

Understanding Out-of-Network Reimbursement

Why It's Important to Health Plan Members

The formula that a health plan uses to calculate reimbursement when plan members access care outside of the plan's network can have a significant impact on participants' out-of-pocket costs.

Traditionally, health plans have based out-of-network reimbursement upon "usual, customary and reasonable" (UCR) charges – a formula, generally based on market data, that each insurance plan develops for use in its own plans. For example, a plan may reimburse a percentage (e.g., 70%) of the fee for a procedure up to an amount equal to 80% of the charge for the procedure in a geographic area.

Recently, news media have reported that some plans have started to base reimbursement on a fee schedule that was originally developed by the federal government for Medicare.

A common out-of-network reimbursement formula under this model treats a multiple of a Medicare fee, e.g., 140%, as the maximum allowable charge considered for reimbursement for a procedure in a specific area and then reimburses a percentage of that charge, e.g., 70%.

Obscured by these complex formulas is the fact that the resulting out-of-pocket costs for health plan participants can vary greatly depending on the formula used. FAIR Health, an independent nonprofit corporation, whose data are licensed by many health plans to help in the determination of their UCR fee schedules, operates a website at www.fairhealthconsumer.org to help consumers estimate their out-of-pocket exposure under these two reimbursement scenarios. The example below provides screen shots from the site.

OUT-OF-NETWORK REIMBURSEMENT: A COMPARISON

Diagnostic Colonoscopy with Anesthesia in New York, NY

UCR-Based Reimbursement

ASSUMPTIONS:

- Procedures are performed by out-of-network providers
- Reimbursement is based on 70% of UCR market data

ESTIMATED OUT-OF-POCKET COSTS: UCR-BASED

PRINT 

CPT Code	CPT Consumer Description	Est. Charge	Est. Reimbursement	Out-of-Pocket Cost
45378	Diagnostic examination of large bowel using an endoscope (COLONOSCOPY FLX DX W/WO COLLJ SPECIMENS)	\$1,799.99	\$1,259.99	\$540.00 Remove
00810	Anesthesia for procedure on lower intestine using an endoscope	\$1,800.00	\$1,260.00	\$540.00 Remove

Actual costs may vary from the anesthesia cost estimate above based on factors that include the length and complexity of the procedure and the patient's physical condition. To learn more, see [Understanding Anesthesia Reimbursement](#).

Estimated Out-of-Pocket Cost **\$1,080.00**

Medicare-Based Reimbursement

ASSUMPTIONS:

- Procedures are performed by out-of-network providers
- Reimbursement is based on 70% of 140% of the Medicare fee schedule

ESTIMATED OUT-OF-POCKET COSTS: MEDICARE-BASED

PRINT 

CPT Code	CPT Consumer Description	Est. Charge	Est. Reimbursement	Out-of-Pocket Cost
45378	Diagnostic examination of large bowel using an endoscope (COLONOSCOPY FLX DX W/WO COLLJ SPECIMENS)	\$1,799.99	\$241.01	\$1,558.98 Remove
00810	Anesthesia for procedure on lower intestine using an endoscope	\$1,800.00	\$247.67	\$1,552.33 Remove

Actual costs may vary from the anesthesia cost estimate above based on factors that include the length and complexity of the procedure and the patient's physical condition. To learn more, see [Understanding Anesthesia Reimbursement](#).

Estimated Out-of-Pocket Cost **\$3,111.31**

Estimated charges above are based on FAIR Health data at the 80th percentile for New York, NY (geozip 100).

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About FAIR Health: FAIR Health is a national, independent not-for-profit corporation whose mission is to bring transparency to healthcare costs and health insurance information through comprehensive data products, consumer resources and support for scientific and economic research on medical and dental care. FAIR Health qualifies as a tax-exempt public charity under section 501(c)(3) of the Internal Revenue Code. FAIR Health uses its database of billions of billed medical and dental services to power a free website (fairhealthconsumer.org) that enables consumers to estimate and plan their medical and dental expenditures. The website also offers clear, unbiased educational articles and videos about the healthcare insurance reimbursement system. In addition to its consumer offerings, FAIR Health licenses data products to businesses, governmental agencies, healthcare providers and researchers. With its professional staff of experts in healthcare, statistics, technology and communications, FAIR Health strives to offer accurate, consistent and timely information to all stakeholders in the healthcare system.

Estimate costs for your own medical and dental procedures: www.fairhealthconsumer.org