

# REIMBURSEMENT BENCHMARKING

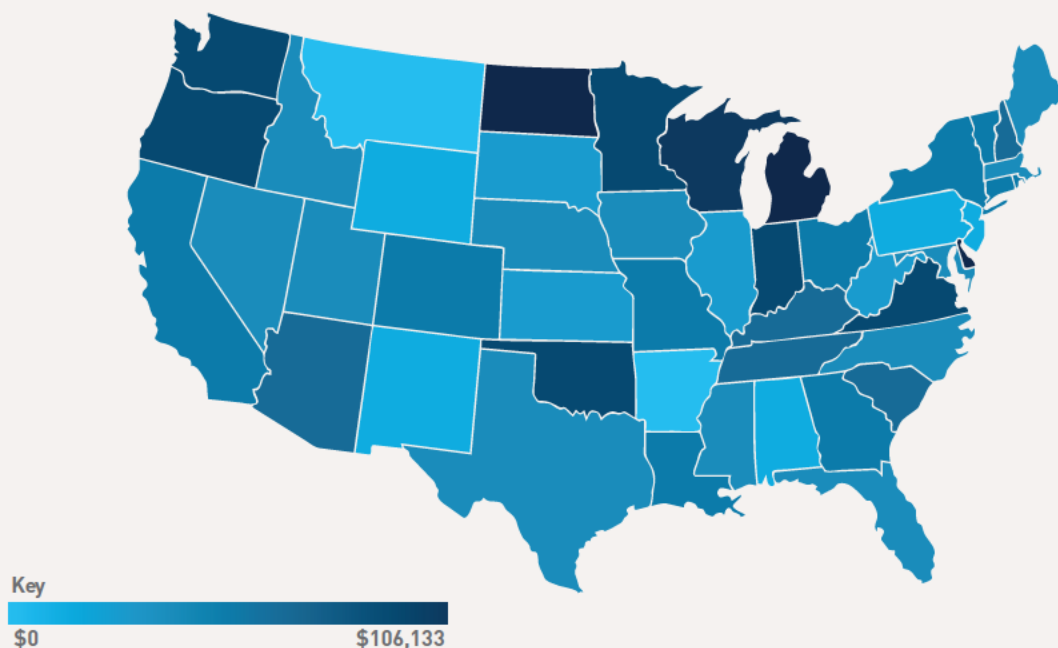
Reimbursement rates paid to providers for services and supplies are a key driver of financial success among healthcare payers. These rates not only have a short-term impact on a payer's bottom line, but also affect long-term viability. High reimbursement rates often force payers to pass these costs along to consumers in the form of higher premiums, which can diminish the payer's ability to capture or sustain market share. Additionally, payers cannot overlook the impact that reimbursement policies have on providers and must strike an appropriate balance between access to services and creating incentives for overutilization.

Ultimately, the level of reimbursement rates matters, and it is important that these rates are appropriately calibrated to reflect the cost and availability of the services rendered. Payers and providers should assess their reimbursement policies and contract rates routinely to ensure their alignment with current market conditions.

BRG houses a robust data warehouse containing historical claims for a large sample of commercially insured consumers. Our healthcare team combines this robust data warehouse with our analytic capabilities and reimbursement expertise to offer data-driven insights for our clients. We help our clients by strategically assessing reimbursement approaches and rates and assessing the impact, in order to plan for the future.

The importance of assessing current reimbursement approaches and rates is illustrated in the map below. The median reimbursement amount for inpatient septicemia (DRG 870) varies dramatically (from \$10,679 to \$106,133) across the US depending on the availability of resources, market dynamics, and negotiation strategies employed.

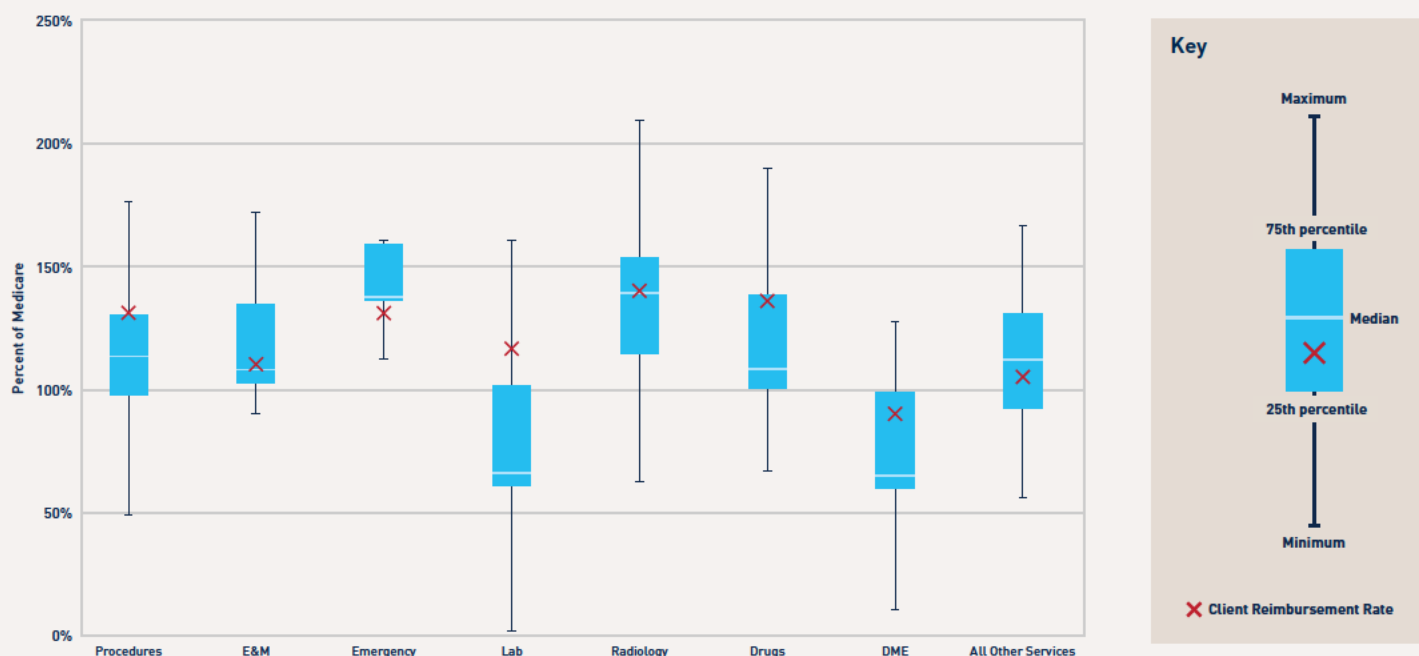
Median Allowed Amount for Sepsis (DRG 870)



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While statewide statistics are interesting, payers and providers typically need more detailed analyses, which our team provides regularly to clients. An example of this level of detail is shown below. For example, we can compare the reimbursement rates for professional services by CPT category to market rates and to the Medicare reimbursement rate. In this hypothetical example, the payer's reimbursement rate for lab services outpaces the market's 75th percentile. In this case, the payer would need to evaluate reimbursement rates like this, which are higher than market medians and determine whether those higher rates are reflective of the payer's economic buying power and/or the provider's position in the market. Our team of experts can both complete the analytics and guide your organization as it confronts difficult challenges like these.

## Average Plan Contracted Rate Compared to Market Rates as Percentage of Medicare



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