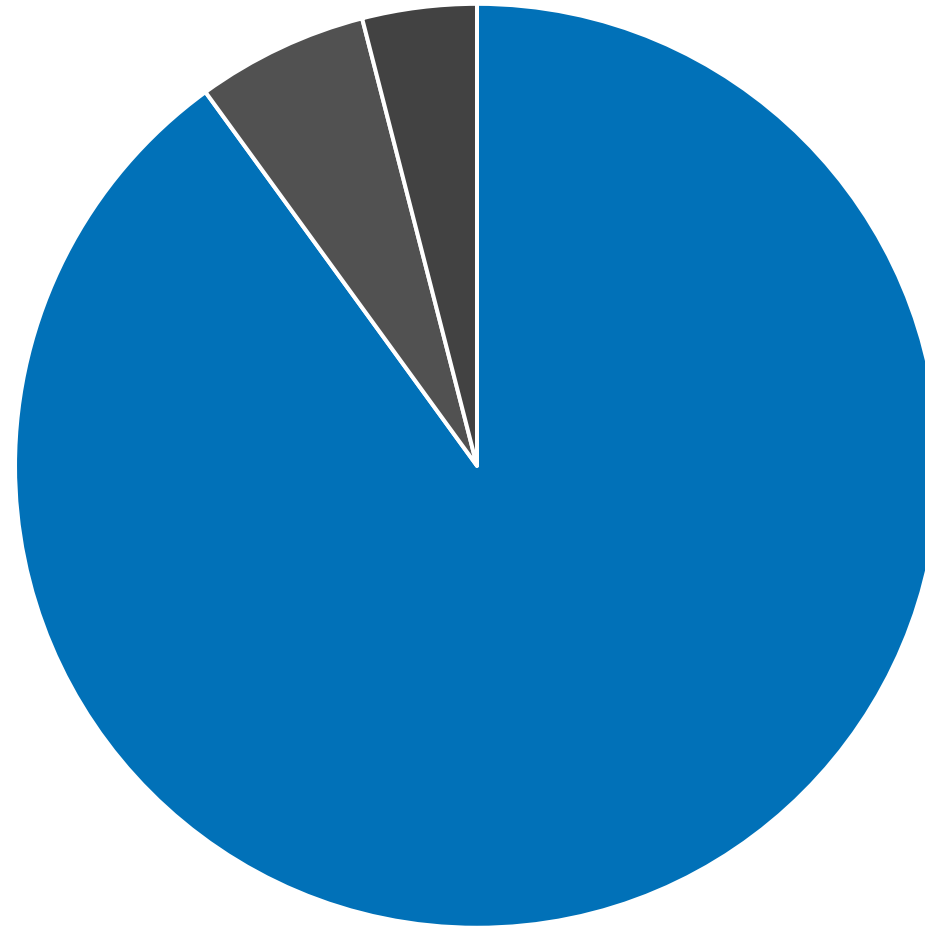


Premium



■ Profit ■ Policyholder's Claims ■ General Risk Pool ■ Administrative Costs

Contribution



■ Plan Participant Claims   ■ Administrative Costs   ■ Stop-Loss Premium

# Self-Funded Shame?

- In the United States, approximately 60% of non-elderly adults (ages 19-64) receive health insurance through their employer.
- Approximately 63% of covered workers in the US are enrolled in self-funded health plans.
- The result? Approximately **92 million Americans are covered by self-funded or partially self-funded health plans.**

- Approximately 42.4% of adults in the United States have **obesity**, according to the Centers for Disease Control and Prevention (CDC). This translates to around **100 million** American adults.
- Approximately 12.5% of adults in the United States currently **smoke cigarettes**, according to the CDC. This translates to roughly **30.8 million** adults.
- According to the CDC, an estimated **38.4 million** Americans (11.6%) have **diabetes**, with the majority (90-95%) having type 2 diabetes. This translates to approximately 34.6 to 36.3 million individuals.

- Self-Funding Outnumbers Smokers and Diabetics Combined...
  - There are as Many Obese Americans as Self-Funded Participants...
- ... But Almost Nobody Knows that they are Self-Funded (Let Alone What it Is)

# WHY?



## **Our Obsession with Health Insurance Brands & Employers That Aim to Please**

- “Which Insurance Do You Have?” **(A TRUE STORY)**

## **Understanding Networks vs. Insurance**

- Our Obsession with Networks and In-Network Status
- OON Isn't Always a Bad Thing!
- “Not Covered” vs. “Not Discounted” – Understanding the Difference

## Our Obsession with Networks and In-Network Status

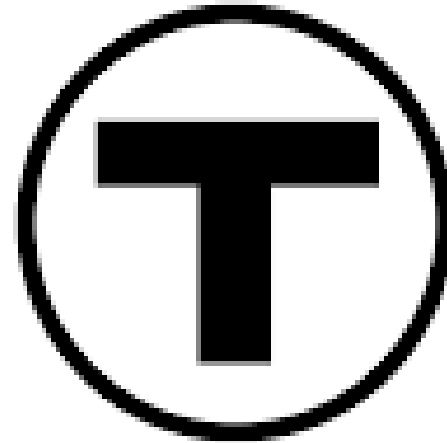
- Out of Network Billed Charges = \$30,000
- In Network Billed Charges = \$100,000
  - Network Discount = 60% (\$60,000)
  - You Pay = \$40,000

It's Not About the Money → It's About the **Discounts** and **Balance Bills!**

## **Our Obsession with Networks and In-Network Status**

- Plans – What's in it for them?
- Patients – What's in it for them?
- Providers – What's in it for them?

## **Conflicts?**



**Massachusetts Bay  
Transportation Authority**


# The Out-of-Network Bogeyman

Center for Health Journalism


# How Medical Debt Is Pummeling Americans

**SPEAKERS:**

**JESSICA GLENZA**  
Senior health reporter,  
The Guardian US



**RAE ELLEN BICHELL**  
Colorado correspondent,  
KFF Health News



HEALTH INSURANCE CLAIM FORM

OTHER (ID)

1a. INSURED'S I.D. NUMBER

4. INSURED'S NAME

Lab Work  
X-Rays / AD  
Surgery  
Anesthesia  
Pathology  
Hospital/Surgical Supplies  
Care

IM  
T

## **We don't need networks anymore, because balance billing is illegal... Right?**

### **Understanding Balance Bills, Surprise Balance Bills, and the No Surprises Act**

- The No Surprises Act (or NSA) was passed in 2021, taking effect on January 1, 2022.
- This law shields patients from **Surprise** Balance Bills.
- A Balance Bill Occurs Any Time a Provider Charges for Services, is Paid Less Than the Billed Amount, and Hasn't Contractually Agreed to Accept that Payment as Payment in Full... A **Surprise** Balance Bill Occurs **ONLY** When a Balance Bill Is the Result of **Emergency Treatment, an OON Provider at an In-Network Facility, or Air Ambulance.**

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## Understanding Balance Bills, Surprise Balance Bills, and the No Surprises Act

- Step 1: Notify of Dispute
- Step 2: Negotiate
- Step 3: Independent Dispute Resolution (IDR) w/ Baseball Arbitration
  - The formal dispute process has opened up new avenues for providers to seek higher reimbursements directly from health plans.
  - In many cases, providers leverage arbitration to secure windfall payments, sometimes even exceeding their original billed charges.
  - With minimal evidence, providers are winning the majority of disputes, resulting in significant payouts from plans.

## Understanding Balance Bills, Surprise Balance Bills, and the No Surprises Act

- Problem Statement:
  - The Independent Dispute Resolution (IDR) process under the No Surprises Act (NSA) was intended to be neutral.
  - However, IDR Entities (IDREs) appear to be placing an unfair burden of proof on self-funded health plans, contrary to statutory intent.
  - This trend favors providers, who often submit minimally supported claims, while penalizing plans that provide robust data but lack extreme granularity.

## Understanding Balance Bills, Surprise Balance Bills, and the No Surprises Act

- Problem Statement:
  - Another issue? Inadequate triaging of disputes...
    - Some disputes that are NOT eligible under the NSA are being submitted under the NSA, are making it to IDR, and the Plan is losing...

# Appeals

## Appeals are Increasing ... Why?

- The ACA (the Affordable Care Act, also known as the Patient Protection and Affordable Care Act, PPACA, or ObamaCare) codified the ability for Plan Beneficiaries to file appeals, demand review by an Independent Review Organization (IRO), and obtain an external appeal – on the plan’s dime.
- The NSA has further raised awareness of the ability to push back on adverse benefit determinations.

- Approximately **10%** of all appeals reviewed by Phia have been overturned entirely
- Approximately **17%** of all appeals reviewed by Phia have been partially upheld = typically RBP payments supported by the Plan, but the re-pricing was inaccurate
- Meaning... **27%** of the appeals at the second level **would have** been a fiduciary breach/**would have** resulted in stop-loss reimbursement issues/**could have** resulted in legal action, damages, fees and costs

**450 Million**

Claims Denied  
Each Year<sup>1</sup>

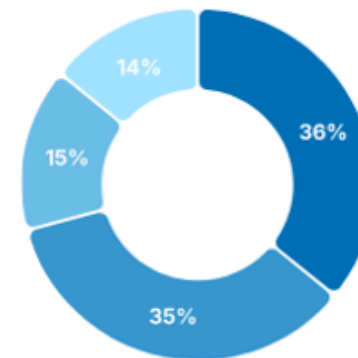
**54%**

Of Appealed Claims  
Are Overturned<sup>1</sup>

**27%**

Of Claims Reviewed By PACE During Final  
Appeal Are Overturned That Would Have  
Otherwise Led To Reimbursement Issues

### Appeal Topics by Percentage



■ No Medical Necessity	36%
■ Experimental and Investigational	35%
■ Off-Label Use of Rx	15%
■ Other Exclusions	14%

<sup>1</sup> Premier and 118 Member Organizations Call on CMS to Use Policy Levers in Medicare Advantage to Protect Patients' Continuity of Care. (2024).

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## Best Practices to Respond?

- Triage Appeals vs. NSA Disputes
- Objective Third Party Analysis
- Reliable IROs on Standby
- Clear Process for Handling Appeals, Tracking Deadlines, and Referring Out as Needed
- Obtain Fiduciary Protection and Indemnification Where Possible

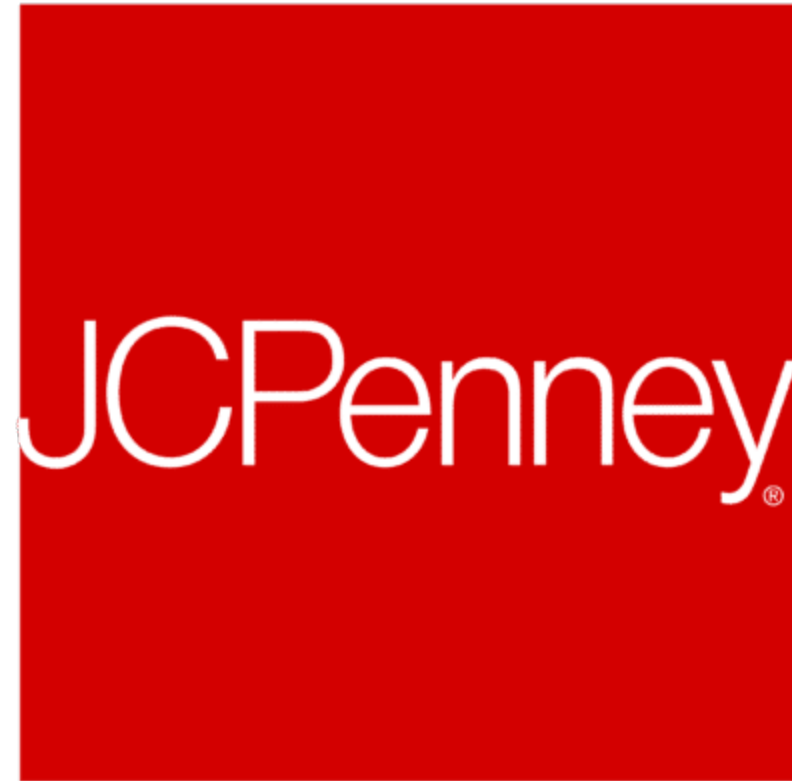
# Addicted to Discounts

## Our Obsession with Networks and In-Network Status

- Out of Network Billed Charges = \$30,000
  - In Network Billed Charges = \$100,000
    - Network Discount = 60% (\$60,000)
    - You Pay = \$40,000
- Remember This Slide?**

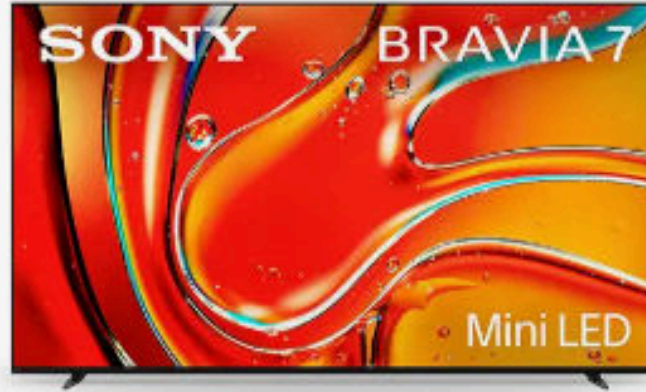
It's Not About the Money → It's About the Discounts and Balance Bills!

- Our strong **inclination towards discounts** stems from a combination of psychological and neurological factors.
- **Brain Chemistry and Reward:**
  - Securing a good deal is associated with positive feelings and satisfaction, which triggers the release of **dopamine**, the neurotransmitter linked to pleasure and reward, **oxytocin**, known as the "feel-good hormone", and finding a good deal can lead to feeling like a "savvy shopper" who has outsmarted the system, boosting **status and self-esteem**.



# The Issue with Price Transparency

Resolve With  
Price Transparency!



Sony 75 Inch Mini LED OLED 4K

Limited time deal

\$1,998<sup>00</sup>

List: \$2,199.98



SAMSUNG 75-Inch Class OLED 4K

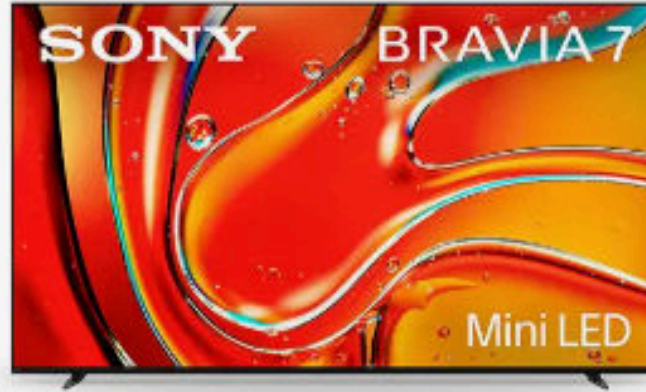
\$1,776<sup>00</sup>



Sony BRAVIA 75 Inch OLED 4K

\$1,612<sup>97</sup>

## Resolve With Price Transparency?



Sony 75 Inch Mini LED OLED 4K

★★★★☆ 651

Limited time deal

\$1,998<sup>00</sup>

List: \$2,199.98



SAMSUNG 75-Inch Class OLED 4K

★★★★★ 644

\$1,776<sup>00</sup>



Sony BRAVIA 75 Inch OLED 4K

★★★★☆ 619

\$1,612<sup>97</sup>



- The assumption that higher prices indicate higher quality is a well-established phenomenon known as **the price-quality heuristic**.
  - This cognitive shortcut suggests that **when consumers lack complete information about a product**, they tend to use **price as a signal to infer its quality**.
- When consumers lack expertise or other readily available information to evaluate a product's quality, they often fall back on a simple rule: **expensive equals good**. This saves them time and cognitive effort.

- **High-deductible health plans (HDHPs)** are designed with the theory that "skin in the game" forces patients to become smarter, cost-conscious consumers. However, research shows that high deductibles do not cause patients to shop around for better prices, but rather cause them to skip necessary care or pay high, unknown prices without comparison.

- **Lack of Actionable Price Information**

- Invisible Pricing: Patients cannot shop for lower prices when the cost of services is not transparent or available upfront.
- Difficulty Comparing: Even with new price transparency tools, many consumers find it difficult to know how to use them effectively, and accurate, personalized cost data is often missing.
- In-Network Blindness: Patients often assume that all "in-network" providers cost the same, not realizing that prices for the same procedure can vary significantly between providers within the same network.

- The Nature of Medical Care

- Patient Behavior and Misconceptions

- Lack of Actionable Price Information
- **The Nature of Medical Care**
  - Emergencies and Urgency: A large portion of healthcare is not planned. When people are sick or facing a medical emergency, they prioritize finding the fastest, closest, or most trusted care over finding the cheapest price.
  - Limited "Shoppable" Care: Many high-cost items (e.g., surgeries) are not easily "shoppable," and lower-cost services (e.g., a simple blood test) are not worth the effort of shopping for a few dollars difference.
- Patient Behavior and Misconceptions

- Lack of Actionable Price Information
- The Nature of Medical Care
- **Patient Behavior and Misconceptions**
  - Mistrust of Low Prices: Patients often equate higher prices with better quality. They may fear that a lower-priced doctor or facility provides inferior care, leading them to avoid the cheapest options.
  - Unfamiliarity with "Consumerism": Many patients do not know they can negotiate prices or ask about costs, and when they do try to ask, they are not always given clear answers.
  - Power Dynamics/Trust: Patients tend to trust their doctor's recommendations blindly, which, while beneficial for care, means they often don't research alternative providers or prices.

- Price + Quality + Skin in the Game = Still Fail!



- Hospital Story – Ignorance + Not Caring



- “That’s What Insurance is For...”

- The Solution? Price + Quality + Actually Caring + Education & Resources!!!

**The  
Boston  
Globe**



- Employer Best Practices
  - Educate Members
  - Utilize Resources (Enrollment Meetings, HR Benefits Specialist, etc.)
- Closely Monitor Evolving Regulations
- Proactively Address Potential Problems (3<sup>rd</sup> & 1<sup>st</sup> Party Contracts – “Mind the Gap”)
  - This week, on “*Leaves of Absence*”
- Objective Dispute Resolution

# Thank You!



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[www.phiagroup.com/media/webinar](http://www.phiagroup.com/media/webinar)

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