



# HOW COMMON AND COSTLY ARE SURPRISE BILLS FOR EMERGENCY DEPARTMENT PHYSICIAN SERVICES?

## Why This Study Is Important

Surprise medical bills are a major source of financial hardship for patients. These bills occur when patients unexpectedly receive care from providers who are outside of their insurance network, despite seeking care from in-network providers. Providers who are out of network often charge well above market rates, leaving patients exposed to potentially large out-of-pocket costs.

This study begins to supplement anecdotal reports of surprise billing with national data on the prevalence, geographic variation, and cost implications of surprise billing by emergency department (ED) physicians for privately insured patients. Surprise billing by ED physicians provides a snapshot of the wider problem also being reported for anesthesiologists, pathologists, radiologists and assistant surgeons.

## What This Study Found

- While virtually all of the more than 2.2 million ED visits analyzed took place at in-network hospitals, 22 percent of these in-network visits generated a surprise bill from an out-of-network ED physician.
- This national average masks significant geographic variation: some markets had almost no surprise billing, while one had a 97 percent surprise billing rate.
- ED physicians do not face the same price competition that other physicians face when treating privately insured patients because patients don't have a choice of emergency physician.
- On average, charges by out-of-network ED physicians were about eight times higher than the rates paid by Medicare, and more than 2.6 times higher than commercial reimbursement for in-network ED physicians. This difference implies an average potential out-of-pocket cost of \$623 for patients receiving a surprise ED physician bill, with wide variation.

## What These Findings Mean

- The fact that some markets experience almost no surprise billing suggests that this problem is solvable, but appropriate policy must be carefully designed to avoid unintended consequences.
- "Hold harmless" provisions that require insurers to pay the out-of-network billed rate – such as have been adopted in some states – are misguided because they significantly weaken providers' incentives to negotiate more competitive rates and ultimately hurt consumers when insurance premiums rise for all subscribers.
- Requiring hospitals to offer a bundled ED care package reflecting in-network rates for both the facility and ED physicians holds more promise for improving market competition while still protecting consumers.

## More About This Study

This study examined insurance claims from across the nation for privately insured individuals receiving hospital-based ED care between January 2014 and September 2015. Indicators on the claims identified the network participation status of facilities and physicians. The potential out-of-pocket cost for a patient treated by an out-of-network ED physician was computed as the difference between actual charges by the physician and the average commercial reimbursement for in-network services, calculated as 297 percent of the Medicare rate.

Cooper Z and Scott Morton F. "Out-of-Network Emergency-Physician Bills – An Unwelcome Surprise." *New England Journal of Medicine*, 375(20):1915-18, November 17, 2016.

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