AAOE
American Alliance of Orthopaedic Executives

Supporting the Business of Orthopaedics

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Balance Billing

Balance billing, is the process that providers of medical services undertake when treating a patient who is seen "out of network". Insurers and providers negotiate on inclusion in insurer networks. Those providers who do not negotiate or are excluded by the insurer are deemed out of network for a particular policy and the patient would shoulder a larger share of the cost burden to seek treatment from the out of network provider.

Balance Billing is Not Surprise Billing

Many policymakers confuse the practice of "balance billing" with "surprise billing" when in fact the two are distinctly separate methods of reimbursement recoupment. Balance billing refers to the practice of billing patients for services provided by an out-of-network provider and knowing the provider is out-of-network. Surprise billing refers to recoupment of costs from a patient who did not know that the provider was outside of their insurance network.

Congressional Action on Surprise Billing

Balance billing is a necessary tool to ensure that providers receive fair reimbursement for services provided. Surprise billing has become one of the main drivers of the high costs of health care that is borne by patients. There are numerous congressional proposals to rein in the practice, but few directly treat the problem that lead to news stories about $93,000 hospital bills. Specifically, none of the legislation introduced in the 116th Congress address the lack of negotiation leverage physicians have with insurers, the narrow networks that federal marketplace insurers have drawn to keep their costs low, and the lack of competition among insurers leading to an oligopolistic market for health insurance products.

Some legislation has attempted to address the issue through prohibitions on surprise billing, establishing geographic benchmarks for the median contracted commercial amount, and establishing pricing transparency requirements between providers and insurers. Many of these solutions are short-sighted and could lead to longer-term complications for the healthcare system in the United States. For example, establishing geographic benchmarks effectively removes the ability of providers to negotiate reimbursement rates with insurers. With the establishment of these benchmarks, insurers would have no reason to reimburse above the median contracted commercial amount. This amount would likely fall below the initial benchmarks as insurers work to drive down costs even further. Providers are then limited in recouping the costs of treatment from the patient resulting in lower than market reimbursements and endangering the ability of the provider to "break even" on those services.

AAOE Recommends

AAOE recommends Congress adopt a more measured response to surprise billing without establishing significant government interference in the reimbursement process between two private parties. We urge passage of the *Protecting People from Surprise Medical Bills Act* which would prohibit out of network providers from billing patients for unanticipated out of network care and establish a baseball or final-offer arbitration process between providers and insurers in the event a payment agreement is unable to be reached. This legislation protects the rights of patients, providers, and insurers as we work to establish a comprehensive solution to surprise billing.

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