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Why one insurer is clamping down on out-of-network referrals

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By **Alex Kacik**

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Elevance Health's new out-of-network care policy may reduce healthcare costs but also rankle providers.

Starting Jan. 1, the [insurance company](#) will penalize health systems that operate in 11 states for sending patients to clinicians who aren't in Anthem Blue Cross Blue Shield networks. The new

policy, tied to the Elevance subsidiary, may result in lower out-of-pocket costs for commercially insured patients, but it could also ramp up hostility between providers and insurers who are already battling over prior authorization policies and claim denials, industry observers said.

Here's what to know about the change.

Related: Elevance to penalize facilities for out-of-network providers

What's the policy?

Elevance plans to charge 10% administrative penalties, relative to the amount of claims, if health systems refer patients to out-of-network clinicians.

Hospital and outpatient facility operators in Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, Ohio and Wisconsin will be impacted. The policy will not affect emergency care and previously agreed upon out-of-network referrals.

Providers cannot charge patients more to pay for the penalties.

How could health systems respond?

Health systems could leave Anthem Blue Cross Blue Shield networks rather than deal with another administrative headache, experts said.

"You cannot get away with shoveling billions out the door to your shareholders in the form of share buybacks and then turn around and gouge hospitals facing huge Medicaid payment cuts," said Jeff Goldsmith, president of consultancy Health Futures said. "Expect a gigantic middle finger from the provider community and a lot more leaving Elevance networks."

Providers are already asking insurers for higher reimbursement rates to offset impending federal funding cuts and a surge of claim denials. This dynamic has resulted in a growing number of public contract disputes. Restrictive referral policies would add fuel to the fire, Goldsmith said.

Modern Healthcare reached out to more than two dozen health systems, but most did not reply before deadline or did not provide a comment. The American Hospital Association has said it is concerned about the policy.

Could other insurers enforce similar policies?

Other insurers may consider a similar approach to curb out-of-network referrals if the policy is effective, experts said.

Elevance is the first insurance company to penalize providers for out-of-network referrals.

“If it works for Elevance, it will likely work for other insurers,” said Paul Ginsburg, senior fellow at the University of Southern California Schaeffer Center for Health Policy and Economics.

Modern Healthcare reached out to UnitedHealth Group, CVS Health, Cigna and Humana, but those companies did not respond to questions about whether they are considering out-of-network penalties.

Why would insurers target out-of-network care?

Elevance said in a memo issued last week the policy ensures out-of-network clinicians will only be used in appropriate situations.

Out-of-network care inflates healthcare costs and may be a symptom of out-of-date provider directories.

Provider directories that list in-network physicians have been a pain point for health systems and insurers, which tend to blame each other for incorrect directories.

Patients typically pay much more for out-of-network care versus services provided by an in-network clinician. Outdated directories can also increase administrative costs as hospitals and insurers manage inappropriate referrals.

How could the policy impact patients?

Restricting out-of-network care could significantly lower patient costs, Ginsburg said.

Insurers incentivize in-network care with lower copays and coinsurance. Patients may be unknowingly referred to an out-of-network specialist, leading to higher costs and potential care delays.

“This could be a major plus for patients,” Ginsburg said.

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