

General Provider Payment Methods

Participating Providers

Blue Plus contracts with a large majority of doctors, hospitals, and clinics in Minnesota to be part of its network. Each provider is an independent contractor and is not an agent or employee of Blue Plus. These health care providers are referred to as "Participating Providers." They have agreed to accept as full payment (less deductibles, coinsurance and copayments) an amount that a Blue Cross and/or Blue Shield Plan has negotiated with its participating providers (the "Allowed Amount"). The Allowed Amount may vary from one provider to another for the same service.

Several methods are used to pay participating health care providers. If the provider is "participating" they are under contract and the method of payment is part of the contract. Most contracts and payment rates are negotiated or revised on an annual basis.

- **Non-Institutional or Professional (i.e., doctor visits, office visits) Provider Payments**

- **Fee-for-Service** - Providers are paid for each service or bundle of services. Payment is generally the lesser of the provider's negotiated rates or billed charges.
- **Discounted Fee-for-Service** - Providers are paid a portion of their billed charges for each service or bundle of services. Payment may be a percentage of the billed charge or it may be based on a fee schedule that is developed using a methodology similar to that used by the federal government to pay providers for Medicare services.
- **Discounted Fee-for-Service, Withhold and Bonus Payments** - Providers are paid a portion of their billed charges for each service or bundle of services, and a portion (generally 5-20%) of the provider's payment is withheld. As an incentive to promote high quality and cost-effective care, the provider may receive all or a portion of the withhold amount based upon the cost-effectiveness of the provider's care. In order to determine cost-effectiveness, a per member per month target is established. The target is established by using historical payment information to predict average costs. If the provider's costs are below this target, providers are eligible for a return of all or a portion of the withhold amount and may also qualify for an additional bonus payment.
- **Minnesota Health Care Programs Fee Schedule** - Providers may be paid at a certain percent of the public program fee schedule. The Minnesota Department of Human Services publishes its fee schedule for public programs monthly, with BCBSMN updating on a quarterly basis.

Payment for high cost cases and preventive and other services may be excluded from the discounted fee-for-service and withhold payment. When payment for these services is excluded, the provider is paid on a discounted fee-for-service basis, but no portion of the provider's payment is withheld.

- **Institutional (i.e., hospital and other facility) Provider Payments**

- **Inpatient Care**
 - **Payments for each MS DRG Case (case rate)** - Providers are paid a fixed amount based upon the member's diagnosis at the time of admission, regardless of the number of days that the member is hospitalized. This payment amount may be adjusted if the length of stay is unusually long or short in comparison to the average stay for that diagnosis ("outlier payment"). This method is similar to the payment methodology used by the federal government to pay providers for Medicare services. Inpatient payment is paid at the lesser of the case payment or the providers charge

- **Payments for each APR DRG Case (case rate)** - Providers are paid a fixed amount based upon the member's diagnosis at the time of admission. Severity of illness and risk of mortality are utilized in determining the applicable case rate. This payment amount may be adjusted if the length of stay is unusually long in comparison to the average stay for that diagnosis ("outlier payment"). Provider will receive APR DRG Case Rate plus an outlier add on to account for the provider's additional cost for the Outlier case. Inpatient payment is paid at the lesser of the case payment or the providers charge.
- **Payments for each Day** - Providers are paid at the lesser of the fixed negotiated amount for each day the patient spends in the hospital or facility or the provider's charge.
- **Percentage of Billed Charges** - Providers are paid a percentage of the hospital's or facility's billed allowed charges for inpatient or outpatient services, including home services.
- **Outpatient Care (BCBSMN Prior Outpatient Methodology)**
 - **Payments for each Category of services** - Providers are paid a fixed or bundled amount for each category of outpatient services a member receives during one (1) or more related visits.
 - **Payments for each Visit** - Providers are paid a fixed or bundled amount for all related services a member receives in an outpatient or home setting during one (1) visit.
 - **Payments for each Patient** - Providers are paid a fixed amount per patient per calendar year for certain categories of outpatient services.
 - **Minnesota Health Care Programs Fee Schedule** - Providers may be paid at a certain percent of the public program fee schedule. The Minnesota Department of Human Services publishes its fee schedule for public programs from time to time.
- **Outpatient Care (BCBSMN Current EAPG Methodology)**
 - **Payments for each Category of services** - Providers are paid at the lesser of the negotiated, fixed or bundled amount for each category of outpatient services a member receives during one (1) or more related visits or providers charge.

Pharmacy Payment

Four (4) kinds of pricing are compared and the lowest amount of the four (4) is paid:

- the average wholesale price of the drug, less a discount, plus a dispensing fee; or
- the pharmacy's retail price; or
- the maximum allowable cost we determine by comparing market prices (for generic drugs only); or
- the amount of the pharmacy's billed charge.

Nonparticipating Provider

Generally, there is no coverage for services you receive from a nonparticipating provider that is a non-network provider. There are certain exceptions to this rule that are described in your Evidence of Coverage. To the extent this Plan covers services you receive from a nonparticipating provider, payment will be based on a payment methodology Blue Plus uses to pay a similar type of participating provider. In certain circumstances, payment may be limited to the Minnesota Health Care Programs Fee Schedule.

Allowed Amount

This is the amount upon which payment is based for a given covered service of a specific provider. The Allowed Amount may vary from one provider to another for the same service. All benefits are based on the Allowed Amount, except as noted in the "Benefit Chart."

The above is a general summary of our provider payment methodologies only. Provider payment methodologies may change from time to time and every current provider payment methodology may not be reflected in this summary.

Please note that some of these payment methodologies may not apply to your particular plan. Detailed information about payment allowances for services rendered by nonparticipating providers in particular is available on our website at bluecrossmn.com.