

Reference-based pricing summary

Reference-based pricing (RBP) is a payment structure where the plan sponsor pays a set amount toward the cost of a specific healthcare service. The goal of RBP is to promote price discipline and transparency while reducing unnecessary healthcare spending.

- This price is determined from a “reference” starting point, which can take the form of either a multiple of what Medicare would pay or a flat amount determined by the plan sponsor.
- A Lockton analysis can provide a range of savings for RBP solutions based on different structures. Most savings are a result of nonemergent inpatient and outpatient facility claims.

RBP STRUCTURES		
Out-of-network	Named services	Expanded/full
Employers collaborate with their insurance carriers, TPAs, or vendors to apply RBP to out-of-network services.	RBP is applied only to certain procedures or services that have uniform protocols and limited variation in quality.	Either an extremely narrow facility network, often only available in limited markets, or no network for facility and/or physician, with all claims based on reference price.



WHEN IS RBP A GOOD FIT?

Employers who generally see the best financial results:

- Have a high percentage of **out-of-network claims**.
- Are located in areas with a **competitive provider market**.
- Have **robust communication channels** to educate employees.
- Are willing **to explore innovative healthcare cost management strategies** and navigate the complexities of RBP implementation.
- Have access to strong member advocacy and communication support to manage provider pushback and balance billing risk.

It is essential that prior to implementing, you work with the vendor to ensure the employee population is not located in areas where facilities or physician groups will push back against RBP.

EMPLOYER CHALLENGES

Employee friction: If an employee uses a facility that has not agreed to the reference price, they could be obligated to pay the difference (called balance billing). Most vendors have established processes to support employees with balance billing concerns.

Design and setup: Employers will need to engage a TPA or repricing vendor to help design an appropriate plan and understand the balance of savings and provider friction. Outside legal counsel and resources will also be needed.

Company resources: Implementing RBP will require allocating extra resources for smooth operation.

Reference-based pricing can drive meaningful savings, but only when implemented with clear plan design, strong compliance controls, and comprehensive employee support. RBP outcomes can vary significantly based on geography, provider dynamics, and plan design. [Contact your Lockton service team to learn more about this strategy.](#)