

Arnold Ventures Surprise Out-of-Network Billing Fact Sheet

Surprise out-of-network medical bills are a major financial burden for consumers.

- One in 10 insured adults reported receiving a surprise out-of-network bill over the course of 12 months.¹
- The estimated average balance bill for patients for out-of-network emergency services is \$623², with reports of balance bills exceeding \$100,000 in some cases.^{3,4} This can be financially devastating for the 40% of Americans who have difficulty affording an unexpected bill of \$400.⁵
- Recent news reports have highlighted the impact on patients: One patient reported an out-of-network emergency bill of \$108,900 following treatment for a heart attack.⁴ Another patient had an in-network procedure and was seen by an unexpected out-of-network assistant surgeon who charged \$117,000.³

There is a high prevalence of surprise medical bills in both emergency and in-network settings—where patients have no control over their choice of providers—but it varies by hospital and geographic area, signaling there may be particular bad actors engaging in this practice at consumers' expense.

- Approximately 40% of in-network visits to the emergency room result in a surprise out-of-network bill, when including care received in the hospital and the ambulance transport.⁶
- Separately, one in five emergency room visits include a surprise out-of-network bill and more than 79% of emergency ground ambulance rides and 70% of air ambulance rides involve a surprise out-of-network bill.^{2,7}
- Patients may also go to an in-network hospital and *still* receive a surprise out-of-network bill when an ancillary provider (e.g. anesthesiologists, pathologists, radiologists), who the patient had no part in choosing, delivers care out-of-network. Approximately 15% of inpatient admissions at an in-network hospital include a claim from an out-of-network provider.⁸
- Fifteen percent of hospitals have out-of-network billing rates above 80%.⁹
- According to a 2016 study, some places, such as McAllen, Texas, have out-of-network billing rates as high as 90% whereas other places, such as South Bend, Indiana, have out-of-network billing rates near 0%.²

Surprise billing is concentrated among a subset of providers (e.g., ancillary and emergency providers) who patients typically do not choose. This allows them to operate out-of-network without losing business and extract exorbitant payment rates.

- Approximately one in four out-of-network claims at an in-network hospital involve either an anesthesiologist or radiologist, 14% include a non-primary physician and 11% include an emergency medicine provider.¹⁰
- Among patients who underwent surgery at an in-network hospital with in-network primary surgeons, 37% of surprise out-of-network bills involved surgical assistants and 37% involved anesthesiologists.¹¹
- For one larger insurer, out-of-network emergency physicians averaged charges of almost 800% of Medicare rates.²
- Patients who go to in-network hospitals receive bills from out-of-network anesthesiologists 12% of the time.¹² These out-of-network anesthesiologists averaged charges of 802% of Medicare rates, but went as high as 1,408% of Medicare rates, which means Medicare pays \$500 for an anesthesiologist bill for which patients and insurers would be charged \$7,040.¹²

- Out-of-network charges for ground and air ambulances are substantially higher than their in-network rates. Median surprise bills are \$21,698 for air ambulances and \$450 for ground ambulances.⁷

The ability to bill such high out-of-network rates also allows these providers to charge high in-network rates, increasing premiums for everyone.

- The average in-network contracted rate for anesthesiologists is approximately 367% of Medicare rates; emergency providers average approximately 300% of Medicare rates; and radiologists average 195% of Medicare rates—compared to all physicians nationwide who average 128% of Medicare rates.^{9,12}
- Allowing ancillary and emergency room providers to bill out-of-network raises physician payment rates for privately insured patients by 13.4% and increases spending for people with employer-sponsored insurance by 3.4%—which is approximately \$40 billion annually.¹²

Increasing private equity ownership of these providers also contributes to surprise out-of-network billing. Private equity companies use surprise billing as a purposeful business strategy to drive up revenue.

- When TeamHealth and EmCare, physician-staffing companies owned by the private equity firms Blackstone and KKR, began working with hospitals, out-of-network billing rates increased by 33 and 80 percentage points, respectively.⁹ Out-of-network billing rates have increased with private equity ownership because these companies know they can balance bill patients if they remain out-of-network and extract more revenue than if they were in-network.
- Two of the three largest independent for-profit air ambulance providers are owned by private equity firms KKR and American Securities LLC. These air ambulance providers charge higher prices for air ambulance transports and are more often out-of-network than other air ambulance providers.¹³

States have tried to address this problem, but they cannot easily protect the majority of individuals who are in self-funded health plans regulated by federal law.¹⁴ An effective federal solution is needed that lowers premiums for consumers.

- Only 15 states have comprehensive surprise billing protections, 14 have only partial protections and 21 states have no protections at all, as of early 2020.¹⁵
- The New York state model, which uses an arbitration approach, is not an effective federal model, as this approach would increase premiums for consumers. Initial evidence from New York State suggests that arbitration is resulting in provider payments that are on average 8% higher than the 80th percentile of charges. Charges are unconnected to costs and set solely by the provider.¹⁶
- The Congressional Budget Office (CBO) estimated that a federal benchmark solution, where surprise out-of-network bills are paid at median in-network rates with arbitration used only as backstop, would save approximately \$24 billion.¹⁷ In contrast, approaches that rely more heavily on arbitration have lower savings for consumers, employers, and taxpayers and could even result in costs, depending on how the approaches are structured.¹⁸

Polling shows that voters across the political spectrum want Congress to act on surprise billing and are willing to hold their members accountable for failing to address surprise billing.

- In 2019, 85% of voters ranked addressing surprise billing among their highest health care priorities.¹⁹

- Almost all (94%) voters say Congress should take action on surprise billing, with 69% feeling strongly that Congress should do something.²⁰ This issue has bipartisan support—the overwhelming majority of both Republicans and Democrats say it is important that their elected officials support legislation protecting patients from surprise billing.²⁰
- Seven in 10 voters would view their member of Congress less favorably if they did NOT support legislation to protect patients from surprise medical bills.¹⁹

¹ Kirzinger, Ashley, Bryan Wu, Cailey Munana, Mollyann Brodie. 2018. "Kaiser Health Tracking Poll – Late Summer 2018: The Election, Pre-Existing Conditions, and Surprises on Medical Bills." Kaiser Family Foundation. <https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-late-summer-2018-the-election-pre-existing-conditions-and-surprises-on-medical-bills/>

² Cooper, Zack, Fiona Scott Morton. 2016. "Out-of-network emergency-physician bills—an unwelcome surprise." *N Engl J Med* 2016; 375:1915-1918. <https://www.nejm.org/doi/full/10.1056/NEJMp1608571>.

³ Rosenthal, Elisabeth. 2014. "After Surgery, Surprise \$117,000 Medical Bill From Doctor He Didn't Know." *The New York Times*. <http://www.nytimes.com/2014/09/21/us/drive-by-doctoring-surprise-medical-bills.html>.

⁴ Terhune, Chad. 2018. "A Jolt to the Jugular! You're Insured but Still Owe \$109K for Your Heart Attack." *Kaiser Health News*. <https://khn.org/news/a-jolt-to-the-jugular-youre-insured-but-still-owe-109k-for-your-heart-attack/>

⁵ Federal Reserve Board, Board of Governors of the Federal Reserve System. 2018. *Report on the Economic Well-Being of U.S. Households in 2017*. <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>

⁶ Sun, Eric, Michelle Mello, Jasmin Moshfegh, Laurence Baker. 2019. "Assessment of Out-of-Network Billing for Privately Insured Patients Receiving Care in In-Network Hospitals." *JAMA Internal Medicine*. https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2740802?guestAccessKey=9fba6e0c-f029-401a-9675-737db3e67b5d&utm_source=For_The_Media&utm_medium=referral&utm_campaign=ftm_links&utm_content=tfi&utm_term=081219

⁷ Chhabra, Karan, Keegan McGuire, Kyle Sheetz, John Scott, Ushapoorna Nuliyalu, Andrew Ryan. 2020. "Most Patients Undergoing Ground and Air Ambulance Transportation Receive Sizable Out-of-Network Bills." *Health Affairs*. <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2019.01484?journalCode=hlthaff>

⁸ Claxton, Gary, Matthew Rae, Cynthia Cox, Lary Levitt. 2018. "An Analysis of Out-of-Network Claims in Large Employer Health Plans." *Peterson-Kaiser Health System Tracker*. <https://www.healthsystemtracker.org/brief/an-analysis-of-out-of-network-claims-in-large-employer-health-plans/#item-start>.

⁹ Cooper, Zack, Fiona Scott Morton, Nathan Shekita. 2019. "Surprise! Out-of-Network Billing for Emergency Care in the United States." *NBER Working Paper* 23623. <https://www.nber.org/papers/w23623.pdf>.

¹⁰ Kennedy, Kevin, Bill Johnson, Jean Biniak. 2019. "Surprise out-of-network medical bills during in-network hospital admissions varied by state and medical specialty, 2016." *#HealthyBytes* (blog). Health Care Cost Institute. <https://www.healthcostinstitute.org/blog/entry/oon-physician-bills-at-in-network-hospitals>

¹¹ Chhabra, Karan, Kyle Sheetz, Ushapoorna Nuliyalu, Mihir Dekhne, Andrew Ryan, Justin Dimick. 2020. "Out-of-Network Bills for Privately Insured Patients Undergoing Elective Surgery with In-Network Primary Surgeons and Facilities." *JAMA Network*. <https://jamanetwork.com/journals/jama/article-abstract/2760735>

¹² Cooper, Zack, Hao Nguyen, Nathan Shekita, Fiona Scott Morton. 2019. "Out-of-Network Billing and Negotiated Payment for Hospital-Based Physicians." *Health Affairs*. <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2019.00507?journalCode=hlthaff>

¹³ Government Accountability Office. 2017. *Air Ambulance: Data Collection and Transparency Needed to Enhance DOT Oversight*. <https://www.gao.gov/assets/690/686167.pdf>

¹⁴ Claxton, Gary, Matthew Rae, Michelle Long, Anthony Damico, Gregory Foster, Heidi Whitmore. 2017. "Employer Health Benefits 2017 Annual Survey." *Kaiser Family Foundation*. <http://files.kff.org/attachment/Report-Employer-Health-Benefits-Annual-Survey-2017>

¹⁵ Maanasa Kona. 2020. "State Balance-Billing Protections." *Commonwealth Fund*. <https://www.commonwealthfund.org/publications/maps-and-interactives/2020/apr/state-balance-billing-protections>

¹⁶ Loren Adler. 2019. "Experience with New York's Arbitration Process for Surprise Out-of-Network Bills." *USC-Brookings Schaeffer on Health Policy*. <https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2019/10/24/experience-with-new-yorks-arbitration-process-for-surprise-out-of-network-bills/>

¹⁷ Congressional Budget Office. 2020. "H.R. 5800, the Ban Surprise Billing Act, as ordered reported by the House Committee on Education and Labor on February 11, 2020 Estimated Budgetary Effects." <https://www.cbo.gov/system/files/2020-02/hr5800.pdf>

¹⁸ Families USA. 2019. "Comparison of CBO-Scored Surprise Billing Legislation." <https://familiesusa.org/wp-content/uploads/2019/11/CBO-Savings-for-Surprise-Billing-Legislation.pdf>

¹⁹ Colette, Rhiannon. 2019. "Voters Overwhelmingly Want Congress to End Surprise Billing." *Arnold Ventures*. <https://www.arnoldventures.org/stories/voters-overwhelmingly-want-congress-to-end-surprise-billing/>

²⁰ Families USA. 2019. "Surprise Medical Bills: Results from a National Survey." <https://familiesusa.org/wp-content/uploads/2019/11/Surprise-Billing-National-Poll-Report-FINAL.pdf>