
Tiering: Levels of Copayments

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Tiering is a concept that has moved from the pharmacy to the medical practice. For years, payers have tiered medications into categories. Certain medications cost the consumer more, while others are available at lower costs. This strategy has steered patients – and ordering physicians – to generic medications, which are available at a lower pricing tier.

The concept migrated to medical practices for office visits, with a higher copayment required to see some physicians. Some payers utilize tiers based on the type of physician, with primary care typically being available at a lower copayment. The place of service often triggers a higher copayment as well, with emergent departments being the highest. However, payers are also applying this strategy to physicians who are out of the network, and, in some cases, to those who are in network but considered higher cost and/or lower quality. Touts one payer: “in a tiered network, members pay less out-of-pocket for care from hospitals and primary care providers that are high-quality and lower cost.” Regardless of the application, tiering makes point-of-service collections a challenge, as financial responsibility can be significant. Furthermore, it’s not unusual for physicians to change tiers, which can leave the practice, as well as the patient, frustrated.

Because the allowance doesn’t change – the patient’s portion is what is altered – many physicians have no idea they’ve been tiered in the first place. Even if you did have knowledge of the tiering, it’s hard to determine how or why you got there. Of course, there is no “generic” physician so the demarcation used in the pharmacy field cannot be applied. The tiering criteria are not outlined in detail, and, argue many, are applied subjectively.

If you find yourself in a tier that creates a higher financial responsibility for your patients, it’s vital to reach out to the payer to understand the criteria for the tiers. Furthermore, provide knowledge to your employees about this situation – and how to handle patients who are confused by the patient financial responsibility. Finally, if this is all news to you, be aware that tiering may be coming your way soon.

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