A Path Forward

Constructing a High-Performance Health Plan

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Objectives and Constraints

Many municipal and public employers have similar objectives related to benefits generally, and health care specifically

1. CONTROL COSTS – keep plans affordable for both the employer and employee (and for ACA purposes)
2. MAINTAIN QUALITY – provide the best benefits possible to recruit/retain talent and to keep people healthy and productive
3. CONTRACTUAL OBLIGATIONS – meet the contractual obligations of collective bargaining agreements

Objectives and Constraints

What is more difficult – health care or rocket science?

- 3 of the largest employers in the world came together to fix health care – and failed
- Amazon founder, Jeff Bezos, just successfully took a commercial rocket into space

amazon

HAVEN

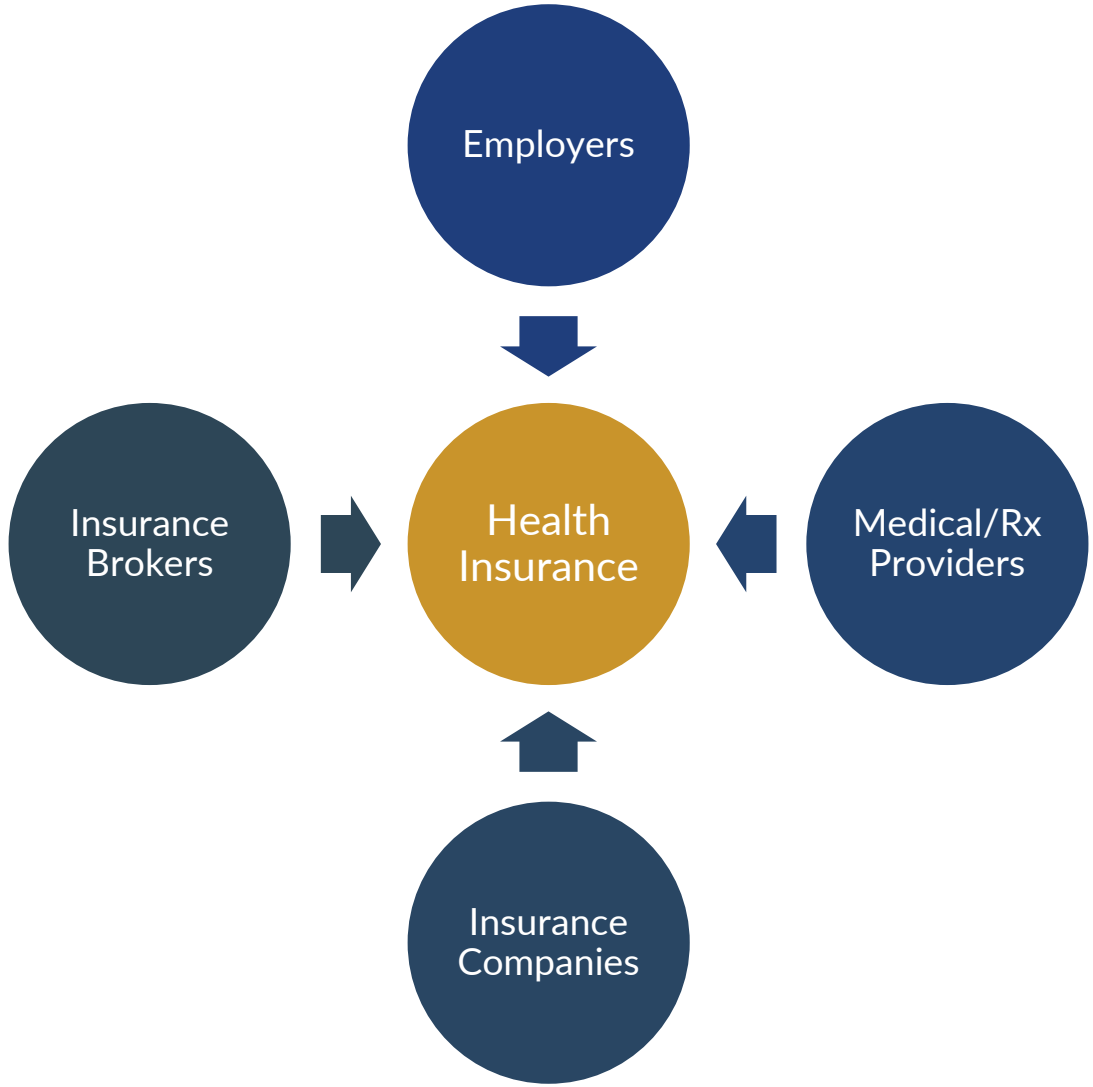
J.P.Morgan

BERKSHIRE HATHAWAY

Objectives and Constraints

The employer-based health care system in the United States is made up of a four-party partnership

Which party or parties have an interest in keeping costs low?



Objectives and Constraints

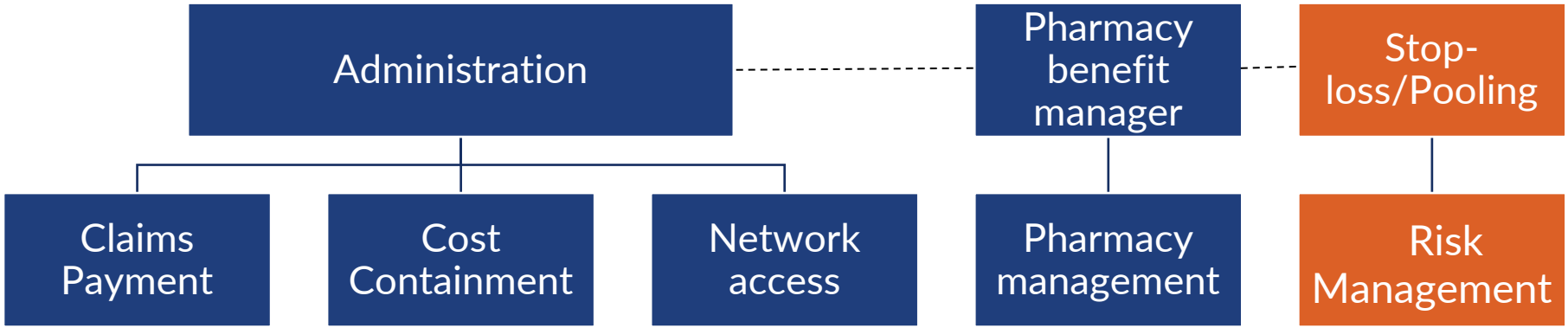
Many municipal and public employers have similar constraints related to health care:

1. The market consolidation around 2-3 insurance carriers
2. Retiree obligations
3. Lack of actionable data provided by the insurance carriers and/or insurance brokers
4. Majority of advice from brokers and carriers is not aligned with the interests of the employer or the employees
5. Employers are bombarded with marketing that offer only partial solutions

Components of a Health Plan

The common components of a health plan are typically pieced together by an insurance company or plan administrator

- The components are conceptually the same regardless of whether the plan is fully-insured or self-insured
- Stop-loss or pooling is the “insurance” associated with health insurance



Components of a Health Plan

How might an insurance company's interests result in a less than efficient construction of plan components?

- Will pharmacy contracting be optimal to an employer?
- What incentive exists for insurance companies to negotiate with doctors and hospitals for fair reimbursement levels within their networks?
- Will customer service and clinical teams at the insurance companies truly advocate for patients?

Plan Financing

When considering how to finance a health plan, consider the following questions:

- Are your risks and costs *insured* or *deferred* in fully-insured arrangements?
- Have you been told your plan is too small to self-insure?
- If your plan is already self-insured, are you buying the most effective stop-loss policy?

Self-insurance is the vehicle that allows employers to construct a high-performance health plan

Plan Financing

Stop-loss insurance is an important part of a self-insured health plan, and the following should be considered:

- Covered claims – medical, or medical and pharmacy
- Contract term – immature, paid, mature with runout, etc.
- Plan match – stop-loss contract should cover all claims that are considered covered per the plan document
- Lasers – unique risk position for known high-cost claimants

Purchasing stop-loss via a group captive can present unique opportunities and purchasing power that individual employers may not enjoy if purchasing stop-loss themselves

High-Performance Health Plan

There are four key foundations when building a high-performance health plan including:

1. Patient Advocacy
2. High Value Primary Care
3. Transparent and Actively Managed Pharmacy
4. Properly Aligned Broker/Consultant Incentives

Perfection is NOT necessary – implementing all four at the same time is very difficult and may not be advisable

High-Performance Health Plan

The health care industry is highly complex, so providing people support in navigating it can yield significantly better outcomes

There are many solutions in the self-insured health plan ecosystem that can improve benefits while reducing costs

- Low utilization and engagement is the result of people not remembering which solutions are available to them and when they are appropriate

Some organizations that provide advocacy services include: Quantum Health, Accolade, HealthJoy, Grand Rounds, and Alithias

High-Performance Health Plan

Transactional primary care has resulted in less focus on health maintenance and poorer doctor-patient relationships

- PCP shortage
- Reimbursement methods focus on number of consults rather than outcomes
- Increasing referrals to specialists

High value primary care results in doctor-patient-employer objectives all aligning

- Longer visits, fewer referrals, better health

Consider engaging Direct Primary Care doctors, onsite/nearsite clinics, or using technology solutions like MeMD, Akos, or One Medical

High-Performance Health Plan

Many employers are still passively managing their pharmacy benefit manager (PBM) relationships

- Do you negotiate the terms of your pharmacy arrangement each year?

The pharmacy space is riddled with costs inefficiencies that must be actively managed

- PBM retaining rebates
- Poor formulary management
- Misleading contractual terms and exceptions

High-Performance Health Plan

The same prescription can vary in price significantly depending on the pharmacy a person uses

- Are your benefit designs set up to encourage people to use the least expensive pharmacies? Do participants have enough data to know which are the least expensive pharmacies?

Alternative sourcing for expensive medications is becoming much more common

- Copay and Patient Assistance programs (i.e., grants, copay cards)
- International sourcing (i.e., ScriptSourcing, ElectRx, etc.)
- Specialty medicine carve-outs (i.e., Pillar Rx, Archimedes)

Some transparent PBMs include Southern Scripts, Navitus, Drexi, SmithRx, and CapitalRx

High-Performance Health Plan

Aligning consultant/broker compensation is critical when considering the rollout of a high-performance health plan

- If your broker gets paid more as your costs go up, you can expect your costs to go up
- If your broker is predominantly paid by big insurance companies, you will likely only hear about solutions from big insurance companies

Compensate your consultant/broker so they are free to work in your best interest without competing interests!

You work for whoever pays you!

Retiree Solutions

Retiree populations can make implementing high-performing health plans more difficult

- Retirees are often linked to actives, so changes to the active population can and will impact retirees
- There can be legal challenges to change retiree plans

Many times, the TPAs that can administer high-performance health plans can also administer plans for pre-Medicare retirees that mimic current benefit levels

- TPAs include: Meritain, ASR, Trustmark, Lucent, Allied, and others
- Stop-loss insurance can be purchased for actives and pre-Medicare retirees only

Retiree Solutions

There are a myriad of highly cost competitive solutions for Medicare retirees including:

- Medicare Advantage plus Part D plans from Aetna, Blue Cross Blue Shield of MI, HAP, Humana, and Priority Health
- Medicare supplement + EGWP (i.e., UnitedHealth Care + Express Scripts)

These solutions typically:

- Offer the same or better benefit levels at lower costs
- Result in lower OPEB if the current arrangement includes the Retiree Drug Subsidy (RDS)

THANK YOU!

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