

# TIME FOR AFFORDABILITY

By Raymond Castro

*Senior Policy Analyst*

New Jersey Policy Perspective

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



JUNE 2016

# 1.

## WHAT ARE 'INVOLUNTARY OUT-OF-NETWORK MEDICAL BILLS?'



Let's take a look:

# INVOLUNTARY OUT-OF-NETWORK MEDICAL BILLS:

- ▶ These are *surprise bills* that consumers receive because a provider wasn't in their insurer's network.
- ▶ They also include out-of-network providers who bill insurers at excessive rates when the consumer is held harmless under state rules.
- ▶ These are *not* bills for consumers who *choose* to go out-of-network at their own expense, or bills for unexpected costs *in-network*.

# INVOLUNTARY OUT-OF-NETWORK MEDICAL BILLS - IMPACT:

- ▶ Surprise bills can result in financial stress or even crisis for families.
- ▶ Even when protected from paying surprise bills under state rules, consumers can pay more in deductibles and premiums.
- ▶ Some consumers choose not to obtain necessary care due to fear of surprise bills.
- ▶ Surprise billing wastes resources on needless litigation, appeals and paperwork, driving up costs for providers and insurers.

# THESE BILLS COST NEW JERSEYANS ABOUT \$1 BILLION A YEAR

## DIRECT COSTS:

- ▶ Estimated number of New Jerseyans receiving OON bills each year: 168,000
- ▶ Estimated total owed by these consumers: \$420 million
- ▶ Average bill received: \$2,500

*see final slide for methodology*

# THESE BILLS COST NEW JERSEYANS ABOUT \$1 BILLION A YEAR

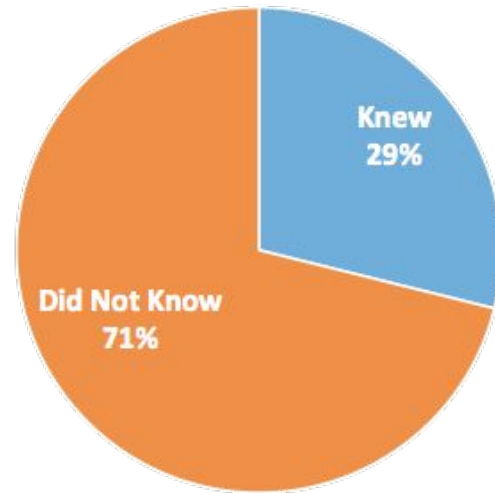
## INDIRECT COSTS:

- ▶ 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

*see final slide for methodology*

# MOST WHO RECEIVE THESE CHARGES **DIDN'T KNOW** THEY WERE COMING

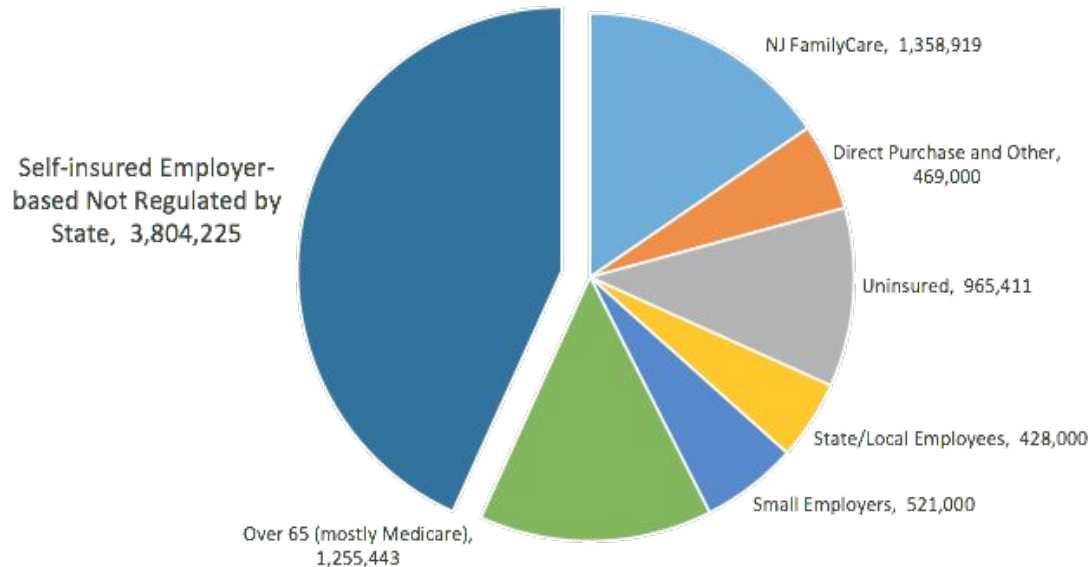
Percent of People Who Did Not Know Provider Was OON Who Received an OON Bill



SOURCE: Kaiser Family Foundation/New York Debt Medical Bill Study, January 2016.

# MANY NEW JERSEYANS **AREN'T** **PROTECTED** AGAINST THESE CHARGES

Distribution of all New Jerseyans by Type of Insurance



SOURCE: American Community Survey, 2014, Department of Banking and Insurance Small Employer data for 2014; US Census 2014 Annual Survey of Public Employment and Payroll for state and local employment



# THESE BILLS HAVE A BIG **INDIRECT** **IMPACT** ON NEW JERSEYANS

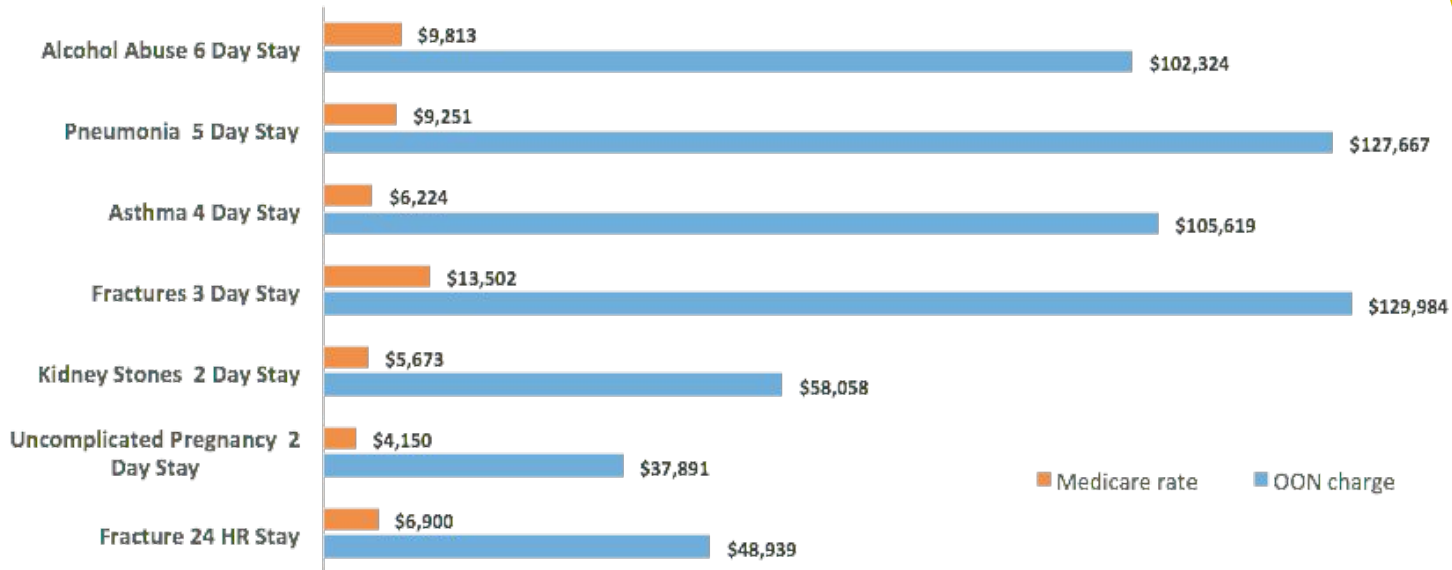
- ▶ About 1.4 million New Jerseyans are protected from paying these bills, but insurers still must pay these bills, and they end up passing along the costs - in the form of higher premiums - to all policyholders.
- ▶ A small number of providers and hospitals exploit this consumer protection by *deliberately going out-of-network* in order to submit exorbitant charges directly to insurers.

# THESE BILLS HAVE A BIG **INDIRECT** **IMPACT** ON NEW JERSEYANS

- ▶ 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 TO INSURERS ARE CLEARLY OUT OF LINE

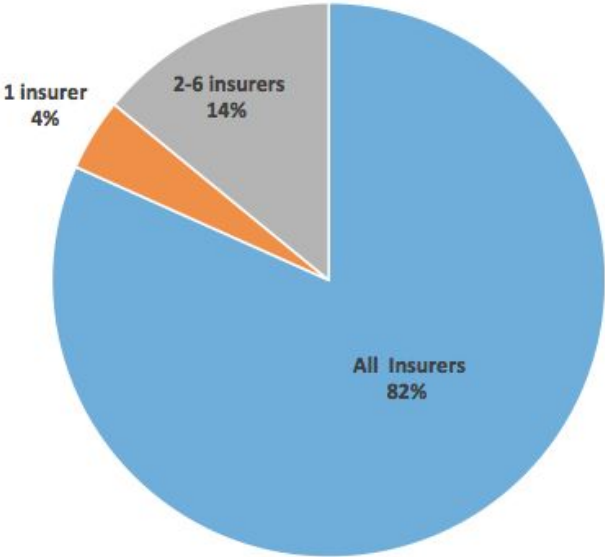
Comparing OON Charges Received by Aetna with Medicare Rates in New Jersey



SOURCE: Aetna in New Jersey

# ONLY SOME HOSPITALS GAME THE SYSTEM BY GOING OUT OF NETWORK

Distribution of NJ Hospitals Based on the Number of Commercial Insurers They Are In Network With



SOURCE: New Jersey Association of Health Plans

# 2.

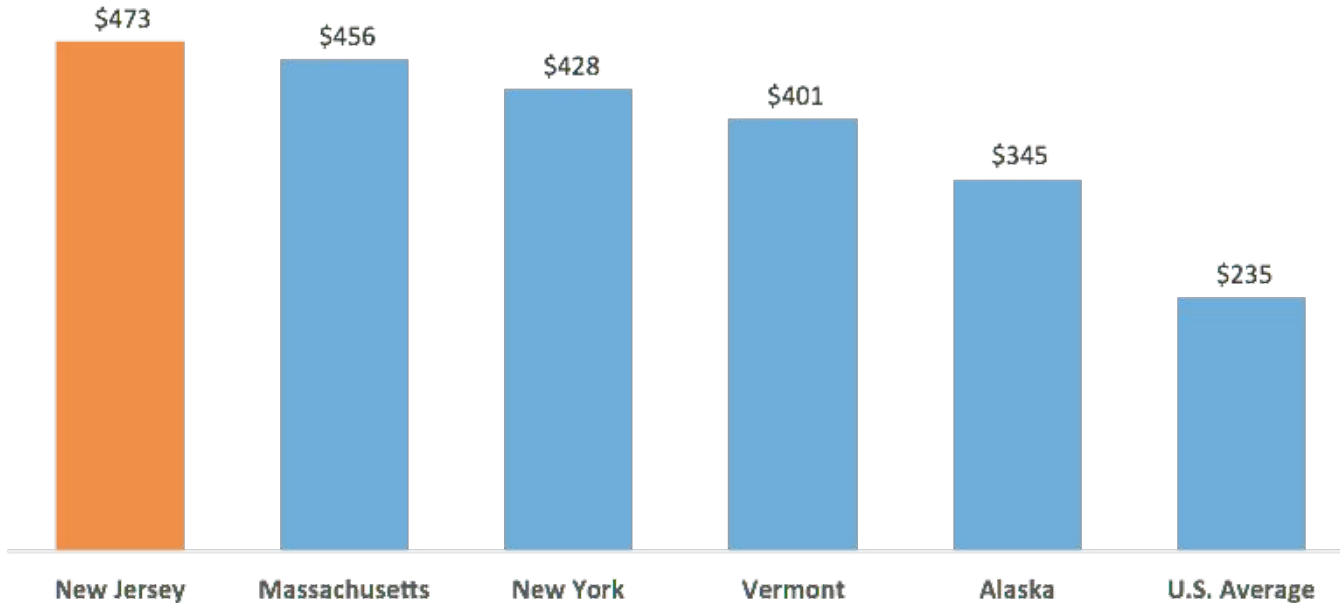
**THESE BILLS  
CONTRIBUTE TO  
NEW JERSEY'S  
UNAFFORDABLE  
HEALTH COSTS**



Let's take a look:

# NEW JERSEY'S INDIVIDUAL MARKET PREMIUMS **ARE THE HIGHEST** IN U.S.

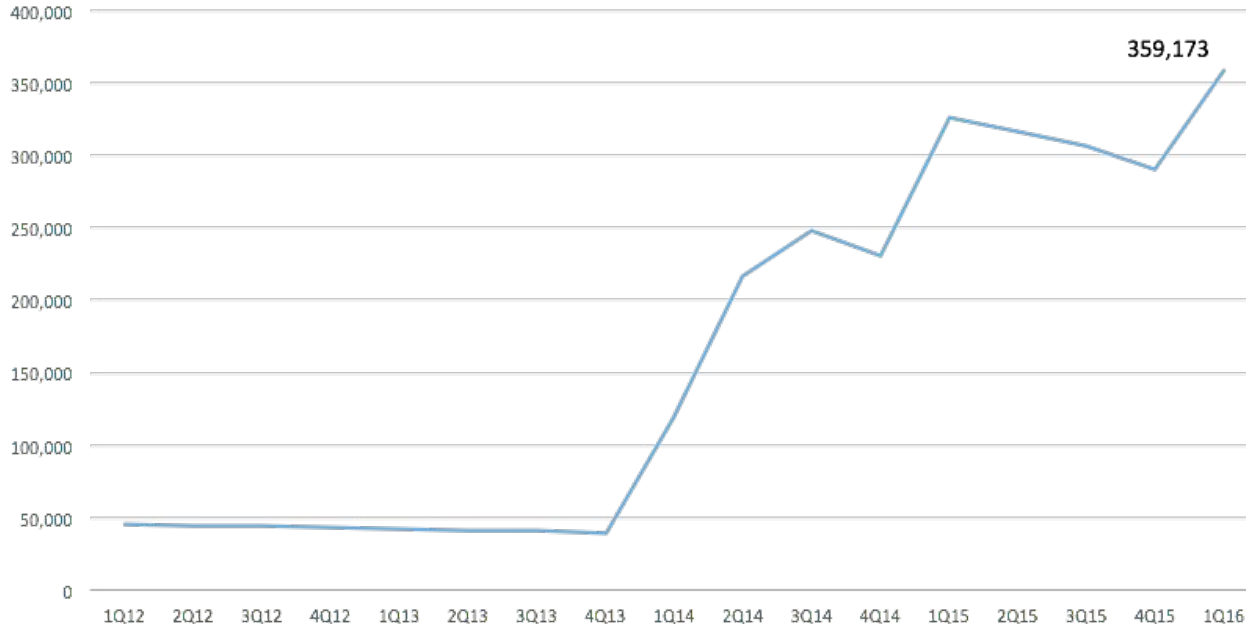
Monthly Premiums in the Individual Market in the Top Five States



SOURCE: Kaiser Family Foundation. Average Monthly Premiums Per Person in the Individual Market for 2013

# ENROLLMENT IS SLOWING DOWN DUE MAINLY TO **RIISING PREMIUMS**

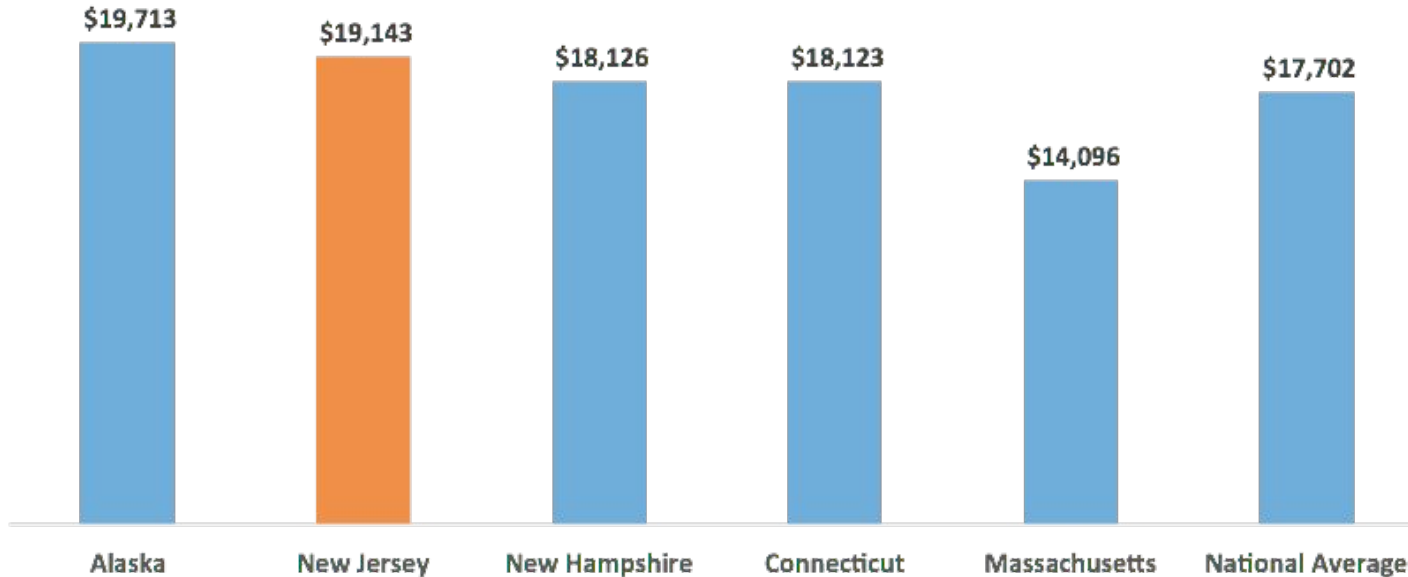
NJ Enrollment in Individual Health Coverage



SOURCE: NJ Department of Banking and Insurance

# NEW JERSEY'S EMPLOYER-BASED PREMIUMS **ARE 2ND HIGHEST** IN U.S.

Average Premiums for Families in the Employer-based Market in the Top Five States

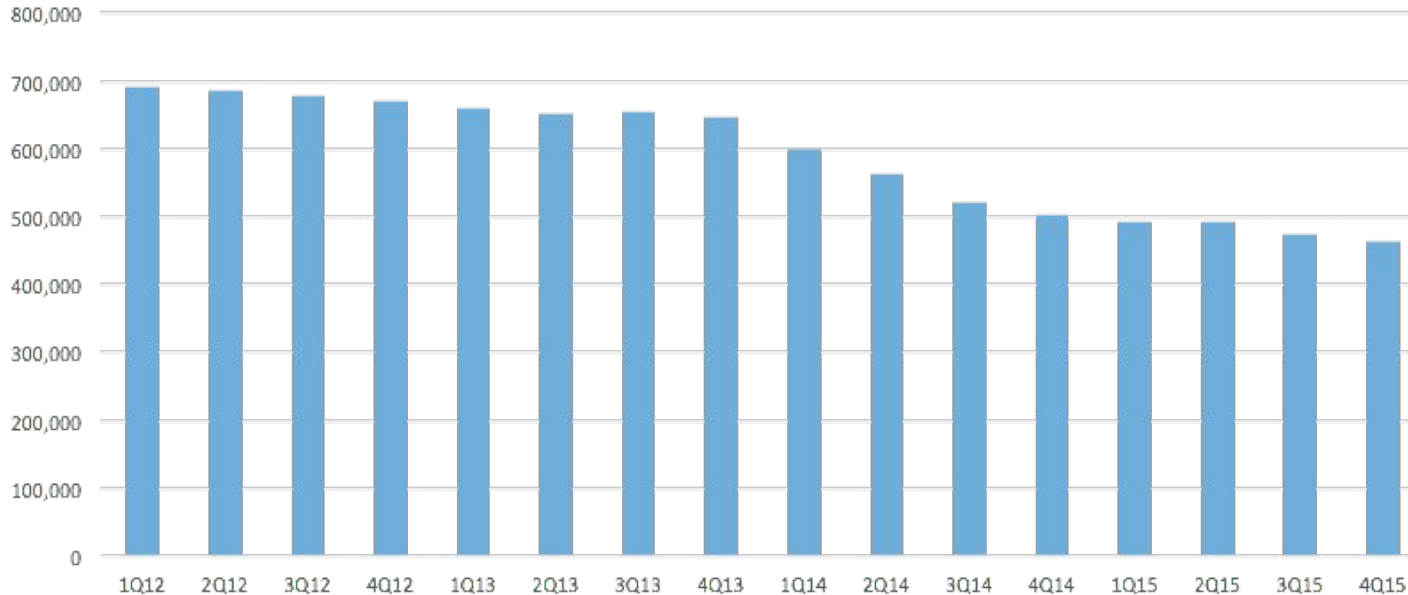


SOURCE: Kaiser Family Foundation, Average Family Premium per Enrolled Employee For Employer-Based Health Insurance for 2014



# FEWER SMALL EMPLOYERS ARE PROVIDING INSURANCE DUE TO COSTS

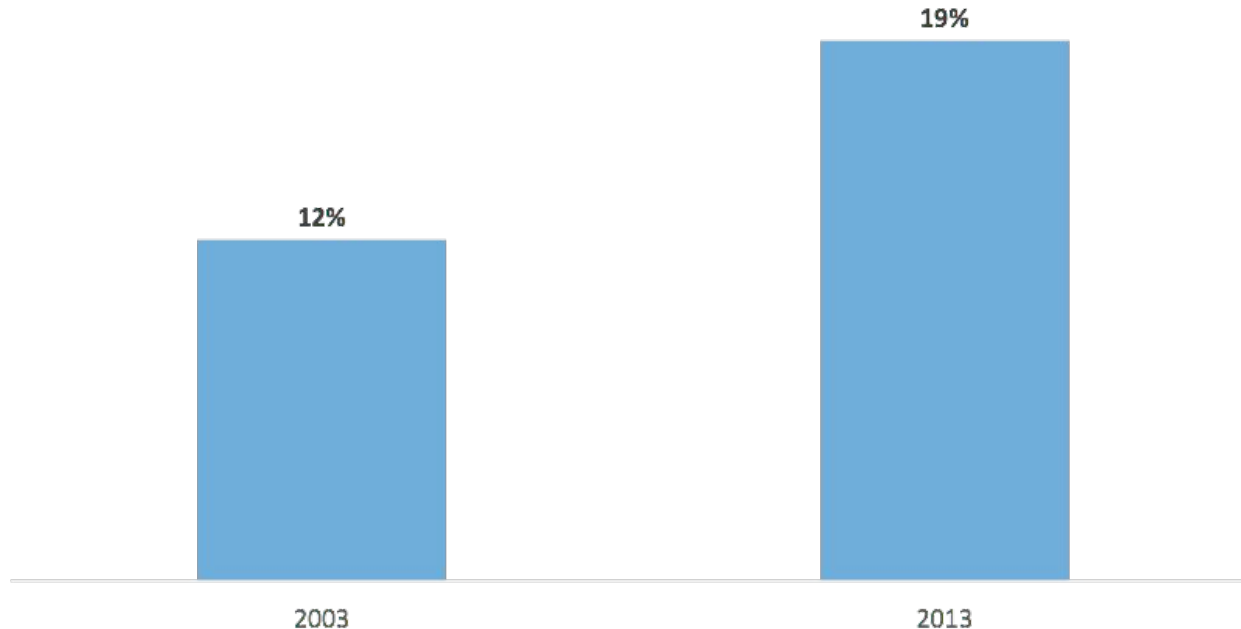
Number of employees with small employer insurance in NJ



SOURCE NJ Department of Banking and Insurance:

# FAMILY HEALTH PREMIUM COSTS ARE RISING **FASTER THAN INCOMES**

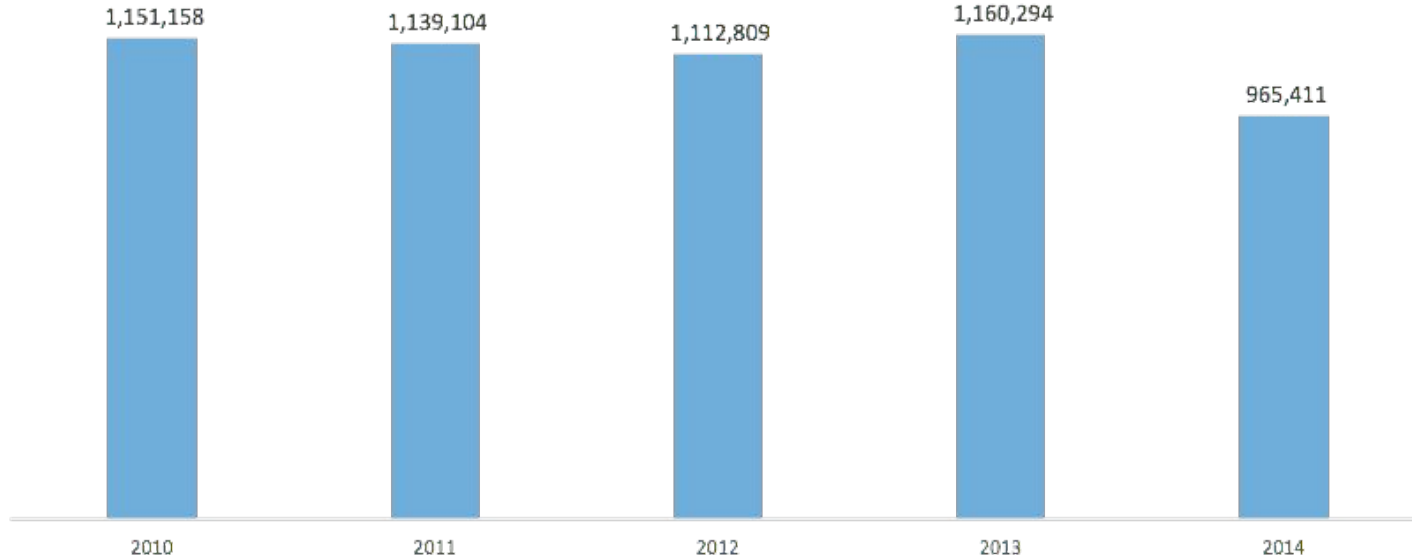
Family Premiums as a Percent of Median Family Income in NJ



SOURCE: Cathy Schoen, David Radley, and Sara R. Collins State Trends in the Cost of Employer Health Insurance Coverage, 2003–2013

# EVEN WITH THE ACA, **TOO MANY NEW JERSEYANS** CAN'T AFFORD INSURANCE

Uninsured New Jerseyans



SOURCE: American Community Survey, 2014

# METHODOLOGY

The estimate in slide 4 for the number of consumers receiving involuntary OON bills was calculated by applying the percent of persons who fell in that category according to Consumer Reports' National Research Center's *Surprise Medical Bill Survey, May 5, 2015*, which was applied to the total number of consumers in the NJ commercial market and adjusted downward to take into account that consumers are protected from such billing in the state regulated commercial market (individual and small group market as well as state and local employees).

The total estimated bills received by consumers directly was calculated by multiplying the above number times 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 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 Avalere report below.

The estimated amount that New Jerseyans are paying more in premiums and other cost sharing as a result of those charges to insurers was determined by increasing the estimate for such costs to Horizon in New Jersey that was produced in *An Analysis of Policy for Involuntary Out-of-Network Charges in New Jersey* by Avalere, March 2015 to take into account that policyholders covered by Horizon (Blue Cross Blue Shield) only represents 52 percent of the New Jersey commercial market according to the Kaiser Family Foundation, *Market Share and Enrollment of Largest Three Insurers- Large Group Market, 2012-13*.



CONTACT US  
**RAYMOND CASTRO:**  
CASTRO@NJPP.ORG  
609.393.1145 x11

## New Jersey Policy Perspective

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

Gordon MacInnes President  
Jon Whiten Vice President  
Carly Rothman Siditsky Director of External Affairs  
Raymond Castro Senior Policy Analyst  
Sheila Reynertson Senior Policy Analyst  
Brandon McKoy Policy Analyst  
Erika J. Nava Policy Analyst

New Jersey Policy Perspective drives policy change to advance economic justice and prosperity for all New Jerseyans through evidence-based, independent research, analysis and advocacy.

# TIME FOR AFFORDABILITY

By Raymond Castro

*Senior Policy Analyst*

New Jersey Policy Perspective

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



JUNE 2016