Protecting consumers from the extraordinarily high charges from some out-of-network physicians is an important policy issue in an era when our nation is facing major economic and health care systems challenges. A recent survey of America's Health Insurance Plan (AHIP) members collected data on various out-of-network physician billed charge amounts for claims submitted in 2008. As demonstrated in the below table, *out-of-network physicians in California billed between 1,500 and 3,400 percent of the Medicare fee for that service in 2008.*

VARIOUS OUT-OF-NETWORK PHYSICIAN CLAIMS FILED IN THE STATE OF CALIFORNIA IN 2008

CPT Code	Service Description	Amount Billed	Medicare Fee	Amount Billed as % of Medicare Fee
29881	Minimally invasive knee meniscus surgery	$ 20,120.00	$ 584.98	3,439%
99215	Outpatient office visits of moderate to high severity requiring 2 out of 3: comprehensive history, comprehensive exam and high complexity medical decision-making	$ 4,500.00	$ 133.72	3,365%
47562	Laparoscopic gallbladder removal	$ 20,000.00	$ 681.15	2,936%
99244	Outpatient office consults of moderate to high severity requiring a comprehensive history, comprehensive exam and moderate complexity medical decision-making	$ 5,400.00	$ 214.28	2,520%
43239	Upper GI endoscopic visual diagnostic exam with biopsy	$ 9,400.00	$ 375.01	2,507%
66984	Cataract surgery with insertion of artificial lens	$ 15,869.61	$ 637.93	2,488%
22612	Lower back spinal fusion	$ 36,000.00	$ 1,680.24	2,143%
45380	Colonoscopy with biopsy	$ 10,400.00	$ 505.83	2,056%
19120	Benign breast lesion removal	$ 6,825.00	$ 408.22	1,672%
36471	Chemical injection to kill leg veins	$ 2,900.00	$ 196.54	1,476%

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Overview of Survey Methodology: In May 2009, America's Health Insurance Plans (AHIP) asked Dyckman & Associates (Dyckman) to collect and analyze results of a survey of member plans in order to identify the highest 2008 billed charges by non-participating physicians in the 30 most populous states for certain CPT (Current Procedural Terminology) codes representing various categories of physician services. Surveys were returned to Dyckman from ten plans: national plans that operate in most surveyed states, and regional plans that operate in one or a few states. Tables were provided to AHIP in a format that did not identify survey respondents or associate data with a specific plan. Dyckman used a conservative approach to the data that excluded high charge outliers that may reflect billing or coding errors.

The Value of Provider Networks and the Role of Out-of-Network Provider Charges in Rising Health Care Costs

Protecting consumers from runaway charges billed by some out-of-network physicians is an important policy issue at a time of major economic challenges and a national debate surrounding health care reforms.

One tool that health insurance plans use to improve quality and make health care more affordable for consumers is the establishment of provider networks.

- By selectively contracting with credentialed providers, health plans ensure consumers affordable access to a wide choice of high-quality doctors and hospitals. Nationally, it is estimated that close to 90 percent of providers participate in networks.

- Consumers see measurable savings when they visit contracted providers because in-network physicians are generally prohibited from charging patients the difference between billed charges and a negotiated rate. Also, consumers who receive services from in-network providers typically have lower cost-sharing obligations. Over the decades, this has saved consumers billions of dollars in out-of-pocket costs and premiums.

Some out-of-network providers are charging exorbitant prices – several hundred or even over a thousand percent of the Medicare reimbursement for the same service in the same area.

- Recent examples: $4,500 for an office visit when Medicare would have paid $134; $14,400 for removal of a gallbladder when Medicare would have paid $656; and $40,000 for a total hip replacement when Medicare would have paid $1,558.

- Attached is state-specific data, along with information on how it was compiled.

Consumers who are charged exorbitant fees by out-of-network providers incur additional costs because the protection against balance billing generally does not extend to services provided out-of-network. This detracts from the ability of health plans to offer affordable access to out-of-network providers for those consumers who want the advantages of a network, but also maintain the option to go out-of-network if they choose.