How Involuntary Out-of-Netwrok Medical Bills Harm New Jersey Consumers

By Raymond Castro

AFFORDABILITY TIME

By Raymond Castro

New Jersey Policy Perspective
Senior Policy Analyst

JUNE 2016
WHAT ARE ‘IN VolUNTAry OUT-OF-NETWORK MEDICAL BILLS?’

Let’s take a look:
These are surprise bills that consumers receive because a provider wasn’t in their insurer’s network. They are involuntary out-of-network medical bills.

These are not bills for consumers who choose to go out-of-network at their own expense, or bills for unexpected costs in-network.

They also include out-of-network providers who bill insurers at excessive rates when the consumer is held harmless under state rules.

Unexpected costs in-network are bills for consumers who receive a provider in their insurer’s network.

These are involuntary out-of-network medical bills:

INVOLUNTARY OUT-OF-NETWORK
Surprise bills can result in financial stress or even crisis for families.

Even when protected from paying surprise bills, some consumers choose not to obtain necessary deductibles and premiums. Even when protected from paying surprise bills, consumers can pay more in deductibles and premiums under state rules. 

Surprise billing wastes resources on needless litigation, appeals and paperwork, driving up costs — involuntarily.

MEDICAL BILLS - IMPACT:
INVOLUNTARY OUT-OF-NETWORK
DIRECT COSTS:

ABOUT $1 BILLION A YEAR

THESE BILLS COST NEW JERSEYANS

Average bill received: $2,500

Estimated total owed by these consumers: $420 million

Estimated number of New Jerseyans receiving OON bills each year: 168,000

see final slide for methodology
INDIRECT COSTS:

▸ Estimated number of New Jerseyans paying more for their insurance due to excessive OON bills to insurers: up to 5 million

▸ Estimated total paid as a result: up to $956 million a year

These bills cost New Jerseyans about $1 billion a year.

see final slide for methodology
Percent of people who did not know provider was OON who received an OON bill.
Research & advocacy for shared prosperity

NJPP.ORG

Many New Jerseyans aren’t protected against these charges.
About 1.4 million New Jerseyans are protected from paying these bills, but insurers still must pay these bills, and they end up passing along the costs—"in the form of higher premiums—"to all policyholders. A small number of providers and hospitals exploit this consumer protection by deliberately going out-of-network in order to submit exorbitant charges directly to insurers. These bills have a big indirect impact on New Jerseyans.
These bills have a big indirect impact on New Jerseyans

- Mostly as a result of these charges to insurers, up to 5 million New Jerseyans with commercial insurance end up paying about $1 billion more in additional premiums.

- Changing the law to eliminate exorbitant OON charges by providers could significantly reduce premiums for millions of New Jerseyans.
Many OON charges are clearly out of line with Medicare rates in New Jersey.

Comparing OON charges received by Actua with Medicare rates in New Jersey:

<table>
<thead>
<tr>
<th>Condition</th>
<th>OON Charge</th>
<th>Medicare Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fracture 24 HR Stay</td>
<td>$49,939</td>
<td>$6,900</td>
</tr>
<tr>
<td>Uncomplicated Pregnancy 2 Day Stay</td>
<td>$8,190</td>
<td>$4,150</td>
</tr>
<tr>
<td>Kidney Stones 2 Day Stay</td>
<td>$5,058</td>
<td>$54,673</td>
</tr>
<tr>
<td>Fractures 3 Day Stay</td>
<td>$51,020</td>
<td>$5,132</td>
</tr>
<tr>
<td>Asthma 4 Day Stay</td>
<td>$94,244</td>
<td>$99,244</td>
</tr>
<tr>
<td>Pneumonia 5 Day Stay</td>
<td>$99,251</td>
<td>$99,251</td>
</tr>
<tr>
<td>Alcohol Abuse 6 Day Stay</td>
<td>$98,113</td>
<td>$98,113</td>
</tr>
</tbody>
</table>
Only some hospitals game the system by going out of network.
THESE BILLS CONTRIBUTE TO NEW JERSEY’S UNAFFORDABLE HEALTH COSTS

Let’s take a look:

research & advocacy for shared prosperity
NJPP.ORG
NEW JERSEY'S INDIVIDUAL MARKET PREMIUMS ARE THE HIGHEST IN U.S.
Research & advocacy for shared prosperity

NJPP.ORG

Enrollment is slowing down due mainly to rising premiums.
**New Jersey's Employer-Based Premiums Are 2nd Highest in U.S.**

<table>
<thead>
<tr>
<th>National Average</th>
<th>Massachusetts</th>
<th>Connecticut</th>
<th>New Hampshire</th>
<th>New Jersey</th>
<th>Alaska</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17,702</td>
<td>$14,996</td>
<td>$18,123</td>
<td>$18,126</td>
<td>$19,143</td>
<td>$19,735</td>
</tr>
</tbody>
</table>

**Average Premiums for Families in the Employer-Based Market in the Top Five States.**

*Source: Kaiser Family Foundation, Average Family Premium per Enrolled Employee for Employer-Based Health Insurance for 2014.*
Fewer small employers are providing insurance due to costs.

Number of employees with small employer insurance in NJ.

Source: NJ Department of Banking and Insurance.
FAMILY HEALTH PREMIUM COSTS ARE RISING FASTER THAN INCOMES

Family Premiums as a Percent of Median Family Income in NJ

Source: silky shadow, bowl galaxy, and snow A. California State Trends in the Cost of Employer Health Insurance Coverage 2000-2013

2003: 19%

2013: 22%
EVEN WITH THE ACA, TOO MANY NEW JERSEYANS CAN'T AFFORD INSURANCE

Uninsured New Yorkers

SOURCE: American Community Survey 2014
The estimate for the number of New Jerseyans affected by indirect costs that are passed on to them by insurers who must pay for certain OON charges they receive represents the entire commercial market in New Jersey as estimated by the US Census American Community Survey, 2014, which is consistent with the approach taken in the Avelere report below.

The total estimated bills received by consumers directly was calculated by multiplying the above number by the midpoint of average medical bills received by persons who were having a problem paying medical bills as reported in The Burden of Medical Debt: Results from the Kaiser Family Foundation/New York Times Medical Bill Survey, January 2016. This national estimate was within the range of OON bills that New Jerseyans reported in the above Consumer Reports survey.

The estimated amount that New Jerseyans are paying more in premiums and other cost sharing as a result of those charges was determined by increasing the estimate for such costs to Horizon (Blue Cross Blue Shield) only represents 54 percent of the New Jersey commercial market according to the Kaiser Family Foundation, March 2015. To take into account that policyholders covered by Horizon (Blue Cross Blue Shield) in New Jersey that was produced in An Analysis of Policy for Involuntary Out-of-Network Charges in New Jersey, the estimate was adjusted downward to take into account that consumers are protected from such billing in the state regulated commercial market (individual and small group plans) which was applied to the total number of OON bills that New Jerseyans reported in the above Consumer Reports survey.

The estimated number of consumers receiving involuntary OON bills was calculated by applying the percent of persons who fell into that category according to the Kaiser Family Foundation, May 2015, which was applied to the total number of consumers in the NJ commercial market and adjusted downward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commercial market and giải thích domward to take into account that consumers in the NJ commerc
New Jersey Policy Perspective

Research & advocacy for shared prosperity

CONTACT US
RAYMOND CASTRO: raymond_castro@njpp.org
609.393.1145
NJPP.ORG

Erika J. Nava, Policy Analyst
Brandon McKoy, Policy Analyst
Sheila Reventlow, Senior Policy Analyst
Raymond Castro, President
Caryn Rothman, Director of External Affairs
Jon Whitlin, Vice President
Cordon MacKensey, President

137 W. Hanover St. Trenton, NJ 08618 | 609-393-1145 | info@njpp.org

Presentation template by SlidesCarnival
How Involuntary Out-of-Network Medical Bills Harm New Jersey Consumers

AFFECTABILITY FOR TIME