

# Wisdom at Work.

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# Welcome

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*Presented by*  
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October 26, 2017

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# Strategies to Control Costs in Self-funded Plan

# Agenda

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- Market Trends and Factors
- Employee Must Haves
- ASO Strategies to Consider
  - Fixed Cost
  - Network Solutions
  - Data Analysis
  - Pharmacy Contracts
  - Reference-based Pricing
- Discussion

# Market Trends and Factors

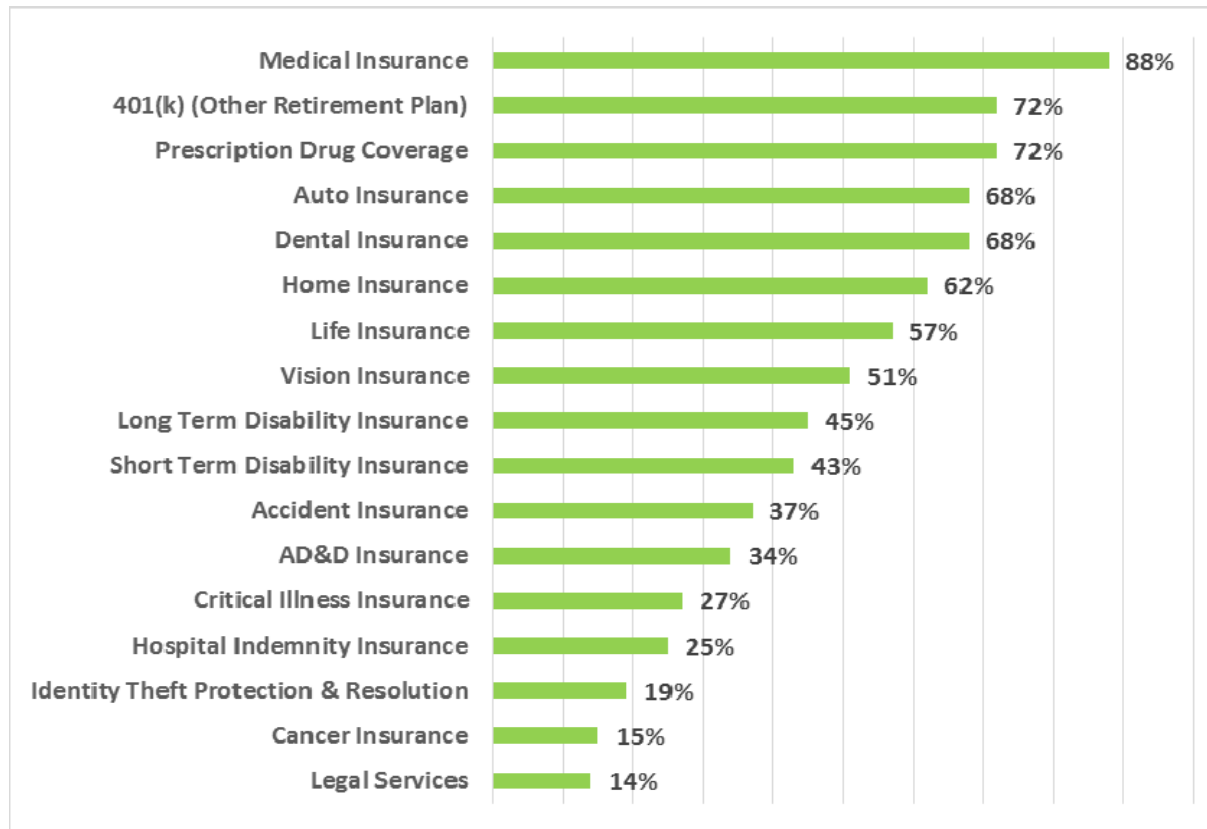
- Culture
  - Happiness at work is as important as benefits and compensation for today's employees
  - A new family structure in the workplace is prevalent and benefits must be tailored around these needs (examples include same-sex marriage and single parents)
  - The generation gaps (millennials, Gen Xers, boomers) require a different thought process on retaining and recruiting
  - Benefits can offer the security that inspires more loyalty with employees
- Employee choice
  - High-deductible health plans (HDHPs) are in three of every five large employer benefit programs
  - Preferred provider organization (PPO) plans are the most popular pick for employees
- Single high-deductible health plan (HDHP) option occurs but not the majority
  - Option to freeze enrollment in PPO
- Demographic factors
  - Millennials and high wage earners prefer HDHPs
  - Young employees are saving more with health savings accounts (HSAs) and flexible spending accounts (FSAs)
- Healthcare costs
  - Employee and employer costs are up
  - Plan design/contribution strategies are being used to offset increases

# Market Trends and Factors

- Pharmacy costs
  - New drugs to the market impact total spend
  - Drug manufacturer couponing can be an issue
  - Specialty drug spend is on the rise
- Employers are considering eligibility strategies
  - Spousal surcharge/penalties
  - Retirees
- Employers are increasingly embracing voluntary benefits. Long-term care benefits are making a comeback and student loan reimbursement is gaining attention.
- Financial wellness is just as important as health wellness.
- Simplified tools such as electronic enrollment, claim transparency and mobile phone applications for health engagement will take over the communication process. Paper, phone calls and in-person meetings are fading.
- Regardless of changes to the Affordable Care Act (ACA), the insurance companies are making up for loss in the public marketplace, impacting employer costs.



# Employee Must Haves



Source: MetLife 15th Annual U.S. Employee Benefit Trends Survey (2016)

# Administrative Fees: What are You Paying for?



# Fixed Cost Audits

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- Administrative fees
  - Base fees
  - Network access fees
- Stop-loss
  - Reimbursement protocol – integrated or not?
  - Preferred vendor
  - Data integration charges
- Other fees
  - Reporting
  - Telemedicine
  - Rx rebates/admin fee credits
  - Commissions and other fees
  - Care/case management fees

# Networks: High Performance Networks

# What are High Performance Networks?

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- High performance or narrow networks
  - Transplant, cancer, obesity, pregnancy
  - Partnerships with local facility/provider groups
  - Customer specific network
- Drive cost and utilization
- Used for variance in cost for shoppable procedures (e.g., musculoskeletal)

# Why Does it Work?

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- Data can provide insight into:
  - Utilization and prescribing patterns
    - Opportunity to help those providers that may be outliers
  - Population management
    - Identification of those at-risk patients allow for more focused care
    - More focused care can result in improved health or more appropriate use of the healthcare system
  - Incentive structure
    - Creating, managing and adjusting incentive structures to create a win-win scenario

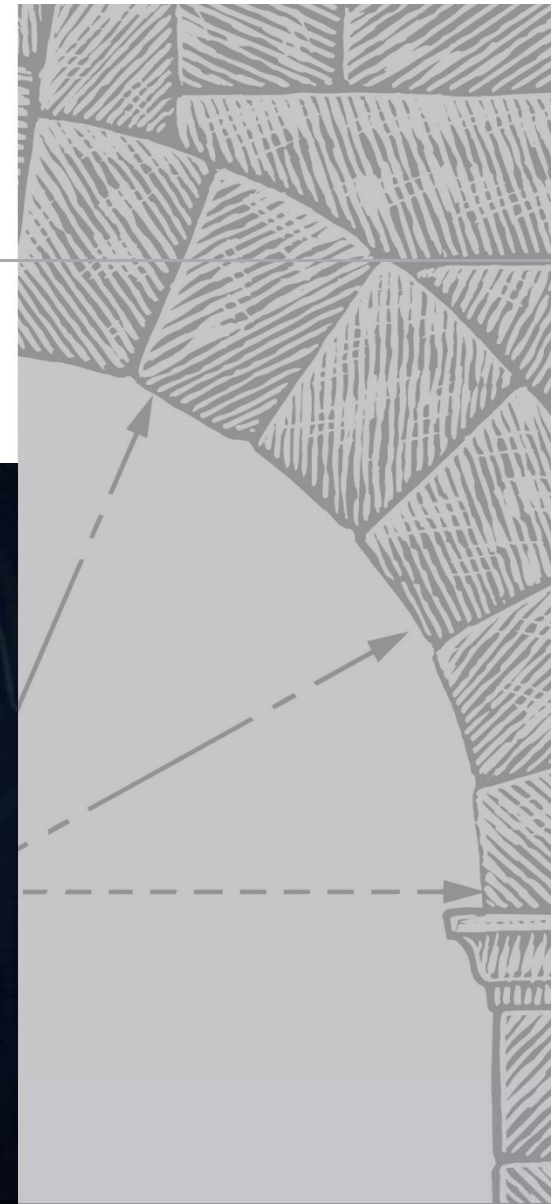
# Who is Choosing?

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- According to a National Business Group on Health poll of 46 large U.S. employers, 17% already had a high performance network in place, while an additional 24% were considering it for 2015 and another 20% for 2017.
- A University of Chicago survey found that 57% of small employers would opt for a high performance network if it would lower costs by 5% or more. About 77% said they would choose the high performance network if it lowered costs by at least 10%.

# Analysis Paralysis: Data Driven Decision-making





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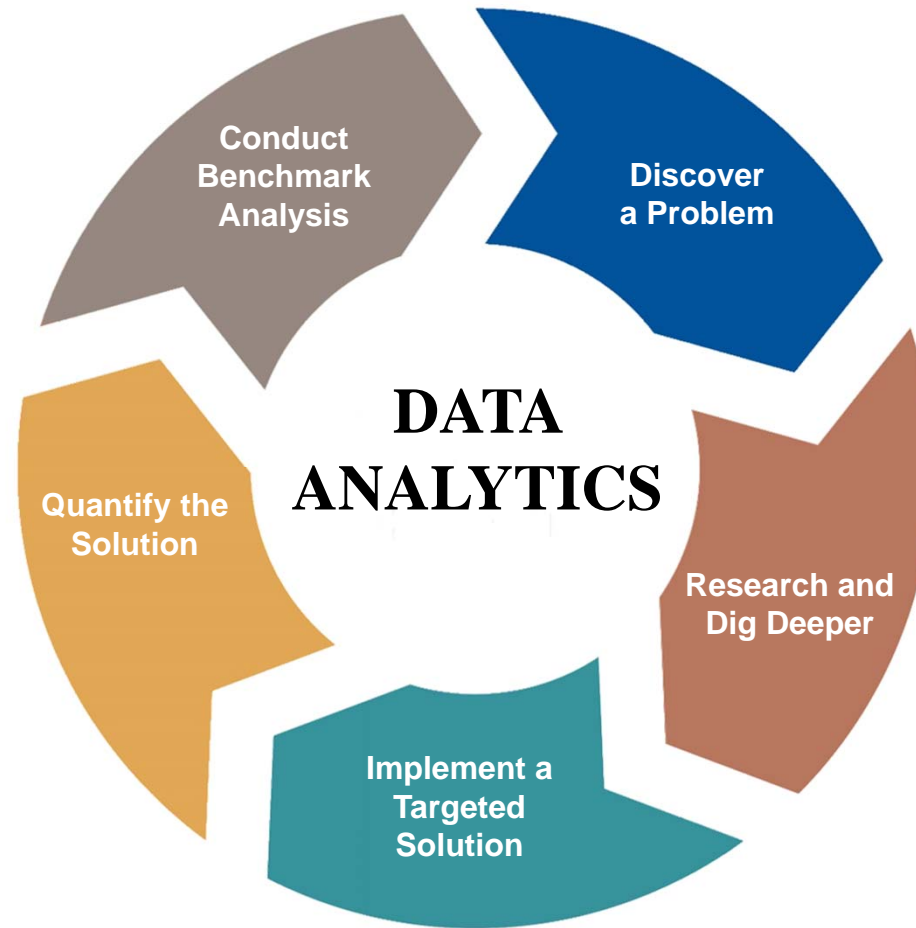


# Does Data Matter?

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- Real time data is the key to effective solutions
- Data tells a story – good or bad
- Healthcare costs are not decreasing – future strategies are data focused to ensure we are attacking the biggest problems

# How to Make Data Work for You

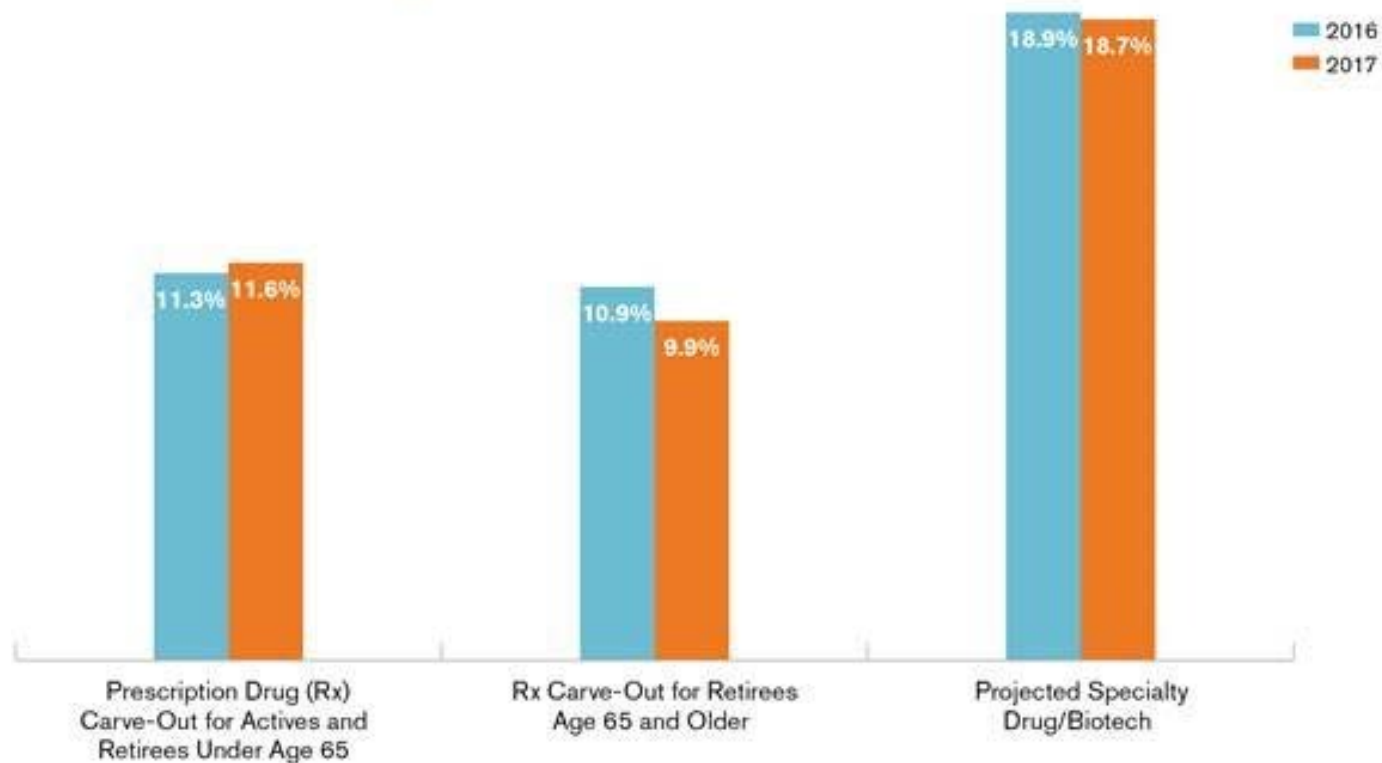


# Examples of Data-driven Strategies

- Plan design
  - Overuse and abuse
  - Structure to drive appropriate utilization
  - Example: primary care, urgent care, emergency room, telemedicine
- Reimbursement
  - Network contract amounts and reimbursements should not be ignored
  - Example: dialysis
- Contractual limitations
  - Innovations can reduce cost
  - Example: home infusion therapy

# Pharmacy: What Can You Swallow?

### Projected Prescription Drug Trends: 2016 and 2017



Source: 2017 Segal Health Plan Cost Trend Survey

# What Strategies to Consider?

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- Strategic formulary management
  - New medications to market
  - Generic management
- Tiered copayment structures
- Specialty pharmacy programs
  - Consider mandatory options for dispensing

# Removing the Hidden Terms

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- Review pharmacy contract and impact to pharmacy spend – are you getting what you were promised?
- Comparison of actual payments versus contract
- Review and enhance guarantees to remove uncertainty
- Be careful of coalitions and question “what’s in it for me?”





# What's on the Horizon: Reference-based Pricing (RBP)

# What is RBP?

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Reimbursement methodology using objective benchmarks, such as Medicare, and other cost information to determine a fair and reasonable payment for medical services.



# RBP Option #1 – Select Services

- Utilizing a PPO network, RBP on certain services
- Full PPO network, RBP discretely on certain services
- Most scrutinized approach to RBP
- Example – CalPERS
  - June 2013
  - ONLY on knee and hip services
  - Report an estimated \$3.1 million in savings
  - Exploring other outpatient procedures

# RBP Option #2 – RBP Carveout

- Identified in plan
- Specific types of care, services and/or providers
- Literature stating identified are not part of standard schedule of benefits
- Example – dialysis carveout

# RBP Option #3 – Complete Replacement

- No network
- Referred to as “pure” RBP
- Pays every claim (professional and facility) RBP

# RBP Option #4 – Facility Only RBP

- Hybrid using a PPO on most common claims
- Focused RBP on highest cost claims
- Most common approach to RBP

# Potential Challenges

- Consumer dissatisfaction with limited networks
- Balance billing
- Lack of market knowledge for various constituents
  - Provider
  - Member/employee





# Why Discuss RBP?

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- Claim payment errors can be costly to providers and consumers
- RBP trend is 38% below national average
- Providers can be paid in a more timely manner
- Employers have discretion in setting reimbursement percentage
- Stop-loss premium discounts

# Our Services



\* Private Wealth Management and 401(k) & 403(b) Advisory are offered through our affiliate company, SilverStone Asset Management.

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# Thank you!

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