
Offer Savings with these
Reference-Based Pricing
Options and *Level-Funding*

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Offer Savings with these **RBP** **Options and Level-Funding**

Small to mid-size businesses have a challenge when it comes to offering affordable health benefits to their employees. While **healthcare costs continue to rise**, small business owners may be wondering what affordable health benefit options they have left to choose from to extend to their employees and retain talent, especially in today's competitive job market.

For a **cost-saving alternative** to fully insured plans or traditional self-funded plan designs, suggest one or more of these **three level-funded reference-based pricing (RBP) solutions** to your clients: RBP with Copay; RBP with a qualified CDHP (HSA compatible) and multiple option/dual plan with RBP.

Three level-funded reference-based pricing (RBP) solutions:

OPTION A:

Reference-Based Pricing
with Copay

OPTION B:

Reference-Based Pricing with
HSA Qualified Plans

OPTION C:

Reference-Based Pricing Plan
Designs Alongside Traditional
PPO Network Plan Designs



Level Funding for the Win

The average premium for family coverage has increased **24%** over the last five years.¹

For covered workers in small firms, the average premium for single coverage is **\$9,131**, and **\$25,167** for family coverage.¹

Costs are not going down. Employers are looking for ways to offer affordable health benefit plans to their employees. Fortunately, there are several advantages to level funding a self-funded health benefit plan.



Level funding in connection with a self-funded health benefit plan can be **less expensive than a fully insured plan.**



At the end of the plan year, if the employer's claims are lower than expected there is the **potential for a refund/credit.**



This type of program allows smaller employers to provide a **flexible benefits package** typically available only to larger groups.



Claim utilization reports are available throughout the plan year, providing **transparency.**



Level funding provides employers with predictable level monthly payments, regardless of claim activity, allowing for **enhanced budgeting.**

- To help protect against the financial impact of a large number of covered claims, an individual catastrophic claim, or both, employers incorporate stop-loss insurance premium in the level funded monthly payments.
- With a level-funded program, the employer doesn't take on all the cash flow risk as with traditional self-funding. With traditional self-funding, if someone has a large medical claim, the employer must fund that claim at the time it happens. This presents significant risk for companies that don't have the cash reserves to cover these costs as they occur.

Level funding has gained momentum for small businesses adopting it as a strategy. Among covered workers in small firms, **"36% of small firms report that they have a level-funded plan, similar to the percentage in 2023."**¹

Affordability and Options with RBP

You may be thinking, what is reference-based pricing? Typically less expensive than traditional PPO plan designs, reference-based pricing plan designs use fixed pricing for healthcare services, based on a multiple of Medicare and/or provider costs, which is used to calculate claim payment.

One of the main advantages, second to cost, is the ability for covered employees to select providers. They can keep their current provider/doctor or choose a new one because there are likely few network restrictions or out-of-network penalties.

Reference-based pricing can combat some of the top reasons employees are unhappy with their plans.

With reference-based pricing as a solution to these employee concerns and more, you can help your clients determine what is the best fit for their budget and needs.

There are several types of reference-based pricing solutions for self-funded health benefit plans that can solve your client's health benefit needs.

The top reasons employees were dissatisfied or very dissatisfied with their current employer's health plan include:²

66% Too expensive

60% Limited coverage

16% Dissatisfied with in-network physicians

14% Benefits not useful to current situation

Option A: Reference-Based Pricing with Copay

We can refer to this plan design as full reference-based pricing for physician and facility services, which calculates the claim payment amount based on a percentage of the Medicare fee schedule, and may use a different percentage for physician fees versus facility fees. This is likely the more popular of the reference-based pricing plan designs, which does not have a PPO network for most services, and allows covered employees to select a new provider or keep the one they have, minimizing the disruption of doctor/patient relationships. Keep in mind, these plan designs could have a special transplant and/or specialty/prescription drug network.

Option B: Reference-Based Pricing with HSA Qualified Plan

For an overall lower cost employee contribution than a non-CDHP, pair a consumer-directed health plan design (CDHP/HDHP) with a health savings account (HSA) for tax advantages and enable members to become more educated and active healthcare consumers.

An HSA is a portable, personal bank account with tax advantages owned by the individual with the high-deductible health benefit plan and used to pay for qualified medical expenses not reimbursed under the health benefit plan. Tax advantages include: money deposited into the HSA accumulates tax-free; withdrawals are tax-free if used for qualified medical expenses per IRC Section 105(b); and the funds are owned by the employee.

One thing to note, be cautious as you evaluate carriers/third-party administrators (TPAs) offering a CDHP/HDHP design with reference-based pricing that includes balance bill protection prior to the plan deductible being met. This could put the employer and employee at risk. It is important to know whether the CDHP meets IRS qualified HDHP requirements in order to be paired with an HSA for tax advantages.

Option C: Reference-Based Pricing Plan Designs Alongside Traditional PPO Network Plan Designs

When you want to offer your client multiple plan design options for their employees, whether it's a PPO or any of the reference-based pricing plan designs, employees can choose the plan that best fits their needs. They can go with the comfort of a PPO network plan design or the freedom and lower cost of a reference-based pricing plan design.

Support and **Balance Bill Protection**

Balance billing may occur when providers' bills aren't paid in full by the plan, or when they are not subject to a network contracted reimbursement rate. The provider may pass the balance of the medical bills, after the benefit plan pays, directly to the patient. Some plans include balance bill protection with services from a third-party vendor who helps to negotiate a reimbursement payment with providers/hospitals when the balance of the medical bills exceed the plan's payment.

Additionally, some of these vendors also provide services to assist with claim auditing, supporting members in the event of a balance bill, and educating providers about balance billing. Finally, because of the unfamiliarity, there is a need for employer and employee education with a reference-based pricing plan design. Make sure to research carriers/TPAs to ensure there is educational outreach for employees to ensure they understand how the plan works, the advantages of it and to review their Explanation of Benefits (EOB) for any financial responsibility of claim charges or potential balance bills.

Round Out Your Offerings with Reference-Based Pricing

Reference-based pricing may be a newer concept to some smaller employers, but it can be a viable solution for offering affordable, comprehensive health benefits to employees. When you are walking through this with your clients/prospects as part of your offerings, they will be intrigued to learn they realize more savings than they expected through offering a self-funded health benefit plan using a level-funded program. And, with these three solutions to pick from, they can customize what best meets their needs. This type of plan design can help round out your portfolio of offerings as an affordable solution for your smaller clients.



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Footnotes:

¹ Kaiser Family Foundation 2024 Employer Health Benefits 2024 Summary of Findings. 11/2024.

² How Small Business Employees Really Feel About Their 2020 Benefits and Perks. 10/2020.



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