Disrupting Health Care Through High-Value Providers

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True or False

Because health care costs have risen significantly over the past 10 years, large insurance companies have struggled to make a profit.
True or False

The average range in costs for most procedures in any given marketplace, is about 150%
There is little correlation between the cost and the quality of health care services
True or False

Consumers have access to an abundance of information regarding the cost and quality of health care procedures.
The Problem with Current Health Care . . .

Broad Networks

Wide Range of Costs

Limited Cost and Quality Information

AMPLE OPPORTUNITIES for MEMBERS to make BAD CHOICES!
Recipe for Disrupting Health Care

- Self-Fund
- Build your own Onsite/Near-site Clinic
  - Share, if appropriate
  - Partner with a close Convenience Care clinic
  - Substitute direct primary care for an Onsite Clinic
- Identify “High-Value Providers” (HVPs)
- Offer incentives for making the smart choice to use HVPs
  - FREE Care (Low cost for HSA plans)
  - Travel Expenses
  - $ Incentives
Recipe for Disrupting Health Care

- Partner with a Local Hospital System, if possible, for reasonable prices
- Provide Access to Other Providers:
  - Member ‘Skin in the Game’
  - Medicare-Based Pricing
  - Protect member from balance-billing
- Provide High-Touch Navigators/Advocates w/ Out-Reach
- Connect Members with Navigators
- Use a ‘best doctors’ type resource to ensure quality
Identify High-Value Providers

- Onsite/Near-site Clinic/Convenience Care/Direct Primary Care
- Telemedicine
- Other Direct-Contracted Providers
  - Reasonable rates based on a percentage of Medicare
  - Bundles
    - Cost for all services related to a designated procedure are bundled into one price/CPT code
    - Bundled price is negotiated directly with the provider either by the employer or through a third-party
    - Insurance company-owned TPAs generally won’t process these bundles
Types of Procedures to Bundle

- Surgeries
- GI 
  colonoscopies, etc.
- Physical Therapy
- Chiropractic
- Eye
- Infusions
- Pain Management
- Single Case Agreements
- Imaging 
  MRIs, X-rays, Ultrasounds, etc.
## Direct Contract Examples

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Average Cost</th>
<th>Direct Contract Price</th>
<th>Dollar Savings</th>
<th>Savings % from Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultrasound Pelvis</td>
<td>$1,300</td>
<td>$135</td>
<td>$1,165</td>
<td>90%</td>
</tr>
<tr>
<td>Colonoscopy, Diagnostic</td>
<td>$5,553</td>
<td>$851</td>
<td>$4,702</td>
<td>85%</td>
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<tr>
<td>Cpap Machine &amp; Accessories Bundle</td>
<td>$2,500</td>
<td>$1,128</td>
<td>$1,372</td>
<td>55%</td>
</tr>
<tr>
<td>Hernia Repair, Inguinal, Laparoscopic</td>
<td>$15,793</td>
<td>$7,028</td>
<td>$8,765</td>
<td>55%</td>
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<tr>
<td>MRI Knee / Ankle, w/wo Contrast</td>
<td>$1,600</td>
<td>$750</td>
<td>$850</td>
<td>53%</td>
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<tr>
<td>Physical Therapy, Evaluation</td>
<td>$427</td>
<td>$120</td>
<td>$307</td>
<td>72%</td>
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<tr>
<td>Sleep Study @ Sleep Clinic</td>
<td>$3,475</td>
<td>$1,800</td>
<td>$1,675</td>
<td>48%</td>
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</table>
## Procedures at NOVO

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Market Price</th>
<th>Direct Contract Bundle</th>
<th>Estimated Savings</th>
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<tbody>
<tr>
<td>Back, Disk Decompression</td>
<td>$41,000</td>
<td>$13,000</td>
<td>$28,000</td>
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<tr>
<td>Knee Scope</td>
<td>$15,530</td>
<td>$6,500</td>
<td>$9,030</td>
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<tr>
<td>Total Hip</td>
<td>$54,021</td>
<td>$26,000</td>
<td>$28,021</td>
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<td>Shoulder Arthroscopy</td>
<td>$21,217</td>
<td>$13,500</td>
<td>$7,717</td>
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<tr>
<td>Infusion</td>
<td>$27,000</td>
<td>$14,303</td>
<td>$12,697</td>
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<tr>
<td>Total</td>
<td>$158,768</td>
<td>$73,303</td>
<td>$85,465</td>
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## MRI Analysis

<table>
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<tr>
<th>MRI Savings Summary</th>
<th>#</th>
<th>Total Cost</th>
<th>Range</th>
<th>Avg Cost</th>
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<tbody>
<tr>
<td>Smart Choice MRIs/Readings</td>
<td>21</td>
<td>$12,600</td>
<td>$600</td>
<td>$600</td>
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<tr>
<td>Other MRIs</td>
<td>31</td>
<td>$71,839</td>
<td>$1,080 - $7,876</td>
<td>$2,837</td>
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<tr>
<td>Other Readings</td>
<td>46</td>
<td>$45,536</td>
<td>$238 - $4,521</td>
<td>$1,543</td>
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<tr>
<td>Total Non-Smart Choice MRIs/Readings</td>
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<td>$117,375</td>
<td>$1,318 - $12,397</td>
<td>$4,380</td>
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</tbody>
</table>

**Estimated Savings if Redirected to SC MRI**  $98,775
**Steering Members**

- Contracted Primary Care: FREE*
- Telemedicine: FREE*
- Direct-Contracts: FREE*
  - Bundles
  - Contracted pricing
- Per diem money for travel to non-local High-Value Providers
- $ Incentives
- Other Providers
  - (All) Deductible/Coinsurance or Copays
  - (Some) Medicare-Based Pricing

* Substitute low copays for HSA plans
Medicare-Based Pricing

- Commonly referred to as ‘Reference-Based Pricing’ or RBP

- **Most aggressive model:**
  - Target large claims
  - Audits bills after they’re incurred
  - Pays provider based on % of Medicare
  - Provider may not notice for some time then ‘pings’ member
  - Provider lawyers may target member for collections
  - Little dialogue between provider and RBP firm
  - Generally VERY adversarial

- **Less aggressive model:**
  - Negotiation starts before claim is incurred
  - Less adversarial
HST: Medicare-Based Re-Pricer

- HST contacts hospitals with pricing based on 140-200% of Medicare
- If hospitals don’t agree, claim gets paid at 140% of Medicare
- Non-facility charges re-priced at 120%
- Member may get balance billed

- **PROBLEM:** How to protect the member from huge balance-due bills
  - **One solution:** If member sends us the balance-due bill, we negotiate on member’s behalf and ‘settle’
Why Not Use a PPO Instead?

- Insurer-owned networks won’t ‘play’
- Minimal savings through rental networks
  - Discount off billed charges is meaningless
- Most (all?) networks won’t allow employers to hold direct contracts with providers in their network
  - Some employers choose to ignore this and direct-contract anyway
- Most providers ‘settle’ for a discount similar to what rental networks offer so why ‘buy’ the network?
Care Navigators

One Call Service

Proactive Outreach

“Think like a Member”

Meet the Member
where they’re at in the decision-making process
Care Navigation Typical Questions

Clinical questions answered by Medical Professionals

- Is this procedure covered?
- Can you help me find a doctor who will charge me less?
- What are my provider options for this procedure?
- What are my treatment options?
- Can you tell me more about this procedure?
- Which providers are covered at 100%?
- Why hasn't my claim been paid?
- Is there any quality information available?
Rice Lake Area School District

Rice Lake, Wisconsin:

Population ~10,000

Schools: 3 Elementary, 1 Middle, 1 High School, 1 Academy

Academic Grades: 4k-12th grade

2250 Students

315 Staff Members

250 Employees on Health Plan

6 Total Schools
Health & Wellness Center

- Opened March 3rd, 2015
- Operated by CareHere
- Open 23-27 hours/week (Monday-Friday)
- 3 MDs and a Nurse on Staff

Services Available:
- Primary Care (both acute and preventive)
- Sports’ Physicals
- Wellness Coaching
- Prescription Medications
- Lab Work

Center Services are provided FREE TO EMPLOYEES, RETIREES & DEPENDENTS and just $80 / visit to employees not on the health plan.
Prior to July, 2017:

**Fully insured**—relatively same costs since 2013 with moderate coverage changes

<table>
<thead>
<tr>
<th></th>
<th>Annual Cost w/Clinic</th>
<th>Monthly EE Contributions</th>
<th>Deductible</th>
<th>Out of Pocket Maximum</th>
<th>Rx</th>
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</thead>
<tbody>
<tr>
<td>Single:</td>
<td>$ 5,956</td>
<td>$20</td>
<td>$2,000</td>
<td>$2,500</td>
<td>$5</td>
</tr>
<tr>
<td>Family:</td>
<td>$17,869</td>
<td>$60</td>
<td>$4,000</td>
<td>$5,000</td>
<td>$5</td>
</tr>
</tbody>
</table>

28% RENEWAL + $1,066,212 PREMIUM

Insurance Companies = No **Good** Options
New Member Options

Call Care Navigation
Discuss FREE or Low Cost Options
Member Chooses One at Time of Service

Tier 1: FREE CARE
✓ Onsite Clinic/Direct Primary Care
✓ Teladoc
✓ Direct-Contracted Providers
✓ Preventive Care

Care Navigators help patient arrange care.

Tier 2: Contracted Hospital System
Member pays deductible, coinsurance, copays
But NO Balance Due Bills

Tier 3: OTHER PROVIDERS (Medicare-Based Pricing)
Member pays deductible, coinsurance, copays, and any balance due bills*

Many Direct Contracts are ONLY available through Care Navigation!

*Balance Due Bills are charges that exceed what the plan will pay. Balance Due Bills are YOUR responsibility. Please call Care Navigation at XXX.XXX.XXXX if you receive a bill that is over your Out-of-Pocket responsibility (deductible/coinsurance/copays). Avoid them by choosing Tier 1 or Tier 2 providers.
RBP Results

• Some success at 200% of Medicare but hospital generally settles at a reasonable % off of charges
• Transparent reporting based on a percent of Medicare
• Significant savings with non-facility providers
• Local hospital approached district asking to negotiate
  • Received better pricing than they had through an insurance company
Care Navigation—1st 12 months

253 Employees On Plan

499 Member Calls Regarding Benefits

358 Calls Regarding Direct Contracts

271 Direct Contracts Available

(~37% of non-preventive medical claim dollars)

>>> 95% Utilization

Savings of $272,000
12-Month Results

- **Paid Premium + Clinic (2016-17)**: $3,870,705
- **Claims, Expenses, Clinic (2017-18)**: $2,436,450
  - **37% savings**: Difference of $1,434,255

- **Claims over $50k**:
  - 2016-17: 19 ($1.6 million)
  - 2017-18: 4 ($254k)

- **Teladoc Visits**:
  - 2016-17: 60
  - 2017-18: 205
  - **Up 78%**

- **Out of Pocket Spend for Employees**
  - 2016-17: $2,077
  - 2017-18: $1,994
  - **Down 4%**

- **On-Site Clinic Visits**
  - 11/16 thru 6/17: 1236
  - 11/17 thru 6/18: 2201
  - **Up 78%**
Comparison of Single/Family Costs w/Clinic

**Monthly Cost**
- **2016-2017 WPS Premium + Clinic**
- **2017-2018 Actual**
- **2018-2019 (thru May annualized)**

<table>
<thead>
<tr>
<th></th>
<th>Single</th>
<th>Family</th>
<th>Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$496</td>
<td>$1,489</td>
<td>$1,250</td>
</tr>
<tr>
<td><strong>Single</strong></td>
<td>$318</td>
<td>$961</td>
<td>$799</td>
</tr>
<tr>
<td><strong>Family</strong></td>
<td>$394</td>
<td>$1,190</td>
<td>$961</td>
</tr>
<tr>
<td><strong>Per Employee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Annual Cost**

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<th>Family</th>
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<td></td>
<td>$5,956</td>
<td>$17,869</td>
<td>$15,003</td>
</tr>
<tr>
<td><strong>Single</strong></td>
<td>$3,820</td>
<td>$11,537</td>
<td>$9,592</td>
</tr>
<tr>
<td><strong>Family</strong></td>
<td>$4,728</td>
<td>$14,280</td>
<td>$11,530</td>
</tr>
<tr>
<td><strong>Per Employee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
Other ‘Disrupters’

Marilyn Bartlett saved Montana $13.6m by negotiating with hospitals to reduce charges from up to 600% of Medicare to ~235% for state employees.

Utah provides cash incentives to state employees for travel to Mexico to fill certain prescriptions.

North Carolina is pursuing similar negotiations.

GE, Boeing, Lowe’s and Walmart are all direct contracting with designated Centers of Excellence for certain procedures; improving outcomes and lowering costs.

Haven Healthcare (Amazon, Berkshire, JPMorgan initiative)
Advantages of Disrupting Health Care

- Independent Primary Care providers are solely motivated to take great care of their patients, not generate revenues
  - Fewer referrals for tests and/or to specialists
    - Needed referrals go to High-Value providers
  - Advocacy when care outside of clinic is needed
  - Direct Contracts can be run through clinic thus preserving PPO integrity
    - “System-run” clinics may use it to ‘feed’ their system
- High-Value providers will drive quality up and costs down
- Employers and Members will pay less
- The model changes the way employers and members buy health care; it will ‘bend the trend’
- Fully insured plans can incorporate some elements to reduce claims
Challenges with Disrupting Health Care

• BIG (but positive) change for everyone; Engagement is REQUIRED
• Finding the right primary care solution may be challenging for smaller employers
• Stop Loss numbers need to make sense financially
  • Only few carriers price this model correctly
• Establishing “Local” direct contracts and bundles may take some time
  • Several ‘aggregators’ are putting together bundles
• ‘Best doctor’ resources are few, especially for employers under 1,000 employees
• Prepare for obstacles; you’ll hit plenty
  • Building a ‘new’ model takes time and patience
If you don’t change your direction, you may end up where you are heading

–John C. Marshall