

COST PLUS PRICING

“THE NEXT RIGHT THING FOR HEALTH PLANS.”

KATHLEEN SULLIVAN, FIRST FLORIDA INSURANCE BROKERS

MICHAEL R. VAN GERPEN, ELAP SERVICES

FFIB

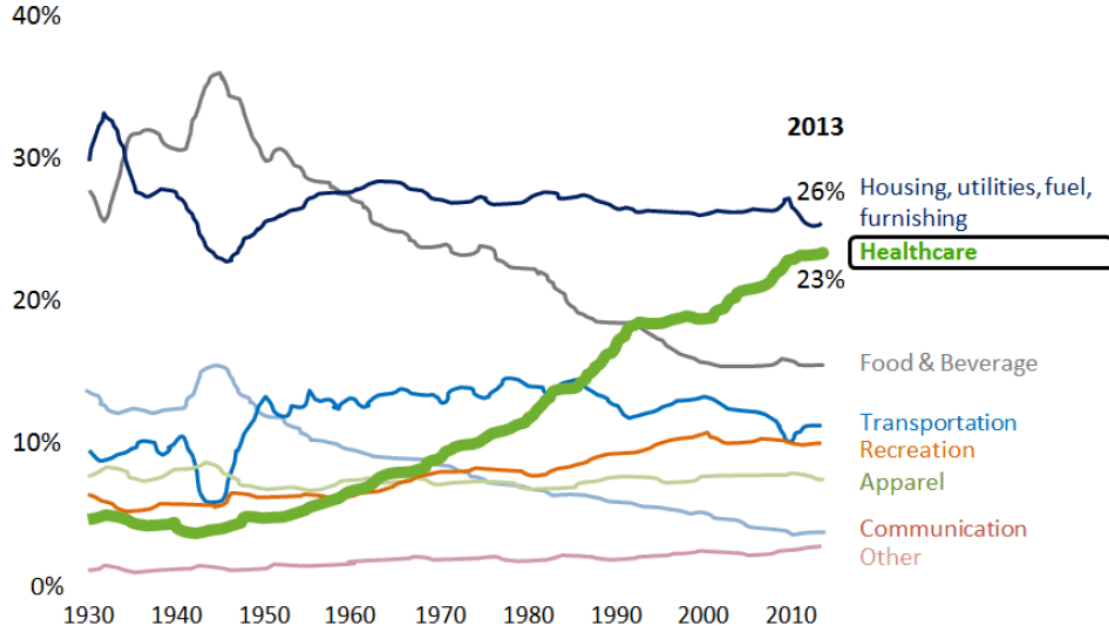
First Florida Insurance Brokers

A BALLATOR COMPANY



WHAT WE KNOW?

Percent of Household Spending, 1930-2013



Source: BEA

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



PUBLIC ENTITIES BEAR AN EXTRA BURDEN

- FIDUCIARY ROLE TO TAX PAYERS
- FIDUCIARY ROLE TO EMPLOYEES

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



SO, HOW DO WE PAY FOR HEALTHCARE TODAY...

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



costplus 

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY

elap
services

HEALTHCARE PURCHASING ENVIRONMENT

- NO PRICES PROVIDED WHEN SERVICES RENDERED
- NO CONFIRMATION IF CERTAIN PROCEDURES OR SERVICES WILL BE COVERED
- VIRTUALLY NO SHOPPING AVAILABLE
- YOUR BILL IS MAILED TO YOU 30 DAYS AFTER SERVICE, OFTEN WITHOUT THE ABILITY TO AUDIT.

COULD THIS EVER RESEMBLE A PUBLIC
ENTITY PURCHASING POLICY?

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



IS THE PPO NETWORK SERVING YOUR BEST INTEREST?

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



IN SW FLORIDA, HOW MUCH DOES A... COMPUTED TOMOGRAPHY (CT) SCAN COST?

	Avg. Billed	Average Cost	Average Payment from Medicare	Cost Ratio (all CT Scans)
Lee Memorial	\$4,218	\$55	\$176	.0134
NCH Downtown Naples	\$3,235	\$118	\$154	.0365
Gulf Coast Medical Center	\$3,963	\$65	\$160	.0165

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY

Departmental statistics are obtained from a hospital's most recent Medicare cost report. Ratio = Total Annual Costs divided by Total Annual Billed Charges, within that Department.





“GETTING A 50% OR EVEN 60% DISCOUNT OFF THE CHARGEMASTER PRICE OF AN ITEM THAT COST \$13 AND LISTS FOR \$199.50 IS STILL NO BARGAIN.”

- EXCERPT FROM **TIME** MAGAZINE



HOSPITAL MARK-UP 300-2,000%

HARD TO BELIEVE?

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



PROTECTING FLORIDIANS AGAINST HOSPITAL PRICE GOUGING



I know that you've got to watch how you spend all the dollars. That's not the easiest thing to do. That's not what people think is the most fun thing to do, but it's the right thing to do.

— Rick Scott —

AZ QUOTES

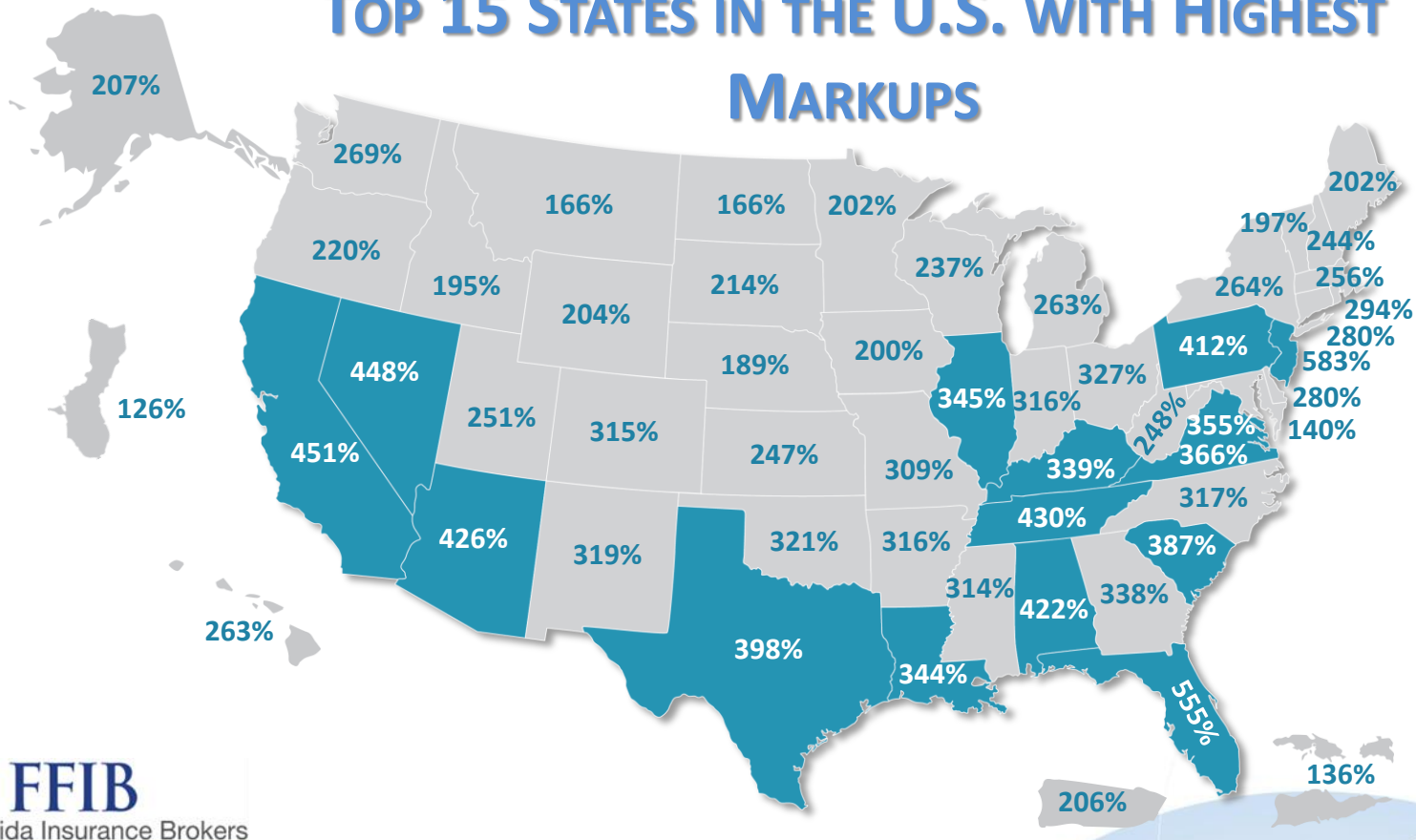
FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



TOP 15 STATES IN THE U.S. WITH HIGHEST MARKUPS



FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



GOVERNOR SIGNS LAW HB 221, APRIL 14, 2016

1. LAW SHIELDS PATIENTS FROM SURPRISE MEDICAL BILLS

- APPLIES TO PPO PLANS
- PROTECTS MEMBER WHO GO TO HEALTHCARE FACILITY IN THEIR NETWORK AND INADVERTENTLY RECEIVE SERVICES FROM A NON-NETWORK PROVIDER
- OPPOSED BY ANESTHESIOLOGY & RADIOLOGY GROUPS

2. INCREASES PRICE TRANSPARENCY

- 1ST STEP TOWARDS PRICING TRANSPARENCY

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



THE HOSPITAL CONTRACTS

- RELINQUISH YOUR AUTHORITY TO A THIRD PARTY PAYOR GIVING THEM CONTROL
- NEGOTIATED A CONTRACT WITH A HOSPITAL THAT YOU WILL NEVER SEE AND TURNED OVER TO A THIRD PARTY
- 55-60% OF YOUR ANNUAL CLAIMS VOLUME IS MADE OF HOSPITAL CLAIMS.

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



SUMMARY BILLING

TRANSPARENCY?
REASONABLE CHARGES?
ACCURACY?

THERE ARE “LIMITED AUDIT” PROVISIONS IN PPO CONTRACTS!

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



42 REV CD	43 DESCRIPTION	44 HCPCS/RATE/HIPPS CODE	45 SERV DATE	46 SERV UNITS	47 TOTAL CHARGES	48 NON COVERED CHARGES	49
110	Room-Board/PVT			2	7000.00		
250	Pharmacy			42	2677.45		
272	Sterile Supply			27	2489.86		
272	Catheter, Drainage, and Biliary	C1729		1	132.48		
278	Anchor/Screw for Opposing B	C1713		16	97115.04		
301	Basic Metabolic Panel	80048		1	100.00		
305	Complete CBC w/Auto Diff WB	85025		1	92.00		
305	Hematocrit	85014		1	28.00		
305	Hemoglobin	85018		1	28.00		
320	Fluoroscope Exam, Extensive	76001		1	2200.00		
360	OR Services			22	82000.00		
370	Anesthesia			22	27000.00		
421	Gait Training Therapy	97116:GP		3	282.00		
421	Therapeutic Activities	97530:GP		1	112.00		
424	PT Evaluation	97001:GP		1	269.00		
460	Breathing Capacity Test	94010		9	1980.00		
460	Evaluate PT Use of Inhaler	94664		3	321.00		
460	Measure Blood Oxygen Level	94760		3	170.25		
710	Recovery Room			3	4000.00		
001	Total Charges				227997.08		
50 PAYER NAME		51 HEALTH PLAN ID	52 MI INFO	53	54 PRIOR PAYMENTS	55 EST AMOUNT DUE	56 NPI
							57 OTHER PRV ID
58 INSURED'S NAME			59 PREU	60 INSURED'S UNIQUE ID		61 GROUP NAME	62 INSURANCE GROUP NO

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



HOW TO SEIZE CONTROL OF YOUR HEALTHCARE SPENDING?

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



SIMPLY STATED...

**TREAT YOUR MEDICAL COSTS IN THE
SAME MANNER THAT YOU WOULD ANY
OTHER BUSINESS COST**

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



EMPLOYER SMART CONSUMERISM TOOLS

TECHNOLOGY TOOLS

- CASTLIGHT, HEALTHCARE BLUE BOOK, COMPASS, CHANGE HEALTHCARE, HEALTHSPARQ, DELPI ...
- MCO'S - AETNA, CIGNA, FL BLUE, UHC, AvMED ...

PLAN INCENTIVES

- SHARING IN FINANCIAL SAVINGS BACK TO EMPLOYEE
- ELIMINATE CO-PAYS ON RX AND OFFER AT % UP TO A MAX OUT OF POCKET COSTS
- ALL ELECTIVE PROCEDURES REQUIRED TO CONSULT OR SUBJECT TO PRE-CERT PENALTY

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



IMPLEMENTING A COST PLUS PLAN DESIGN – SELF-FUNDED EMPLOYERS

- OFFER PHYSICIAN ONLY NETWORK.
- NO NETWORK FOR HOSPITAL'S – EMPLOYEES CAN GO TO ANY HOSPITAL!
- DEVELOP PLAN LANGUAGE THAT CONTAINS CLEARLY STATED AND RATIONAL LIMITS OF REIMBURSEMENT BASED ON THE PROVIDERS ACTUAL COST OF DELIVERING A SERVICE...*NOT THE INFLATED BILLED CHARGES*
- INSTALL A PROCESS TO ENSURE CLAIMS **ARE AUDITED** FOR ACCURACY
- MEASURE PERFORMANCE, DETECT TRENDS AND IDENTIFY OPPORTUNITIES

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



COST PLUS CASE STUDY – CITY OF MARION, INDIANA

- 2012, \$5.2 MILLION DEFICIT
- STANDARD & POOR BOND RATING DROPPED TO **BBB-**
- 2013 IMPLEMENTED THE COST PLUS STRATEGY WITH ELAP SERVICES
- *“OVERALL, WE WERE ABLE TO SAVE \$2.7 MILLION LAST YEAR THROUGH THE PROGRAM ELAP HELPED US BUILD.” – WAYNE SEYBOLD, MAYOR*
- REBUILD DEPLETED CASH RESERVES AND RE-INVEST SOME MONEY BACK INTO THEIR EMPLOYEES
- AFTER JUST ONE YEAR ON THE PROGRAM, STANDARD & POOR UPGRADED THE CITIES BOND RATING FROM **BBB-** TO **A-**

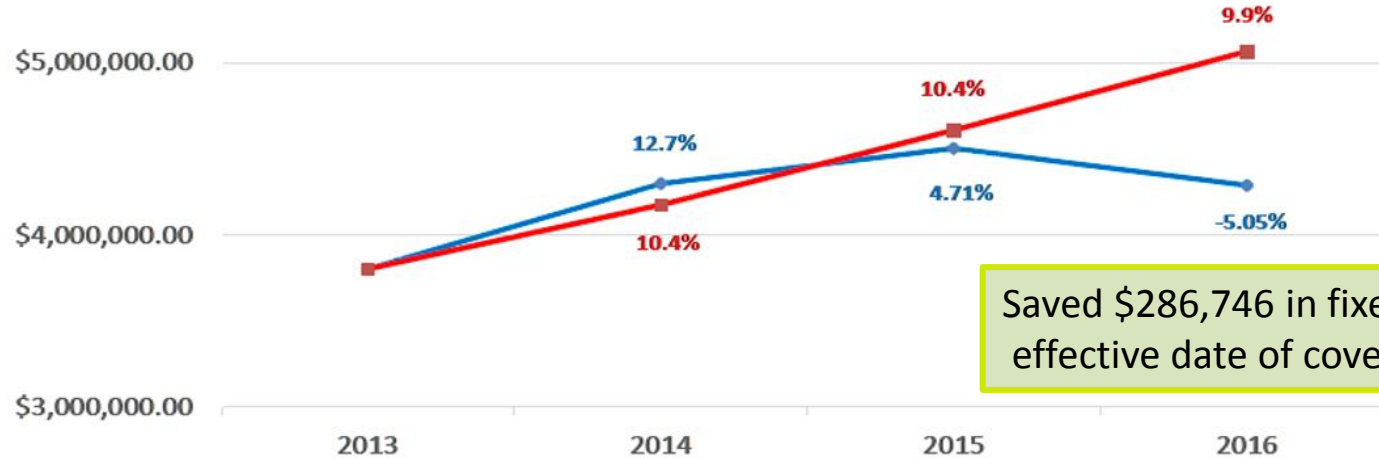
FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



TREND STUDY MOVING TO COST PLUS – FL NON-PROFIT



Saved \$286,746 in fixed fees before effective date of coverage!

		2013	2014	2015	2016
Sunrise Actual (\$)	◆	\$ 3,803,905	\$ 4,296,711	\$ 4,501,305	\$ 4,284,965
Segal Trend Survey (\$)	■	\$ 3,803,905	\$ 4,172,884	\$ 4,606,864	\$ 5,062,943

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY



IN SUMMARY... TOP COST CONTAINMENT STRATEGIES BASED ON SIZE

Fully-Insured (2-250 EE's)

- Expand use of user friendly transparency tools
- Incentivize!
- Implement pre-certification penalty
- Add Narrow or Restricted Networks

Self-Funded (250+)

- Consider all items listed under Fully-Insured...
- Amend SPD to include Cost Plus Pricing



Snapshots at jasonlove.com



"One minute she was eyeing her hospital bill, and the next minute..."

FFIB

First Florida Insurance Brokers

A BALLATOR COMPANY

elap
services