KOEHLER FITZGERALD

| REFERENCE-BASED PRICING NEWSLETTER |

Koehler Fitzgerald

Koehler Fitzgerald LLC provides highly specialized legal services to TPAs, HCSMs and Plan Sponsors offering reference-based medical plans.

Central to those services are the defense of balance billing claims, from provider billing to jury trial, utilizing the firm's highly rated trial lawyers, nationally recognized experts and affiliated local counsel throughout the U.S.

Koehler Fitzgerald's multilingual services are supported by the use of proprietary and customized software to track and support group calendaring, task management, contact management, conflicts checking, integrated document assembly and customized weekly reports of the status of claims and activity.

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Texas Medical Center's Consumer & Physician Survey

The August, 2017 Texas Medical Center's Consumer & Physician Survey (the "Survey") of more than 9,000 consumers and 450 physicians from 15 states contains several findings relevant to sponsors of RBP plans. The states surveyed included five "red" states (TX, GA, AZ, TN, IN), five "blue" states (CA, NY, IL, NJ, WA), and five swing states (FL, PA, OH, MI, NC).

One of the most interesting findings is the sharp divide between what the U.S. Congress deems an "affordable" amount to be spent by consumers on healthcare compared with what consumers themselves think they can afford. Under the ACA, health coverage is deemed affordable if it does not exceed 8.2% of income. In contrast, the Survey revealed that consumers believe they can only spend 2% of their income on healthcare. Forty-nine percent of all consumers surveyed reported that they must reduce other expenses to pay for healthcare. The figure was slightly higher in the "red" states (52%) than in the "blue" states (45%). Two-thirds of the insured consumers said that they pay 5% or more of their income on out-of-pocket health care expenses. In the $25,000-$34,000 income range, 50% of the

Medicare for All Act

Earlier this month, Senator Bernie Sanders and 15 additional senators introduced the Medicare for All Act of 2017. If enacted, the Act would assure publicly funded health care to "[e]very individual who is a resident of the United States." Each individual would be issued a Universal Medicare card that would be used for purposes of identification and processing of claims for benefits under the Act. Benefits would begin on January 1 of the fourth calendar year after the date of enactment except for children whose benefits would commence on January 1 of the first calendar year following enactment. Coverage would extend to hospital services, ambulatory patient services, primary and preventative services, prescription drugs and medical devices, mental health, substance abuse treatment, laboratory and diagnostic services, reproductive and maternity care, pediatrics, oral health, audiology and vision services. With a few exceptions, there would be no cost-sharing, deductibles, coinsurance, co-payments or similar charges. The Act specifically provides that there would be no balance billing.

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respondents said their out-of-pocket expenses were not affordable.

Both the consumers and physicians were asked who they blame for rising health care costs. Twenty-eight percent (28%) of the consumers and 47% of the physicians blame insurance companies. Thirty percent (30%) of the consumers and 19% of the physicians blame drug and device manufacturers. Twenty-three (23%) percent of the consumers and 12% of the physicians blame the U.S. government. Five percent (5%) of the consumers and 11% of the physicians blame the patients. Ten percent (10%) of the consumers and 9% of the physicians blame hospitals. Only 4% of the consumers and 2% of the physicians blame the physicians.

Approximately one-third of the physicians, both generalists and specialists, have their compensation consist entirely of salaries. Several prominent medical centers including the Mayo Clinic, Cleveland Clinic and Kaiser Permanente are institutions that compensate physicians on salaries. Only 17% had no portion of their compensation paid by way of salary. Approximately 70% of the incentive compensation was paid for increased volume of services, only 10% for patient satisfaction. More than two-thirds of the physicians indicated they wished to be paid mostly or entirely by salaries and evidence supports the suggestion that salaried physicians order fewer tests and that a move toward salaried compensation might reduce the $200 billion in estimated over-treatment.

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