



October 2008

RE: UCR Explanation

Dear Valued Client:

Usual, customary and reasonable (UCR) is the maximum amount an insurance company will consider eligible for reimbursement under a health insurance plan and only applies when using non network providers.

UCR is established by a third party and is determined based on a survey of charges for a particular health service within a specific geographical area. Most carriers work with Ingenix, which is one of the largest health care information and research companies in the industry. Commonly, UCR is set at a certain percentage of all charges made by providers of similar services or supply. In New Jersey, the most common reimbursement level is at the 80th percentile.

For Example:

100 doctors are surveyed in a given zip code for a specific procedure. Results show that the charges range from \$100 to \$250. The 80th highest priced doctor charges \$200. This would be the UCR level at the 80th percentile.

Since it is the insured's choice to use non-network providers, they would be responsible for any amounts over UCR. Remember that the UCR percentile is not the same as the coinsurance percentage that is applied to the covered charge. For non-network claims the UCR application comes first, and then coinsurance is applied.

For example:

A member is enrolled in a plan that pays 100% in network and 70% out of network (assume no deductibles apply). The member uses out of network services and total charges are \$4,000. The carrier determines that the maximum allowable UCR charge for the surgery is \$3,000 (80% of providers in the members geographical area charge \$3,000 or less for this type of surgery.

The insurance carrier will reimburse the member 70% of \$3,000 (or \$2,100). The member will pay 30% of \$3,000 (\$900), PLUS the \$1,000 difference between the bill charged of \$4,000 and UCR of \$3,000. This additional \$1,000 cost to the member is called "balance billing" (and does not apply to any maximum out of pocket limits). In total, the member is responsible for paying \$1,900 of the \$4,000 billed charge.

It is always advisable to question whether your out of network provider(s) will accept UCR as applied by your insurance carrier. If not, you will have these options:

1. Pay balance above UCR
2. Ask provider to forgive balance above UCR
3. If they won't, get additional information from provider why they are above UCR and submit to insurance carrier under an appeal for reconsideration
4. Negotiate with provider to reduce balance

Sincerely,
PSI CONSULTANTS, LLC