

HEALTH PLANS UNCOVER

How to Avoid Danger Zones While Creating Value

May 17, 2022



Presentation for the Central Florida Chapter of the Florida Government Finance Officers Association

INTRODUCTION

As veterans in employee benefits, Scot and Dan have a passion to help businesses transition employee benefits from a cost of doing business into a strategic business investment.

We are employee benefit architects – strategic experts, thoughtful advisors, and creative explorers committed to solving complex benefit challenges with ingenuity, objectivity, data, individualized solutions, and a general

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President & Chief Executive
Officer
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Certified Employee Benefits
Specialist®

Strategic Benefits Advisor &
Consultant

Dan Ross

Founder & President
Med-Vision, LLC

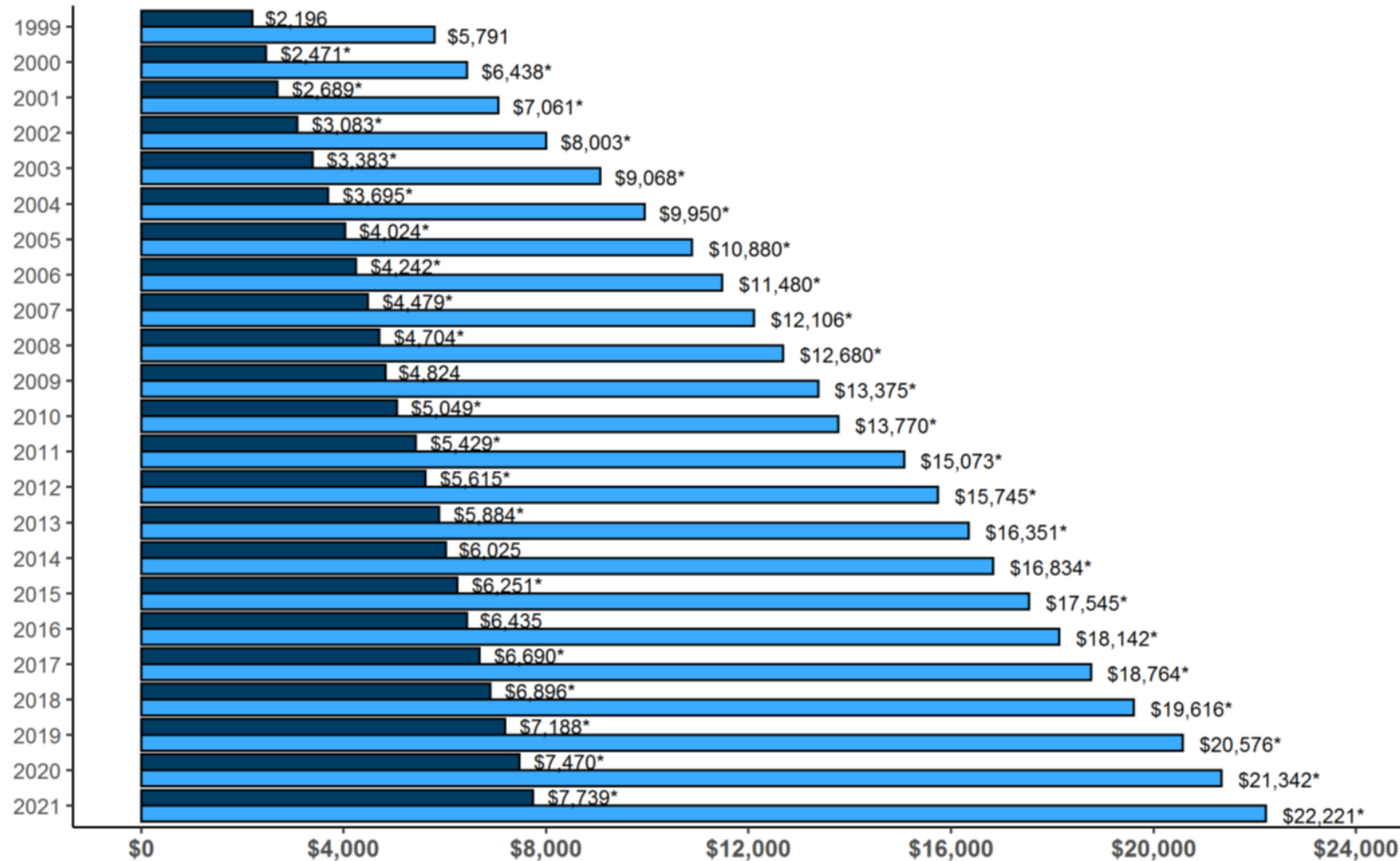
30+ years in employee benefits &
health analytics

WHY IS HEALTH CARE SO EXPENSIVE?



Average Annual Premiums for Single and Family Coverage, 1999-2021

■ Single Coverage ■ Family Coverage



* Estimate is statistically different from estimate for the previous year shown (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

IMPACT

Family premiums

**INCREASED
EMPLOYERS**

383%

EMPLOYEES

387%

In addition, average employee deductibles and copays have also risen sharply.

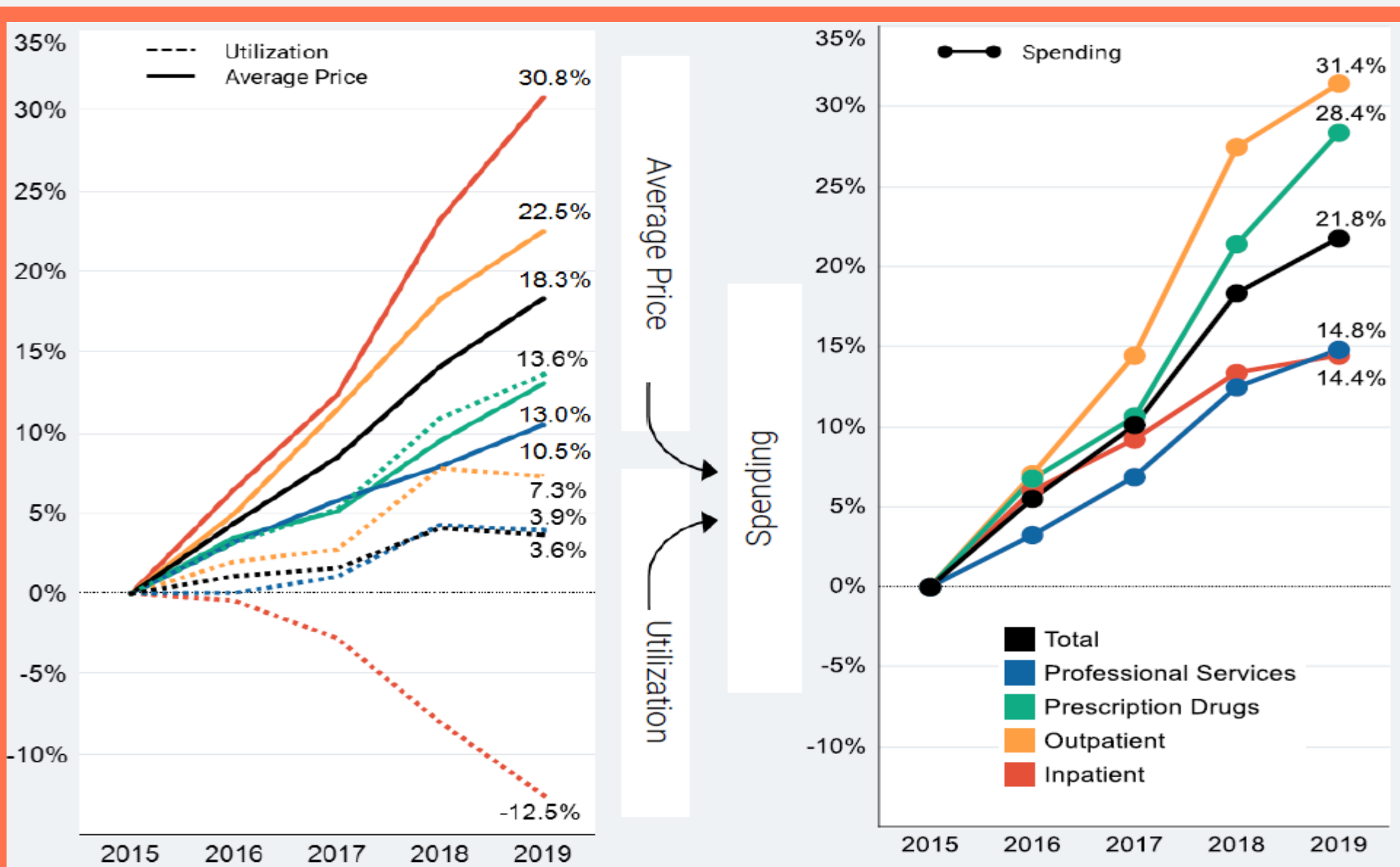
32% of folks delayed or foregone health care in last year due to costs.

(Kaiser Health Tracking Poll 2021)

HEALTH CARE COST DRIVERS



PRICE vs UTILIZATION



Source:
2019 Health Care Cost
and Utilization Report.
2.5 Billion Med/Rx claims
for 55 million in ER plans
(Health Care Cost
Institute)



HOSPITAL PRICING

Chargemaster

- Many Florida hospitals are billing more than 10 x Medicare allowable rates

PPO Discount

- Discount % off billed charges

Physician acquisition

- By end of 2020, 49.3% of American Doctors were hospital/health system employed





HOSPITAL PRICING

Florida County School System

- Inpatient per day costs ranged from \$7,200 per day to \$71,870 per day
- Same PPO provider network within a three-county area
- “PPO discount” of 68% equals 4.9 times Medicare reimbursement

General Information	Cost to Charge Ratios	Cost centers	Transplant information
Overview Provider ID 100213 Address [REDACTED] Beds 355 Type Acute Care Hospitals	Total (all departments) 9% OR Room 8% Recovery Room - Delivery Room - Anesthesiology 1% Radiol. Diag. 5% Radiol. Therap. - Radioisotope 7% CT Scan 1% MRI - Cardiac Cath - Laboratory 2% PBP Clinical Lab - Blood/Packed Blood 19% Blood Store - IV Therapy - Resp. Thera 9% Phys. Thera 20% Occ. Thera 15% Speech Path 14% EKG 1% Electroencephalography 11% Medical Supplies 18%	Routine Inpatient Charges \$191,028,934 Costs \$50,160,400 Days 60,560 Charge/Day \$3,154 Cost/Day \$828 Intensive Care Charges \$65,092,837 Costs \$13,488,990 Days 9,245 Charge/Day \$7,011 Cost/Day \$1,722 Coronary Care No data available Burn Care No data available Surgical Care No data available Nursery Care	Kidney No data available Heart No data available Liver No data available Pancreas No data available Lung No data available
Billed to Medicare Ratios Inpatient ? 15.38 Outpatient ? 14.43			
Data Source Dates Inpatient ? Apr 2020 Outpatient ? Apr 2020 Cost Report FY 2019			
Financials Total charges \$2,191,550,553 Total costs \$205,865,961 Net income \$25,163,411			

Hospitalizations

Diag Grouper	Admit Date	Admit Days	Plan + Member Paid Amount (\$)
Acidosis	08/11/2020	7	\$503,090.34

7 days inpatient: \$71,870/day



STRATEGIES + IDEAS

What if the municipality contracts with this example hospital at 200% of Medicare?

- In this example, the “PPO discount” of 68% equals 4.9 times Medicare reimbursement
- \$503K would be reduced to \$205K, or savings of \$298K

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STRATEGIES + IDEAS

Moving surgeries from outpatient hospital facilities to freestanding ambulatory surgery centers saves almost 5% of medical costs.

Example: Hernia Repair

AVERAGE \$ HERNIA REPAIRS IN WEST/CENTRAL FLORIDA:

~\$11,000

HOSPITAL-OWNED
SURGERY CENTERS

~\$4,300

AMBULATORY
SURGERY CENTERS

COSTS INCLUDE:



OPERATING ROOM
FEES



SURGEON FEES



ANESTHESIA



ALL ASSOCIATED
COSTS



PRESCRIPTION DRUGS

Price + Utilization

- Only health care category where price and utilization are increasing at similar pace

Specialty Drugs

- Designation of pharmaceuticals that are classified as high-cost and high complexity and/or high touch

Pharmacy Benefit Manager (PBM)

- Third-party administrator of prescription drug programs





PRESCRIPTION DRUGS

Florida City

- This prescription drug plan charged the City \$5,200 per script
- Same medication available with Amazon cash price at \$147

+	Label Name	+	NDC	+	Drug Strength	+	Generic	+	Mail Order Flag	+	Copayment	+	Deductible Amount	+	Coinsurance Amount	+	Paid Amount	▼
	Imatinib Mesylate		72485020330		400 mg		Y		R		\$20.00		\$0.00		\$0.00		\$5,252.04	
	Imatinib Mesylate		72485020330		400 mg		Y		R		\$20.00		\$0.00		\$0.00		\$5,252.04	
	Imatinib Mesylate		72485020330		400 mg		Y		R		\$20.00		\$0.00		\$0.00		\$5,252.04	
	Imatinib Mesylate		59923072430		400 mg		Y		R		\$20.00		\$0.00		\$0.00		\$5,251.89	



Sample image

Imatinib Mesylate

Tablet, Generic for Gleevec

Rx Prescription required FSA or HSA eligible

IMATINIB (i MAT in ib) is a medicine that targets proteins in cancer cells and stops the cancer cells from growing. It is used to treat certain leukemias, myelodysplastic syndromes, and other cancers. It is also used to treat specific digestive tract tumors called GISTs.

Strength
400 MG

Supply
30 days (1 bottle of 30 tablets)

Price with Prime \$147²⁰
Includes 99% savings for Prime member

Copay price available in cart after we connect with your insurance company.

[Learn more about pricing and insurance eligibility](#)

amazon pharmacy Prime members get FREE Two-Day delivery and all customers get FREE 4-5 day delivery. [Details](#)

An Amazon account is required for Amazon Pharmacy

[Sign up for Amazon Pharmacy](#)



PRESCRIPTION DRUGS

Florida County School System

- Contract language for the Pharmacy Benefit Manager (PBM)
- Manufacturer rebates: Contract resulted in no specialty drug rebates-- Harvoni rebate per script \$20,455 lost

DRUG MANUFACTURER-PAYMENT SHARING

For All Products:

The greater of: 100.00% of Rebates and Manufacturer Administrative Fees on such utilization dispensed in the full calendar year immediately preceding remittance, or the sum of \$149.34 multiplied by the number of **Retail Pharmacy Brand Claims dispensed in 30-day*** supplies plus \$397.61 multiplied by the number of **Retail Pharmacy Brand Claims dispensed in 90-day**** supplies plus \$1,329.42 multiplied by the number of **Home Delivery Pharmacy Brand Claims processed in such full calendar year.**

+	Label Name	+	Paid Amount	+	NDC	+	Metric Quantity	+	Drug Strength	+	Copayment	+	Generic
	Harvoni		\$6,594.75		61958180101		28		90 mg-400 mg		\$4,950.00		N
	Harvoni		\$6,594.75		61958180101		28		90 mg-400 mg		\$4,950.00		N

Rebates credited at point of sale—Elixir Rx. Pharmacy cost \$32,000 minus net paid = 11,545

\$32,000 minus 11,545 = 20,455 rebate per 30-day script



STRATEGIES + IDEAS

Thorough contract review of the Pharmacy Benefit Manager (PBM) and Administrative Service Only (ASO) is a must!

Questions to uncover and consider:

- What is the contract definition of brand drug and generic?
- Contract allow for “spread pricing”?
- Cost containment language?
- Termination provisions – how are admin fees and rebates handled?
- Include RFP solicitation to independent TPA and PBM services?



UTILIZATION

Provider Network

- Typically broad selection of physicians, hospital and facilities

Steerage

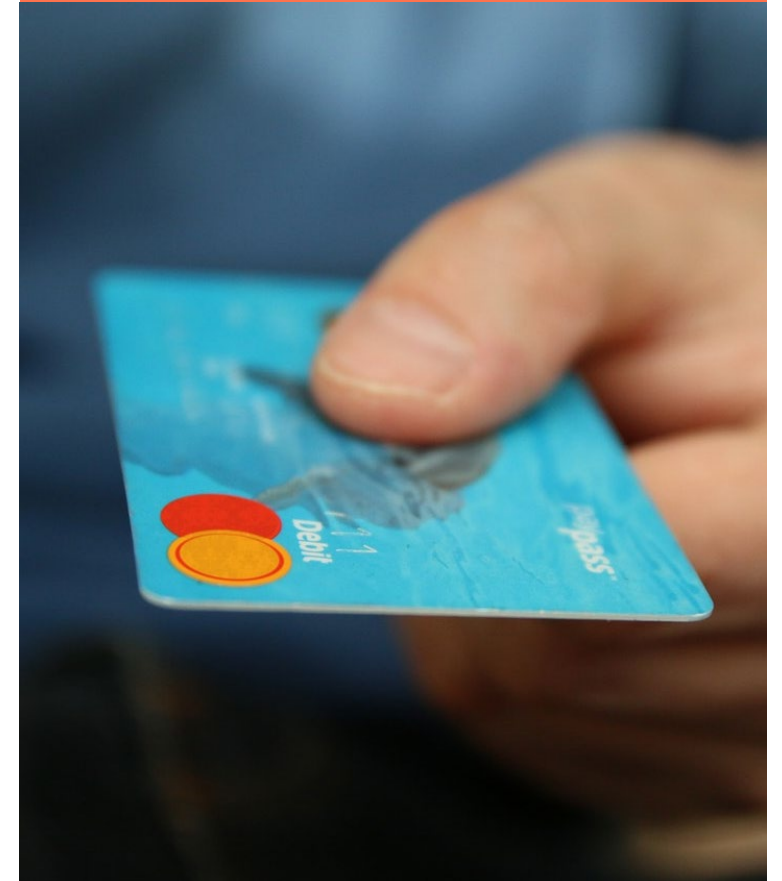
- In the best interest of the patient?

Provider Quality

- Are employees/members accessing high quality providers?



Health plan members have an unlimited credit card for health care.














UTILIZATION

PPO network discounts are based off of billed charges, which vary drastically.

Knowing your **Costs** is more important than Discounts

MRI BRAIN	COLONOSCOPY	C-SECTION
WITH AND WITHOUT DYE	WITH BIOPSY	WITHOUT COMPLICATIONS
43 Locations	71 Locations	56 Locations
facility payment range	facility payment range	facility payment range
		
 LOW \$425	 LOW \$479	 LOW \$5,165
 HIGH \$3,900	 HIGH \$3,528	 HIGH \$16,966



UTILIZATION

In health care, provider cost and quality often have an inverse relationship.

Physician Id (Operating)	Meets Criteria of MAP®	Volume Cases	Ancillary Charges per Case								Quality	
			Routine	Pharm	MM	Lab	Rad	OR	Other	Total	Mortality	Complications
177052641	Yes	167	5,253	5,690	14,062	1,180	90	24,525	2,279	53,080	0	0.08
171018847	Yes	144	5,872	6,550	15,141	2,217	279	23,377	3,000	56,435	0	0.13
197259694	No - C	132	8,398	7,304	19,052	5,093	425	35,968	1,297	77,536	0	0.33
135630961	No - D/M/NBC	128	8,482	8,413	17,623	5,006	1,024	26,874	4,654	72,071	0	0.26
179077876	No - Q	105	7,623	7,176	13,991	6,229	1,163	26,623	3,449	66,254	4.47	0.50
176047437	No - D	97	5,778	6,927	16,670	2,310	708	23,367	2,860	58,621	0	0.19
184127266	Yes	95	7,977	8,357	18,322	4,807	796	24,801	3,616	68,676	0	0.28
181195066	Yes	90	5,215	6,988	14,148	2,554	1,026	27,220	4,232	61,382	0	0.15
121599736	No - C	78	6,745	6,119	20,127	1,846	838	20,418	4,113	60,205	0	0.65
122502398	No - C	74	9,514	10,254	51,608	2,815	1,006	21,019	5,156	103,043	0	0.80
141799086	No - M	62	8,492	6,749	18,659	6,190	853	18,746	4,290	63,978	0	0.40
175036607	No - C	56	6,995	9,785	16,618	3,192	607	32,579	3,501	73,277	0	0.23
103310222	Yes	55	6,478	6,826	13,692	1,851	572	21,726	2,971	54,117	0	0.34
127553234	No - C	52	8,671	11,113	38,356	2,651	506	25,589	3,159	90,045	0	0.00
~Filtered Items	>50 Cases	821	8,434	9,207	24,580	4,382	1,015	29,347	2,918	80,695	0	0.45
Report Total		2,156	7,600	8,116	21,245	3,778	797	27,028	925	72,098	0.37	0.35

Filter >50 Cases ~ (46 Physicians Do Not Meet Criteria)

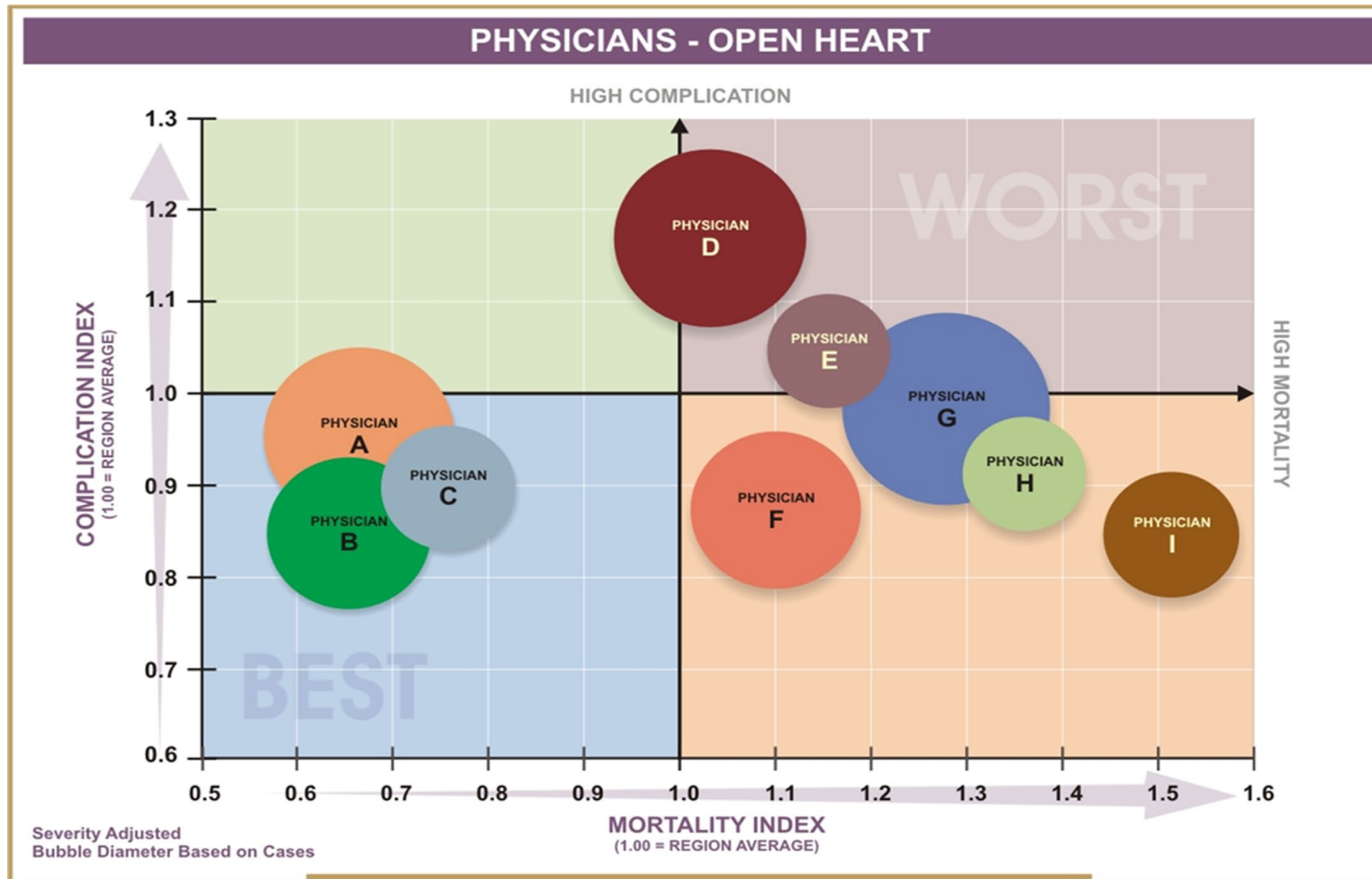
C = Cost D = Disciplinary Actions M = Malpractice NBC - Not Board Certified Q= Quality

Note: 14 of 60 Physicians met our volume criteria of 50 cases



STRATEGIES + IDEAS

Which heart surgeon would you choose?





STRATEGIES + IDEAS

Utilize health care advocacy and incentives to help drive member utilization to top quality providers within any PPO network





STRATEGIES + IDEAS

Incentive-Based Plan Designs

- Rewarding individuals financially for seeking high quality and cost-effective providers
- Carrot or stick approach
- Reward strategies
- On-site clinics and direct primary care
- Independent advocacy or clinical team is key to help drive success
- Stop loss marketplace



HEALTH PLAN EXPENSE DISTRIBUTION





EXPENSE DISTRIBUTION

If you have 500 employees and 1,000 members on the health plan

- 10 people are going to drive 30% of the expenses.
- 500 people in aggregate are going to drive less than 1% of the expenses.
- There is no such thing as an “average” deductible.
- If you can reduce the average cost of those 10 people in the top 1% by 1/3, you’ll reduce overall plan costs by 10%.

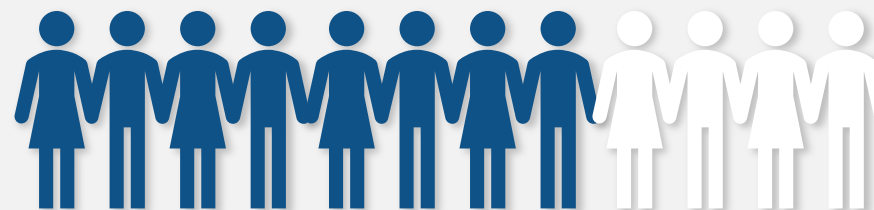


EXPENSE DISTRIBUTION



34%	Top 1%
21%	Top 2-5%
10%	Top 6-10%
12%	Top 11-25%
8%	Top 26-50%
8%	Bottom 50%
7%	Not eligible

Where were the top 1% last year?



About 2/3
of your costlier members
change out every year

YEAR-ROUND BENEFITS COMMUNICATION



DID YOU KNOW...

49%

of employees do not fully understand the employee benefits they enrolled in during their most recent Open Enrollment period.

VOYA 2021

YET...

56% of employees say they spend less than 30 minutes researching their benefits during Open Enrollment, and 34% say they spend less than 15 minutes.

PLAN SOURCE 20

KEEP THE CONVERSATION GOING ALL YEAR LONG

Personalized communication in various channels and formats throughout the year.

- Print
- Benefit Websites
- Video
- Email
- Mail Home
- Text
- Surveys
- Office Hours

BRANDING YOUR BENEFITS CREATES TRUST, LOYALTY, AND CONNECTION TO YOUR COMPANY BRAND AND CULTURE.



WE APPRECIATE THE OPPORTUNITY.

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