

Guide

Taking the Mystery Out of Reference-Based Pricing

Are misperceptions stopping your clients from adopting RBP? Demystifying the strategy could help them unlock next-level health benefits savings.





Once employers transition from being fully insured to self-insured for health benefits, the question inevitably arises: **What else can we do to control costs?**

Research shows employers expect brokers and consultants to consistently suggest effective cost-control strategies. Given surging healthcare costs and growing urgency to find solutions, reference-based pricing (RBP) is a popular topic in benefits industry headlines and adviser-client conversations.

Some HR and benefits leaders might be reluctant to consider, much less adopt, RBP because they've heard that the short acronym comes with a long list of concerns: It's still relatively new and unproven. It invites member confusion and provider pushback. Balance billing is a challenge. The cost-savings "juice" just isn't worth the HR-workload "squeeze."

Whether you and your team are strong advocates or somewhat neutral on RBP, you'll want to go into future strategy meetings and relationship pitches ready to have fact-based conversations. All factors considered, is RBP a strategy clients should avoid? Or are there misperceptions and even myths that could be stopping employers from adopting a strategy that unlocks significant cost savings?

Let's explore some of the questions and perceptions that have grown around RBP, so you can provide the consultative answers clients need from an advisor. Along the way, we'll share insights gleaned from Personify Health's book of business. As the largest independent third-party administrator (TPA), Personify has deep experience partnering with RBP vendors (aka, "repricers") to administer plans for self-insured employers.



What exactly is RBP?

RBP is a benefits strategy that lets employers and plan members exert control over what they pay for healthcare, both professional fees and facilities charges. Rather than pay prices unilaterally set by providers, RBP bases reimbursement on a “reference” point. Most often, that is the rate Medicare pays for a service or procedure.

By setting payment at a percentage above Medicare rates (for example, 140%-150% of Medicare), RBP injects more transparency and fairness into healthcare prices. Providers still receive reasonable compensation. But prices become something all stakeholders can understand, versus employers and members continuing to pay rates, even “discounted” rates, set solely by providers and carriers.

Conceptually, RBP strikes directly at the economic pain and emotional frustration employers and members feel about seemingly uncontrollable healthcare inflation. It also responds to employers’ demands for innovative plan design options and effective cost-control solutions.

That said, some less-than-positive perceptions have been attached to RBP. Let’s look at some of the most common ones, to see if there are more reasons to consider RBP, rather than harbor reservations.

Myth 1

RBP is still relatively new and largely untested.

Some industry analysts trace RBP's origins to around 2010 — nearly a generation ago. Others date its development as far back as the 1990s. Every HR leader will have their own view: Is that a strategy still wet behind the ears? Or is 15-plus years more than sufficient for RBP to have been tested, refined and largely proven in the marketplace?

For the record, no less a consulting firm than McKinsey places RBP at the top of its ranking of more than 20 “levers” self-insured employers can pull to effectively control costs.

Personify Perspective:

Personify has supported clients with administration of RBP plans since **2012**. Over that time, we've collaborated with more than **10** RBP repricers. In fact, we've had years to evaluate those vendors, to the point where now there are handful we confidently recommend to brokers and employers.

Myth 2

Employer adoption of RBP remains quite low.

In fact, RBP interest and adoption appears to have grown steadily in recent years, to the point where it could be reaching a tipping point among self-insured employers. While there is no single official metric, some estimates put adoption in the high single to low double digits (e.g., 9% to 12%).

If you consider larger employers a barometer of where benefits innovation is trending, between 2022 and 2024, McKinsey's Employer Benefits Survey saw interest in RBP among jumbo employers increase by 33 percent.¹

Using those numbers as indicators, RBP probably sits in the "early adopters" stage within a typical innovation lifecycle. That's where another 13.5% of users have taken the plunge, after the initial 2.5% of "innovators" tried the product. Next stage? That's where you'll find another 34% of potential customers, the "early majority," about to explore RBP.



Personify Perspective:

Personify provides RBP plan administration for nearly 80 employers. Based on discussions our representatives routinely have with brokers and HR leaders, interest in RBP is growing faster than any other pricing model. One of our reps describes those conversations as clearly having shifted from RBP being seen as "experimental" to now commonly viewed as a "strategic imperative."



Myth 3

RBP doesn't actually deliver significant cost savings.

A 2022 study of medical claims found that, across inpatient and outpatient services, U.S. payors (employers and private insurers) on average paid 254% of what Medicare would have paid for identical services at the same facilities. The same study showed wide variation across states, with multiple states exceeding 300% of Medicare.²

If a typical RBP plan sets maximum prices at 140% or 150% of Medicare, it stands to reason there will be significant savings. And, in fact, there are:

- Numerous analyses estimate Year One cost savings from an RBP plan versus a traditional preferred provider organization (PPO) plan in the 20%-30% range.
- This aligns with Personify's experience, where clients routinely see savings of 27%-30% in the year after we help them implement RBP.

It's important that HR leaders and C-level executives not assume Year One savings will repeat in subsequent years. Instead, what RBP usually does is establish a new, significantly lower cost baseline, then help promote a less volatile, more sustainable cost trend going forward.

Meanwhile, in Year One, employers can save a large chunk of their annual healthcare budget. Those savings can be invested in expanded benefits, lower employee cost-sharing, or dropped to the organization's bottom line.

Employers paid
2.5x
that of Medicare²

Personify Perspective:

ZMC Hotels:

A Cost-Control Success Story

After too many years of double-digit healthcare premium increases, ZMC Hotels turned to Personify Health for an RBP solution. In year one (2022), premium costs declined 25%-35%.

At the same time, 1,800 employees saw their cost sharing, deductibles, and out-of-pocket maximums reduced. Subsequent years' premiums either stayed flat (year two) or rose minimally (2.5% and 3.5% in years three and four).

Having Personify Health implement RBP, ZMC erased a \$450,000 healthcare fund deficit, realized \$4.5 million in savings, and added \$22 million in enterprise value based on EBITA improvements.

“Switching to Personify Health’s reference-based pricing was one of the best decisions we’ve made. It wasn’t without challenges, but the financial impact has been undeniable — saving us millions and adding real value to our enterprise. More importantly, we’ve gained transparency, control, and the ability to reinvest in our people. It’s a solution that not only works, but empowers us to think differently about healthcare.”

Todd Torvinen, CFO, ZMC Hotels

Myth 4

There are all sorts of risks to adopting RBP.

Let's look at three concerns expressed most often by employers and brokers:



Balance billing

When a provider gets paid less than they want to charge, it's possible they'll bill a plan member for the unpaid balance. "Balance billing" occurs routinely, for example, when a member receives care outside of their employer's PPO network.

With RBP, there's an assumption that balance bills will be especially voluminous and vexing. After all, providers simply won't be paid at the level to which they're accustomed. HR/benefits teams envision a flood of calls and complaints from surprised, financially stressed plan members.

However, with an RBP-experienced and -capable third-party administrator (TPA) involved, balance billing is not nearly the bugaboo some assume. For starters, when the TPA handles service pre-authorizations, providers often learn about (and accept) RBP pricing prior to the member being billed. The TPA also will help the HR team educate members to closely review each explanation of benefits (EOB), not simply pay a provider's bills, and contact the TPA's member services team when they have questions or confusion.

The right TPA will have specialists and systems in place to address RBP questions and issues, including balance billing scenarios. They'll contact providers directly to reinforce the plan's pricing policies and involve the RBP vendor when needed to negotiate resolution to any lingering issues.

In the vast majority of cases, balance bills get resolved without financial heartburn for the member or workload headache for HR.

Personify Perspective:

Across Personify's book of business, 2% or fewer of claims involve any meaningful level of provider pushback or appeal of reimbursement. With some of our repricer partners involved, it's less than 1%.

In these relatively few cases, our concierges work with the RBP vendor and provider to reach resolution. That might include negotiating a single-case agreement or a longer-term direct contract to cover future services with that provider.



Member confusion

Some amount of member education is important for them to play their collaborative role in fueling an RBP plan's success. For example, besides the balance billing issue, it's important they contact the TPA when a provider prescribes a significant treatment or procedure. That way, the TPA can engage the provider's business office early to ensure they understand and accept RBP pricing.

Benefits leaders and advisors are often surprised at how empowered members feel by RBP. They like the freedom to see their favorite providers, a typical feature of an RBP plan. They also appreciate that provider charges are tied to some rational reference point. It puts them in win-win partnership with their employer to keep healthcare affordable for employees and their families.

Personify Perspective:

We recognize the key role informed members play in making RBP strategies successful. Starting at open enrollment, Personify offers employers co-branded educational resources to help members become familiar with the basic concepts and embrace their role as cost-conscious healthcare consumers.

Because questions will arise, we operate a dedicated call center with specialists intensively trained in RBP. Standing beyond them is an RBP concierge team, ready to jump in on high-cost claims, doing targeted phone outreach to the members to guide them through their claims and the subsequent billing.



Provider pushback or denial of service

HR leaders sometimes worry that members could be denied service by providers unwilling to accept RBP payment. Such concerns are largely unfounded. For starters, the federal Emergency Medical Treatment & Labor Act requires that hospitals provide services to anyone with an emergency condition. Beyond that, in the vast majority of primary care scenarios, providers routinely accept RBP payments as fair, with no negotiation or escalation required.



Personify Perspective:

In Personify's RBP experience, outright provider resistance to serving members is extremely rare. In those highly unusual cases, we're typically able to guide members' future care to a high-quality providers that is more accepting of RBP payment.

Myth 5

Employers must go “all in” when adopting RBP.

HR leaders might be concerned about switching their entire employee group, in the span of one open enrollment, from familiar PPO plans to an RBP plan. Fortunately, that sort of wholesale change isn't necessary.

While some employers are eager to maximize RBP's cost-savings potential, most phase the strategy in over time. Typical is starting with a “dual option” — a traditional PPO plan along with an RBP-based option. Sometimes employers get rolling by offering a PPO plan for routine medical services, while focusing RBP pricing on higher-cost claims, such as surgeries, maternity care, and cancer treatments.

Personify Perspective:

A dual-option strategy provides employers with a practical pathway to introduce RBP, allowing members to experience its advantages firsthand and encouraging gradual adoption. By pairing a traditional PPO with an RBP-based plan, employers avoid the misconception that employees will lose access to care. Most who begin with this approach not only report measurable savings but minimal disruption and a smooth transition to wider RBP adoption. This gradual rollout supports member comfort and positions organizations to achieve the full value of reference-based pricing over time.

Myth 6

RBP isn't a good fit for all employers.

There are certain geographies where RBP is more challenging to execute. Less than ideal are member groups scattered across sparsely populated areas, where providers are few and far between. Regions where a single hospital system dominates, exerting inordinate pricing leverage, can be resistant to RBP pricing.

Beyond that, there really are no limits on employer type, size, or industry category. RBP is a scalable strategy that can deliver significant cost savings for public- and private-sector employers alike, including smaller and mid-sized organizations.

Personify Perspective:

Personify's current RBP clients range in size from 50 enrolled plan members up to 35,000 eligible lives. They represent more than a dozen industries and sectors, ranging from manufacturing and construction to tech, finance, healthcare, and nonprofit.



Myth 7

RBP puts heavy administrative burden on the HR team.

The additional time and effort required of a benefits team to adopt RBP will correlate directly with the experience and approach of the TPA and RBP vendor administering the strategy.

Does the TPA have minimal experience administering RBP plans? What support can they provide in educating members? Do they only handle claims processing, while outsourcing member services and other critical functions? How have the TPA and the RBP vendor integrated their services so members never feel bounced back and forth and any provider concerns are addressed promptly and professionally?

Here again, HR leaders and brokers are advised to speak with clients who've worked with the TPA that you're considering putting at the center of your RBP strategy. They'll know, better than anyone, whether the partnership was highly productive or rather painful.

Personify Perspective:

Personify has structured its RBP solution in ways that minimize workload for clients and even for our repricing partners. Our RBP call center specialists are trained extensively on the strategy's principles and practice. Our RBP concierge unit focuses on supporting members and providers with high-cost claims, where the potential for cost savings — as well as balance billing or provider appeals — are elevated.

Because we integrate member services, care management, pre-authorizations, and claims processing, we're poised to educate members and providers, and consistently activate on a client's RBP strategy, at every step along the benefits administration process.

Myth 8

It's a leap of faith for employers to adopt RBP.

The additional time and effort
With the right partners, employers should be able to embark on RBP with confidence. The potential for significant savings — whether it ends up being 15%, 25%, or more — is fairly predictable. Also, experienced TPA and RBP partners can provide client success stories, and even satisfied HR leaders you can interview, to confirm their ability to execute RBP successfully.



Personify Perspective:

To help HR leaders set expectations for RBP, and sell the strategy to internal stakeholders, Personify analysts will run an employer's previous year's claims through a repricing analysis. The result provides a credible estimate of the savings the employer can anticipate before they move forward with RBP.

Our goal has always been to provide affordable, high-quality benefits to our employees while staying financially responsible as an organization. RBP is the first plan design that truly delivers on both.”

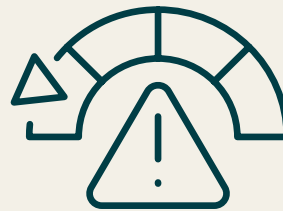
-Chief People Officer, Personify Health

Myth 9

It's risky for advisors to recommend RBP to clients.

Ten or even five years ago, this stance might have been more understandable. But today, advisors who don't suggest that employers at least consider RBP might be putting client relationships, and professional credibility, at risk.

Consider: McKinsey research³ shows that self-insured employers might be growing impatient with brokers and advisers when it comes to cost-control solutions. The research found that employers want to see a wider range of plans and solutions offered by brokers, including more effective strategies to contain costs. It also found that 35% of employers expect to switch brokers during the next two years.



The research also asked brokers whether they are pulling any of more than two dozen cost-containment levers with clients. No lever was being used by more than 7% of brokers surveyed, and only 5% said they are pursuing RBP. Yet, surprisingly, McKinsey found that 62% of brokers ranked RBP highest among the levers that can be expected to drive 10% or more in savings for employers.

Are some brokers letting common misperceptions of RBP block them from recommending what they actually believe is an effective cost-control solution? The research would seem to indicate as much.



In the final analysis, RBP appears to be too persistent and promising of a benefits strategy for employers and advisors to ignore based on myths, misunderstanding, or misinformation.

Instead, brokers and their clients owe it to each other, and to health plan members, to investigate the strategy fully. What are the potential Year One savings? Are there potential downsides — and are they real or imagined? What level of expertise and capability does a TPA offer to maximize RBP’s upside?

Healthcare costs show no signs of trending lower on their own. If RBP truly puts price transparency and cost control in the hands of self-insured employers, it deserves a closer look — with an open mind.

Footnotes

1. Transforming employer health benefits: Large employers’ activist role, McKinsey & Company, June 26, 2025. <https://www.mckinsey.com/industries/healthcare/our-insights/transforming-employer-health-benefits-large-employers-activist-role>
2. Prices Paid to Hospitals by Private Health Plans, RAND, December 10, 2024. https://www.rand.org/pubs/research_reports/RRA1144-2-v2.html
3. The State of Benefits Satisfaction, September 2025, Leader’s Edge, The Council of Insurance Agents & Brokers. <https://www.leadersedge.com/healthcare/the-state-of-benefits-satisfaction>

About Personify Health

By bringing industry-leading third party administration, holistic wellbeing, and navigation solutions together, all in one place, we have created the industry's first and only personalized health platform.

With decades of experience and global operations, we empower diverse and unique businesses – and diverse and unique people – to engage more deeply in health at a lower cost. Through our proprietary combination of data-driven personalization, science-backed methodology, and concierge-level clinical expertise, our end-to-end platform makes it easier to proactively address people's needs across their lives.

With a personalized, holistic, and powerfully simple experience, we are redefining industry expectations and what it means to manage health.

Let's talk →

Learn more at personifyhealth.com



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