



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 29 September 2022

SUBJECT: Reference-Based Pricing - Panel

The cost of healthcare is a persistent concern for many, both nationally and in Tennessee. Medical bills for a given procedure can vary dramatically, sometimes by orders of magnitude, and the costs of insurance premiums, deductibles, and debt can all weigh heavily on individuals' finances. Reference-based pricing is one method for trying to control the costs of healthcare that has gained some attention in recent years. Very simply, reference-based pricing places a limit on the prices of healthcare services, with that limit indexed to a reference point. Most often, this has taken the form of limiting medical costs to some ratio of Medicare rates. To date, seven states have acted to adopt reference-based pricing in some form. In four states, California, Montana, North Carolina, and Oregon, it has been applied only to state employee health plans. One state, Washington, has applied it to health insurance plans for individuals that are administered by commercial insurance providers, and two others, Colorado and Nevada, have made plans to do so in coming years. In some cases, the reference price is a limit on what the insurer will agree to pay medical providers for their services. Medical providers may choose to bill patients for any remaining bill balance above the reference price the insurer agrees to pay; this is known as balanced billing. In other cases, the medical provider contractually agrees not to charge more than the reference price for a service, so that balance billing of patients does not arise.

Senate Bill 2330 by Senator Hensley and House Bill 2468 by Representative Sparks directed the Commission to study the overall effect on health insurance prices when reference-based pricing is used. A draft report will be presented at the December 2022 Commission meeting. The final report will be presented at the January 2023 meeting.

Today, the Commission will hear from four panelists about reference-based pricing:

- Representative Mike Sparks
- Laurie Lee, Executive Director of Benefits Administration, Tennessee Department of Finance and Administration
- Randy Stamps, Former Executive Director, Tennessee State Employees Association (TSEA)
- Ralph Weber, President and CEO, MediBid

Additionally, former Representative Martin Daniel, owner and general manager of Elevation Outdoor Advertising, has asked to make a statement regarding the Attorney General's state employee health care plan claims audit. A written analysis and summary of his observations about the audit are included in this tab.