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THE SORO FIELD JOURNAL

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Medicare rates, FAIR Health, and what fair price means

A charge is not the same as a fair price. Benchmark data turns the feeling that a bill looks high into a number you can defend.

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January 2026

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The hardest part of disputing a bill is often not spotting a questionable charge. It is proving the charge is unreasonable. A provider can bill almost any amount. To argue that a billed amount is too high, you need an outside standard for what the service should cost. That is what benchmark data provides.

Charge is not price

A charge amount is what a provider bills. An allowed amount is the fee contracted between a plan and an in-network provider for a service. These two numbers can differ widely. Charges are set by the provider and often bear little relationship to negotiated or government rates. When a claim is out of network or the contracted rate is unclear, the gap between the charge and any reasonable price is where recovery lives.

Medicare as a reference point

Medicare publishes fee schedules that set what the federal program pays for services. Many plans and pricing programs use Medicare rates as a reference, expressing a fair price as a percentage of the Medicare allowed amount. This approach, often called reference-based pricing, gives a consistent and public baseline. Commercial charges frequently run at a large multiple of Medicare, which is exactly why Medicare rates are useful as the floor of a reasonable range.

FAIR Health and market data

FAIR Health is an independent national nonprofit that maintains one of the largest databases of healthcare claims in the country, built from billions of records contributed by payers each year. It publishes benchmarks for both billed charges and allowed amounts, organized by procedure and geographic area and reported across a range of percentiles. Because the data reflects actual market activity by region, it answers a specific question: for this service, in this area, what do charges and allowed amounts actually look like?

Putting a fair range around a charge

With both references in hand, an auditor can place a defensible range around a charge. Medicare provides a public baseline. FAIR Health provides regional market context across percentiles. A charge sitting far above both is not simply high in someone's opinion. It is high relative to named, independent sources, and that is the kind of statement a provider or administrator has to answer.

From benchmark to dispute

The benchmark does not win the dispute by itself. It supports a specific request: reprice the line to a

reasonable amount, and return the difference to the plan. A dispute that cites Medicare and market data is far harder to dismiss than one that only asserts the bill seems expensive. The benchmark is what converts a gut feeling into a number the other side has to engage with.

References

1. FAIR Health, FH Benchmarks (charge and allowed) and benchmark data products.
2. CMS Medicare fee schedules.
3. FAIR Health Healthcare Indicators and Medical Price Index white papers.