

Site-Neutral Billing vs. Reference-Based Pricing

Two distinct approaches to controlling healthcare costs, each targeting different aspects of the pricing problem. While site-neutral billing focuses on where care is delivered, reference-based pricing establishes benchmark ceilings tied to Medicare rates.



Site-Neutral Billing

Core Question: How much should a service cost when it can safely be delivered in an office?

Primary Goal: Eliminate higher hospital-based payments for services that don't need to be delivered in a hospital setting.

How It Works: Pays the same rate for the same service regardless of setting, usually closer to the professional rate. Supports independent practices which tend to be less costly overall.



Reference-Based Pricing

Core Question: How much should a service cost as a percentage of Medicare?

Primary Goal: Cap or standardize prices relative to Medicare rates across all services.

How It Works: Sets payments at a fixed or capped percentage of Medicare, establishing a benchmark price ceiling for broad cost control.

Site-Neutral Example

Paying the same rate for a clinic visit whether it's done in a hospital outpatient department, a hospital-owned physician's office, or an independent physician's office.

Best For: Reducing prices for services safely delivered in offices regardless of hospital ownership.

Impact Areas

Site-Neutral: Services safely delivered in office-based, non-hospital settings like office visits

Reference-Based: All services, with current Vermont focus on inpatient and outpatient hospital services

Reference-Based Example

Paying hospitals at 200% of Medicare rates for all covered services, creating a standardized benchmark.

Best For: Broad control of hospital price growth and variation tied to hospital resource use.



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