



# The “Benefits” of Health Plan Disruption



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# AGENDA – APRIL 12

- 8:00 – 8:30                    **Registration, Breakfast & Networking**
- 8:30 – 8:45                    **Welcome & Overview**  
*Chris Skisak, PhD – HBCH Executive Director*
- 8:45 – 9:00                    **Benefit Disruption Case Study #1**  
**ELLWOOD Group, Design: RBP / PP Option**  
*Carrie Rust – Chief Human Resources Officer*
- 9:00 – 9:15                    **Benefit Disruption Case Study #2**  
**Goose Creek ISD, Design: Texas Schools Health Benefit Plan / PPO Option**  
*Stephanie Myers – Director, Employee H&W*
- 9:15 – 9:30                    **Benefit Disruption Case Study #3**  
**Self Insured Schools of California, Design: ASCs for Select Services & Custom Rx Formulary**  
*John Stenerson – Deputy Executive Officer*
- 9:30 – 9:45                    **Networking Break**
- 9:45 – 10:00                   **Smarter Thinking Solutions – The National Landscape**  
*Josh Berlin – CEO, Rule of Three*
- 10:00 – 10:15                   **A Smart Network for Houston, for Employers by Employers**  
*Ken Janda – Founder & CEO, Wild Blue Health Solutions*
- 10:15 – 10:30                   **A Path Forward for Houston**

## HBCH NorthStar

### TRANSPARENCY



Hospital Price Transparency



Provider Quality



Hospital Funding Adequacy

### VALUE-BASED PURCHASING



Advanced Primary Care



Behavioral Health Integration



Fixed-Priced Specialists Episodes

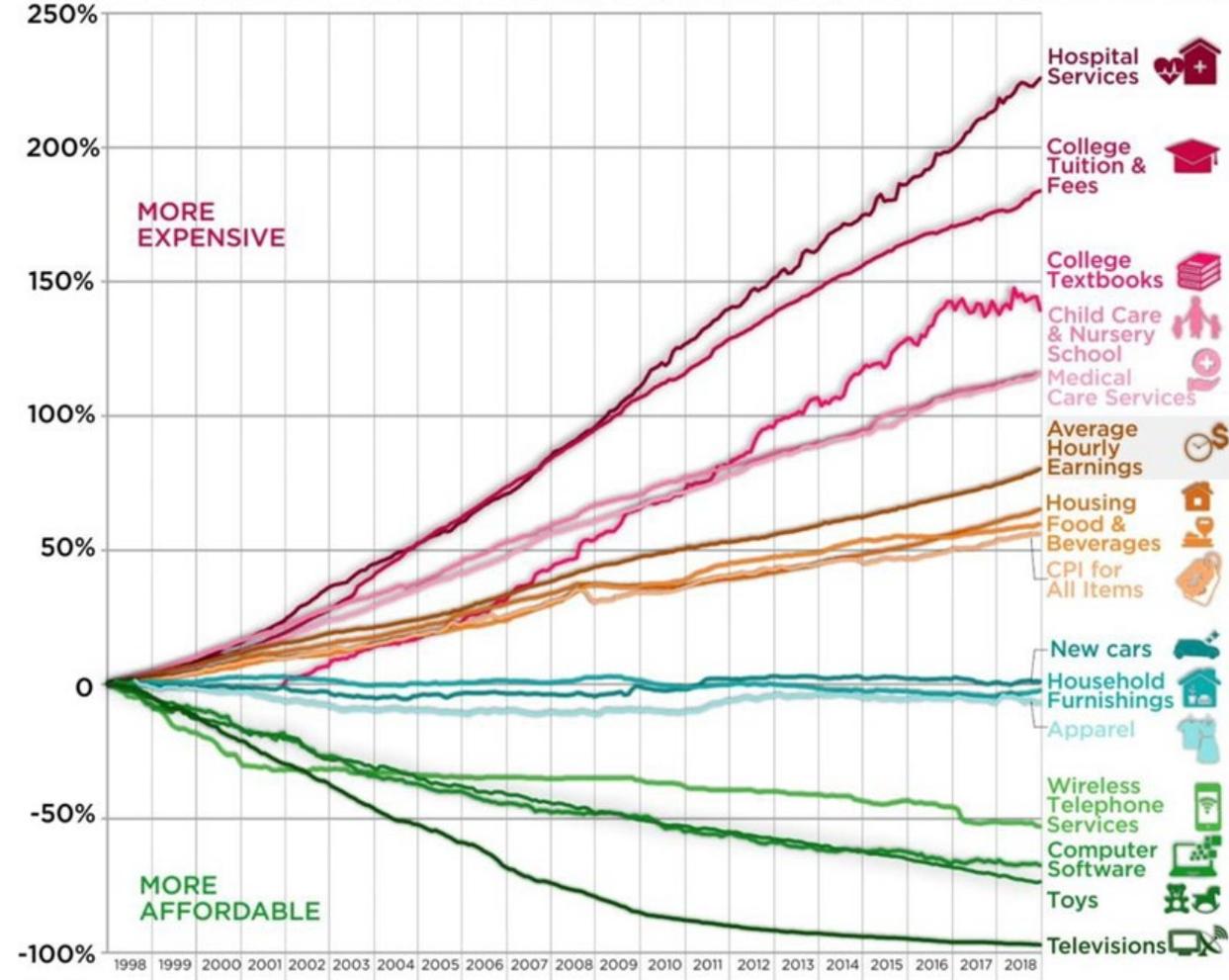
# “It’s The Prices, Stupid”

*2003, Uwe Reinhardt, Professor of Political Economy, Princeton*



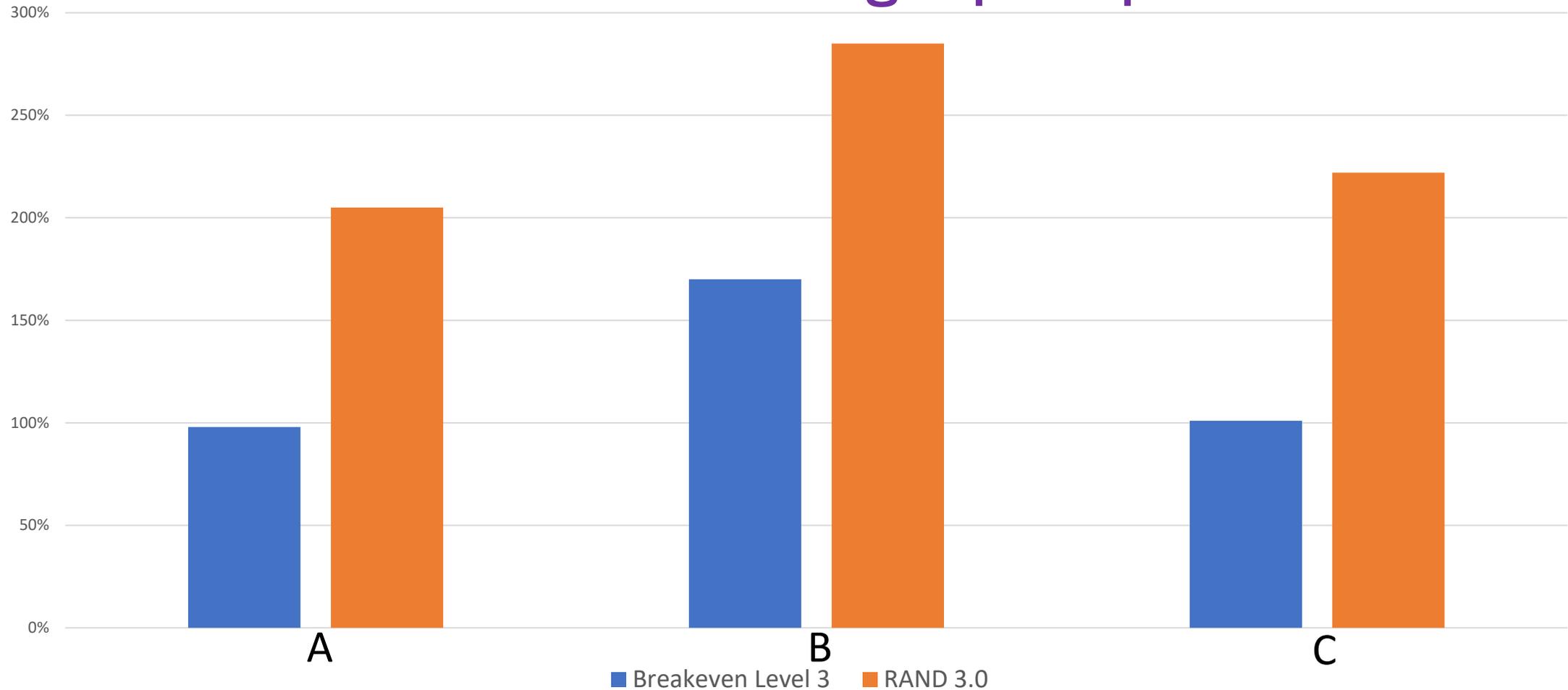
## 20 Years of Price Changes in The United States

Selected Consumer Goods & Services, Wages (January 1998 to December 2018)



Article & Sources:  
<https://howmuch.net/articles/price-changes-in-usa-in-past-20-years>  
 CPI and other price indices - Bureau of Labor Statistics - <https://data.bls.gov/PDGWeb/cu>  
 Average hourly earnings - Bureau of Labor Statistics - <https://data.bls.gov/timeseries/CE50500000008>

## Breakeven for Houston Flagship Hospitals vs. RAND





# National Hospital Price Transparency Conference

Path to Affordability

**May 5, 2022 | 8:30 a.m. – 5:00 p.m. EDT**  
**Indiana Landmarks Center**  
**1201 Central Ave, Indianapolis, IN 46205**

Conference will be immediately followed by networking & cocktails.

Livestream Registration

Join waitlist to attend in-person



## **Impact of Employer Price Discrimination**

- Business Growth
- Quality of Life
- Community Social Needs



# SmArt Network

*for employers by employers*



Behind every success there is effort

Behind every effort is passion

Behind every passion is someone with the courage to try



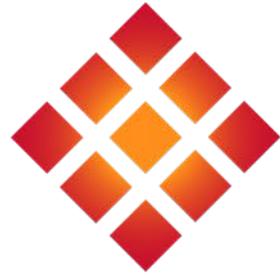
# Benefit Disruption Case Study #1

## Design: RBP / PPO Option



**Carrie Rust – Chief Human Resources Officer  
The ELLWOOD Group**





**ELLWOOD**

*The 'Benefits' of Health Plan Disruption*

Houston Business Coalition on Health

April 12, 2022

Carrie B. Rust

Chief Human Resources Officer



# Monitoring High Claims: The Burning Platform for Change

## Medical

- ◆ TPA: This is to notify you of a high claim released to ELLWOOD
  - ◇ Paid Charge: \$90,240.14
  - ◇ Billed Charge: \$59,813.18
- ◆ *ELLWOOD: Why is Paid Charge higher than Billed Charge?*
- ◆ TPA: The amount paid is based on our hospital contract. We pay contract rate even if the contract rate is higher than the billed charge.

## Pharmacy

- ◆ *ELLWOOD EE: Why is my brand name prescription four times less expensive than the generic version?*
- ◆ TPA: Pharma will launch a different dose or change the dosage form from a capsule to a tablet. Most likely sometime after launch they will have a series of price increases and then the brand product will exceed the generic price. They may be trying to squeeze some of the smaller generic companies out of the business. Pharma companies make billions for a reason, guaranteed once they have a certain market share the price will change significantly.



# Request from the Executive Team: Identify a Solution that

3. Reduces Cost
2. Provides Cost and Quality Transparency
1. Maintains or Improves Employee Engagement with Health Insurance

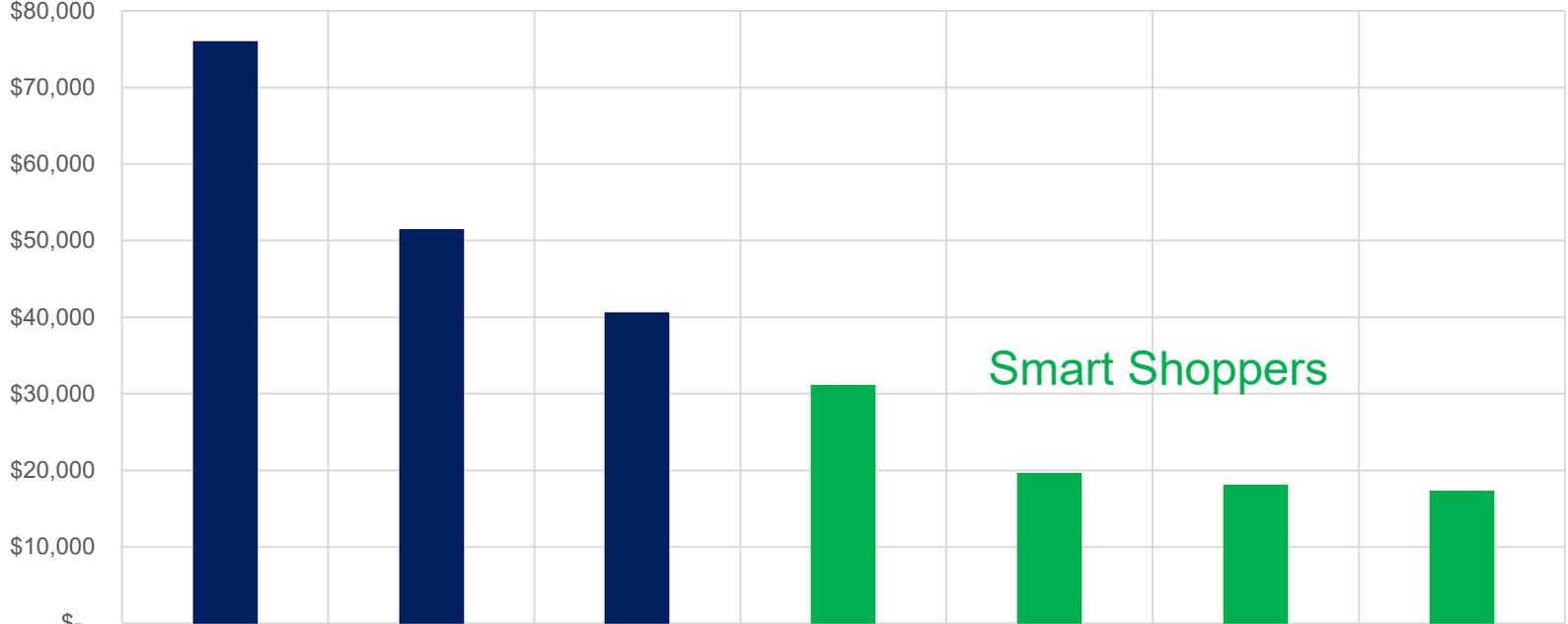


Source: Cost data obtained from the Pittsburgh Post Gazette price comparison tool. Quality data is from Quantros and is specific to joint replacement surgeries.



# ELLWOOD Smart Shopper

Cost of Major Joint Replacement (Hip/Knee)



	A	B	C	D	E	F	G
Cost	\$76,075	\$51,481	\$40,608	\$31,205	\$19,649	\$18,096	\$17,336
Quality Rating	Average	Average	Poor	Excellent/ Good	Excellent/ Good	Excellent/ Good	Average

The cost of a procedure can vary from hospital to hospital. For example, the cost of a major joint replacement surgery in PA can range from \$13,605 to \$134,690.

There is no relationship between the price charged and the quality rating of the hospital. In fact, in this case, the opposite is true. The hospitals with the highest ratings are lower in cost.

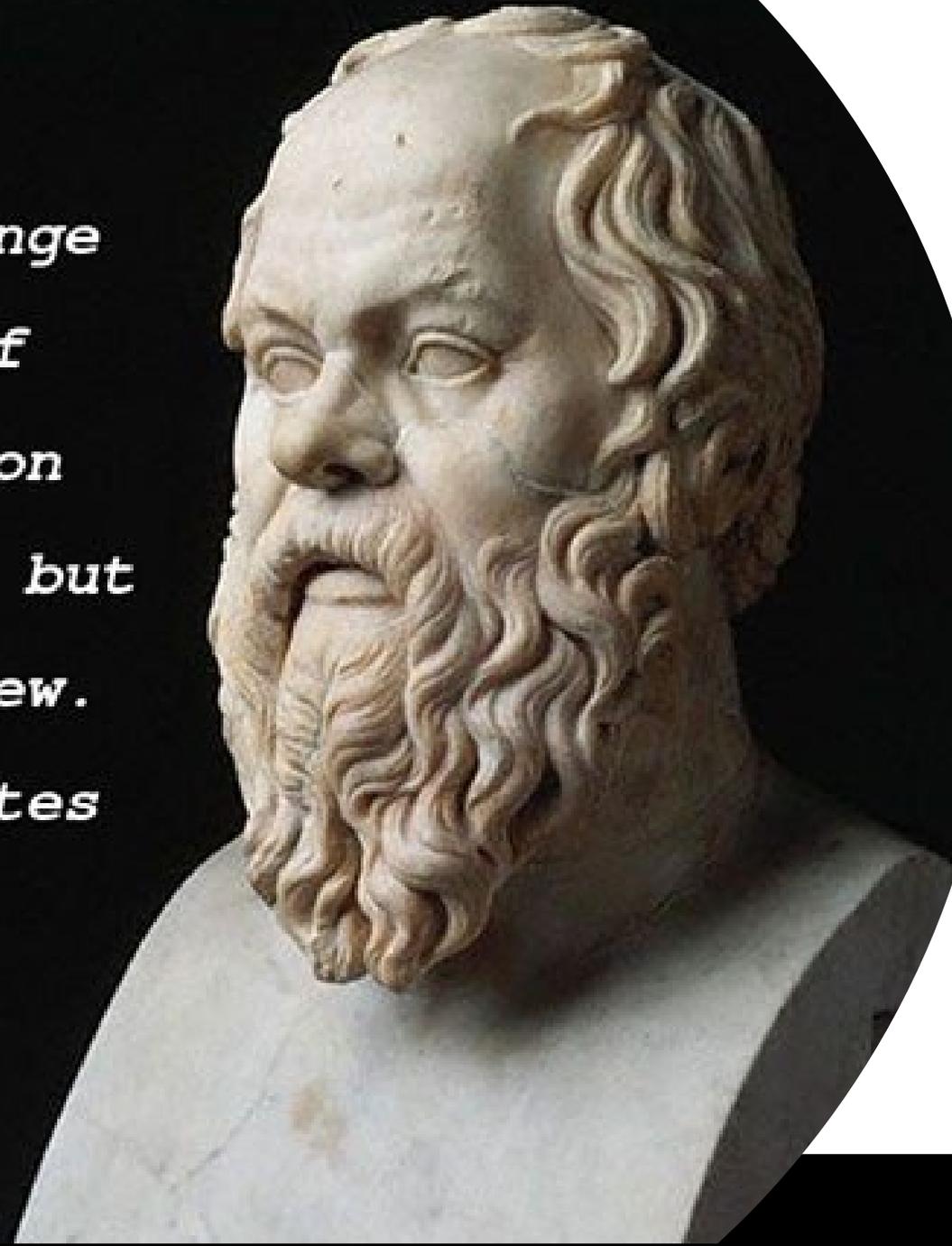


# Lessons Learned

1. Certain providers will continue to present challenges to our RBP strategy
2. Team members must have direct access to quality and cost data
3. We must increase our communication efforts
4. Greater cost savings may be available if we modify the balance bill process

*The secret of change  
is to focus all of  
your energy, not on  
fighting the old, but  
on building the new.*

*– Socrates*





**ELLWOOD**

*[www.ellwoodgroup.com](http://www.ellwoodgroup.com)*



# Background on ELLWOOD



- ◆ Family owned business founded in 1910
- ◆ Grown organically and via acquisition to become the leading vertically-integrated supplier of quality metals and custom-engineered components for critical applications worldwide
- ◆ From raw materials through finished machined and coated products ready for assembly, we provide the products our customers require in the world's most demanding applications, including those supporting our nation's defense
- ◆ Expanded operations to Texas in 1990
- ◆ ELLWOOD footprint currently spans 25 locations across North America

## Benefit Disruption Case Study #2

# Design: Texas Schools Health Benefit Plan / PPO Option



**Stephanie Myers – Director, Employee  
Health & Wellness  
Goose Creek ISD**

# Employer Alternative Solutions to Health Care

STEPHANIE MYERS,  
DIRECTOR OF HEALTH AND WELLNESS  
GOOSE CREEK CISD



# Alternative Solutions



KNOWLEDGE OF DATA



OPPORTUNITY TO CREATE  
ALTERNATIVE SOLUTIONS FOR  
HEALTHCARE



PROVIDING CARE NEEDED TO  
MEET EMPLOYEES WHERE THEY ARE.

# Why the change?



STRUGGLE TO  
RECEIVED DATA FROM  
CURRENT PROVIDER  
TO SUPPORT OUR  
WELLNESS INITIATIVES  
FOR OUR EMPLOYEES.



CONSISTANT INCREASE  
TO PREMIUMS AND  
DEDUCTIBLES.



NARROW NETWORKS  
AND OPTIONS  
AVAILABLE WITH  
PLANS.



FLEXIBILITY AND  
CONTROL



# Support



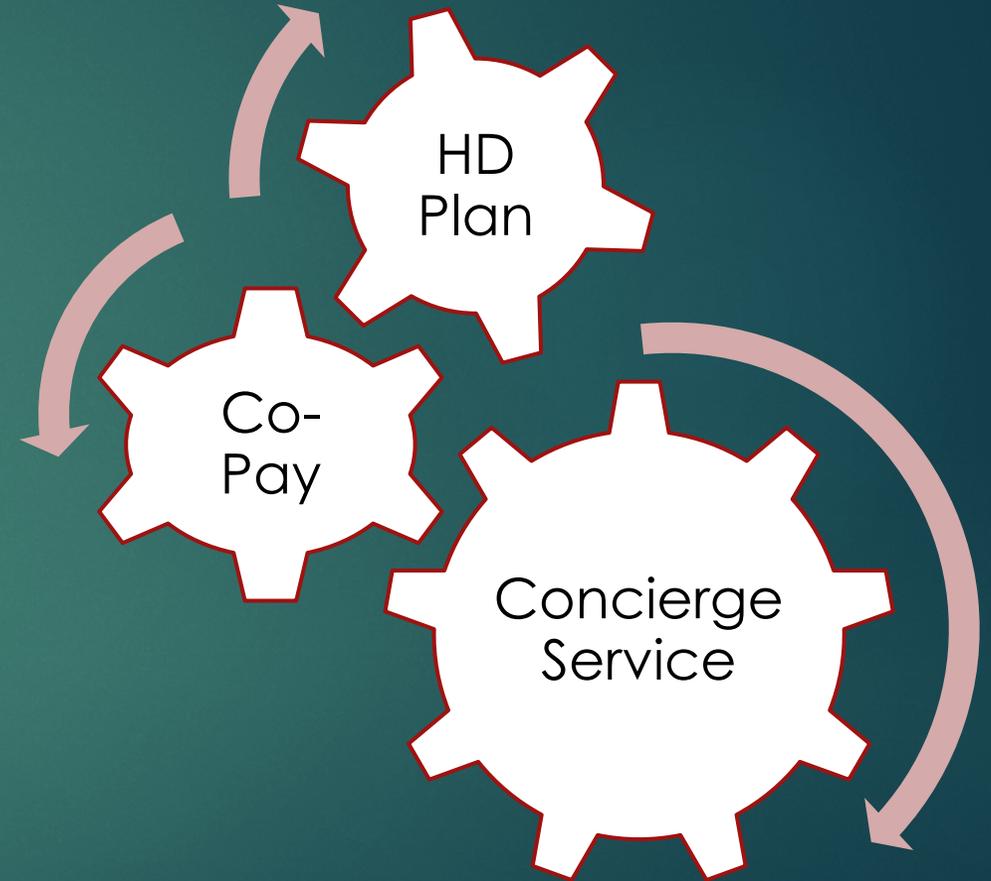
Our Superintendent and Board were aware of the constant struggle with TRS, increase to premiums and the inability to shift cost to the district.



Needed a solution that would work with our onsite clinic and provide the structure and care our employees needed.

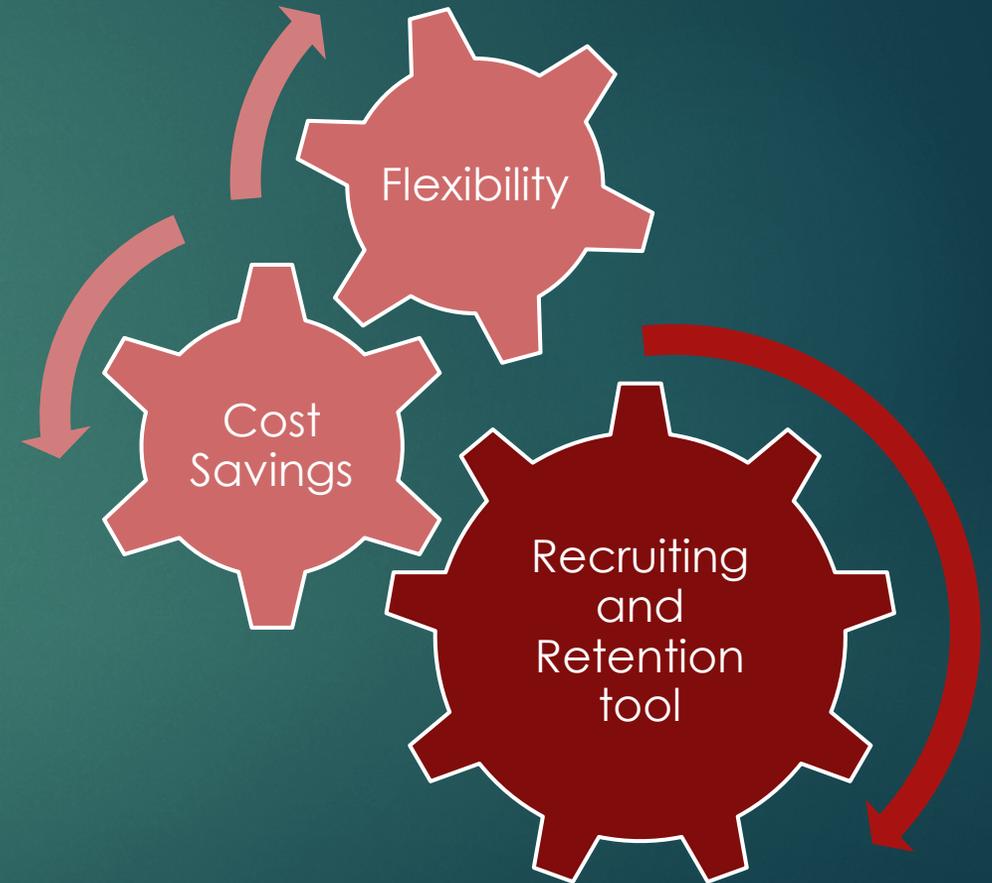
# Directed care model

- ▶ Two Plan Designs
  - ▶ Embedded High Deductible and Co-pay Plan
- ▶ Care Connect Concierge Service
- ▶ Deductible and Co-insurance are one.
- ▶ Lower semi-monthly premiums and plan cost.
- ▶ Care Connect Concierge Service



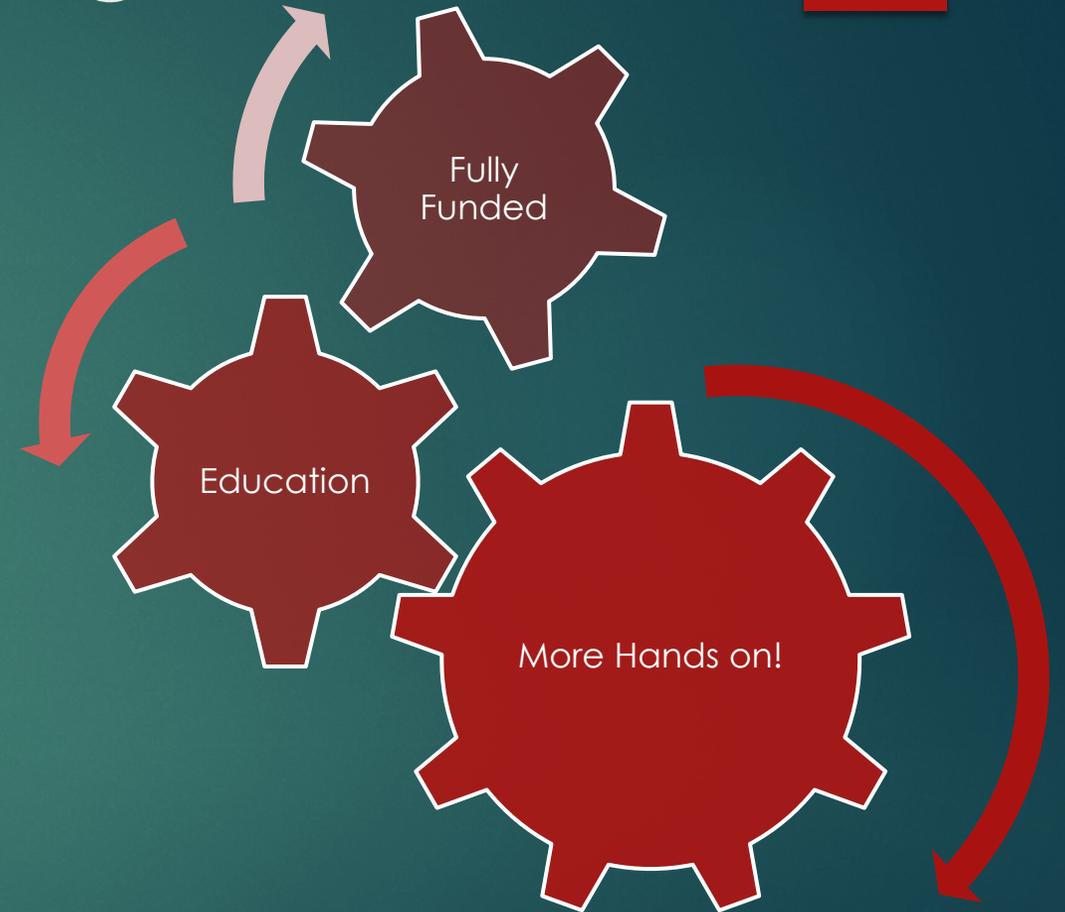
# Benefits of Change

- ▶ Flexibility of plan design and options available
- ▶ No Risk – Fully Funded Plan
- ▶ Expected Savings between 8.2% and 12.3 % for the employee and the district. Through premiums and TRS billing.
- ▶ Assigned care coordinator to assist facility care and services for each employee.
- ▶ Teacher retention through offering state of the art services at low affordable cost for employees and their families
- ▶ Increase recruiting leverage through drawing the attention of potential candidates that need quality care and services for their family needs.
- ▶ Streamlined process for benefits, payroll, and enrollment through TPA website.



# Risk/Concerns of Change

- ▶ No Risk – Fully Funded Plan – plan is fully funded by TSHB. No additional up front or back in cost.
- ▶ Something new and different. Will take more effort to explain the plan and network to employees.
- ▶ Understanding network setup and how employees get the most out of their benefit package.
- ▶ No set contract. We are not tied to a set contract or enrollment time frame. If the plan is not working for us in the first or second year, we can end enrollment in that plan.



# Our District Reaction



50 % of our employees moved to the alternative care plan due to premium cost and being able to choose level of care.



Our employees expressed appreciation for providing an alternative option and listening to their concerns.



Some employees struggled to understand the plan design.



Frustration on direct care option and the process for care coordinators directing care for hospital services beyond doctor's orders.

# Where are we now?



Reduction of 40% in TRS billing



8 – 10 % cost saving for claims



Increased communication and education of plan design.



Negotiations between major hospital entities.  
Creating cost savings across the board.



Questions?

# Benefit Disruption Case Study #3

## Design: ASCs for Select Services & Custom Rx Formulary



**John Stenerson – Deputy Executive Director  
Self Insured Schools for California**





## **Attacking Waste and Promoting Value in Health Care:**

**Reference Pricing for Outpatient Surgeries**

**Formulary Management for Prescription Drugs**

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**John Stenerson**  
**Deputy Executive Officer**  
**Self-Insured Schools of California (SISC)**

# SISC Overview

SISC is a coalition of over 450 public school districts joined together to reduce costs and spread risk.

We pool resources to secure affordable and sustainable health benefit coverage for our members.

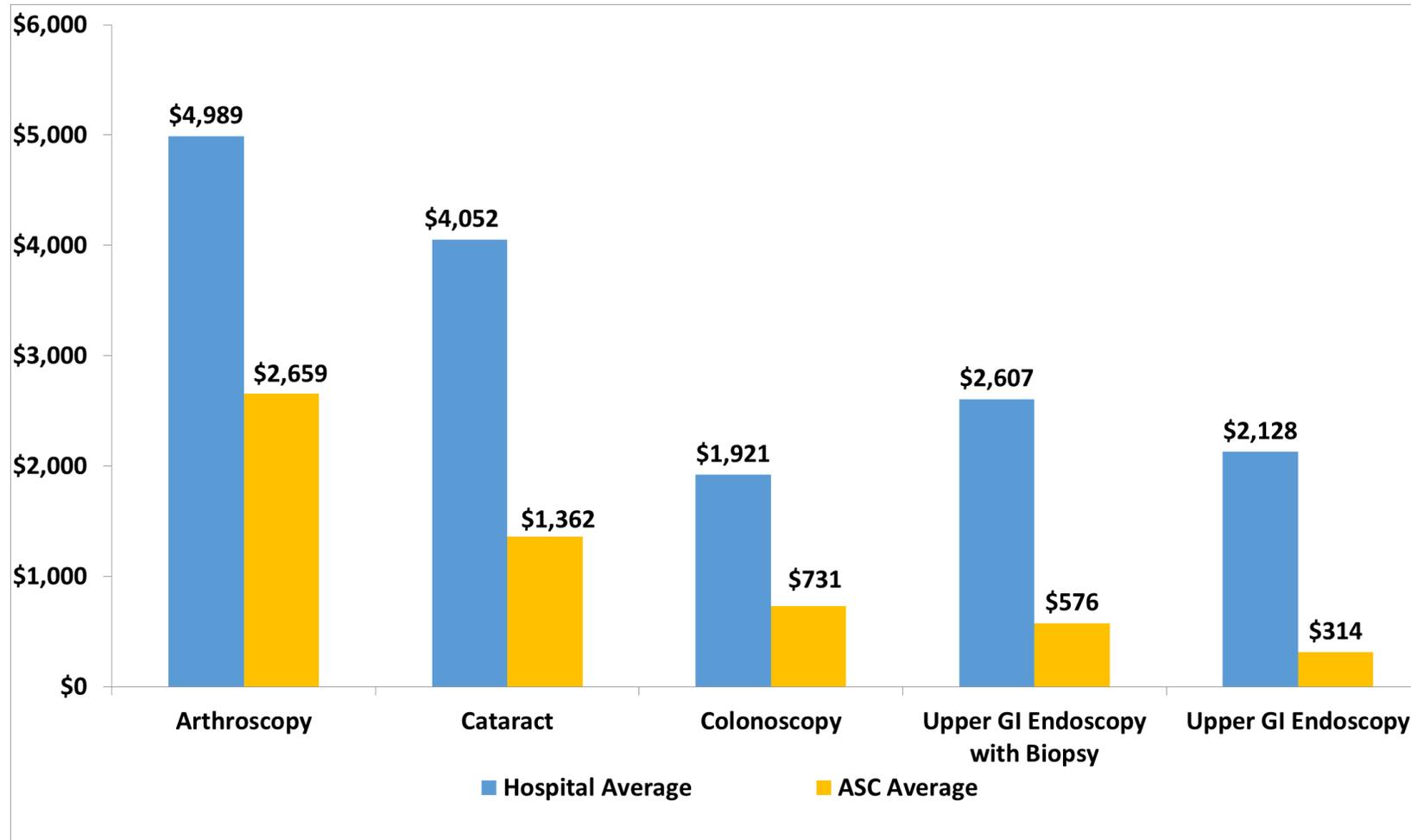
- Based on the philosophy of “schools helping schools”.
- Administered by the Kern County Office of Education with a staff of about 40 employees.
- Governed by a Board of Directors composed entirely of employees of school districts.
  - Districts can terminate participation
  - Labor groups value high quality medical benefits
  - If we don't maintain member satisfaction we will lose groups

# The Issue: Same Quality, Different Price

- The prices for outpatient procedures performed at hospitals can be significantly more expensive than at ambulatory surgery centers (ASCs).
- Multiple studies have found no difference in clinical outcomes for procedures performed in hospital settings compared to ASCs.
- ASCs include the additional benefits:
  - Shorter wait times
  - Lower infection rates
  - Fewer administrative hurdles for patients
- We approached our Board of Directors with a proposal to implement a new benefit design.

# Designing the Strategy

Focused on five procedures with high volumes and low variation in quality



# Communicating the Change

We created communication materials that would:

- capture members' attention
- provide a persuasive rationale for the benefit change
- be clear and easy to understand

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**“Would you pay three times more for the same car just to cover the dealer’s overhead?”**

Let’s say you are looking for a new car. The first place you go will sell the car you want for \$25,000. The second place wants \$75,000 for the exact same car.

You tell the second dealer that you can get the same car elsewhere for \$25,000.

The salesperson says you should buy the car at the higher price because the

dealer has higher overhead... valet parking, a bigger building with a beautiful lobby, plush chairs, free cappuccino and high rent.

Who would pay three times more for the same car just to cover the dealer’s overhead?

**That’s what happens every day in the bizarre world of medical pricing.**

# Clear and Easy to Understand

Effective October 1, 2018, SISC PPO plans will limit the maximum benefit amount at an in-network outpatient hospital facility for five procedures:

Arthroscopy	Cataract Surgery	Colonoscopy	Upper GI Endoscopy with Biopsy	Upper GI Endoscopy without Biopsy
\$4,500	\$2,000	\$1,500	\$1,250	\$1,000

If a member uses an in-network outpatient hospital facility, they are responsible for the regular deductible and coinsurance **PLUS** any amount by which the hospital charge exceeds the maximum benefit.

**There is no benefit change if a member uses an in-network Ambulatory Service Center (ASC).**

# Results

## Before and After

	<b>Arthroscopy</b>	<b>Cataract</b>	<b>Colonoscopy</b>	<b>Upper GI Endoscopy with Biopsy</b>	<b>Upper GI Endoscopy</b>	<b>Totals</b>
# of OP Hosp Procedures 2017-18	473	144	1,760	991	102	3,471
# of OP Hosp Procedures 2018-19	330	81	694	415	69	1,589
# Shifted Year over Year	143	63	1,066	576	33	1,882
% Shifted Year over Year	30%	44%	61%	58%	33%	54%
# Shifted Year over Year	143	63	1,066	576	33	1,882
\$ Savings at ASC	\$3,101	\$2,056	\$1,440	\$1,605	\$2,004	
<b>Total Savings</b>	<b>\$443,688</b>	<b>\$130,039</b>	<b>\$1,534,577</b>	<b>\$925,058</b>	<b>\$66,585</b>	<b>\$3,099,948</b>

# The Issue: PBM Transparency

“Few markets are as concentrated, opaque and complex and subject to rampant anticompetitive and deceptive conduct such as the PBM market.”

***David Balto, former FTC lawyer.***

# Out of Control Pharmacy Trends

- In the early 2010s, our pharmacy costs were skyrocketing.
- SISC develops rates to charge as premiums to our member districts.
- As a public entity, our goal is to break even every year.

Plan Year	Pharmacy Renewal Action
2010 – 2011	14.2%
2011 – 2012	3.8%
2012 – 2013	17.8%
2013 – 2014	10.9%
<b>Average</b>	<b>11.7%</b>

# Reassessment of our Pharmacy Program

- The complexity of pharmaceutical pricing was beyond our level of expertise.
- Lack of trust in PBMs. The PBM industry has significant conflicts of interest.
  - Manufacturer Income: It seems many PBMs manage the benefits in a manner that is geared towards maximizing manufacturer income and not lowering net cost.
  - Mail Order Pharmacy: For many PBMs, the mail order pharmacy is more of a profit center for the PBM than a way to help a client control costs.
- Contracted with a consultant:
  - They specialize in pharmacy benefits
  - They do not accept any compensation from PBMs
- The RFP decision:
  - Stay with our large incumbent PBM
  - Move to a smaller **transparent** PBM

# RFP Summary

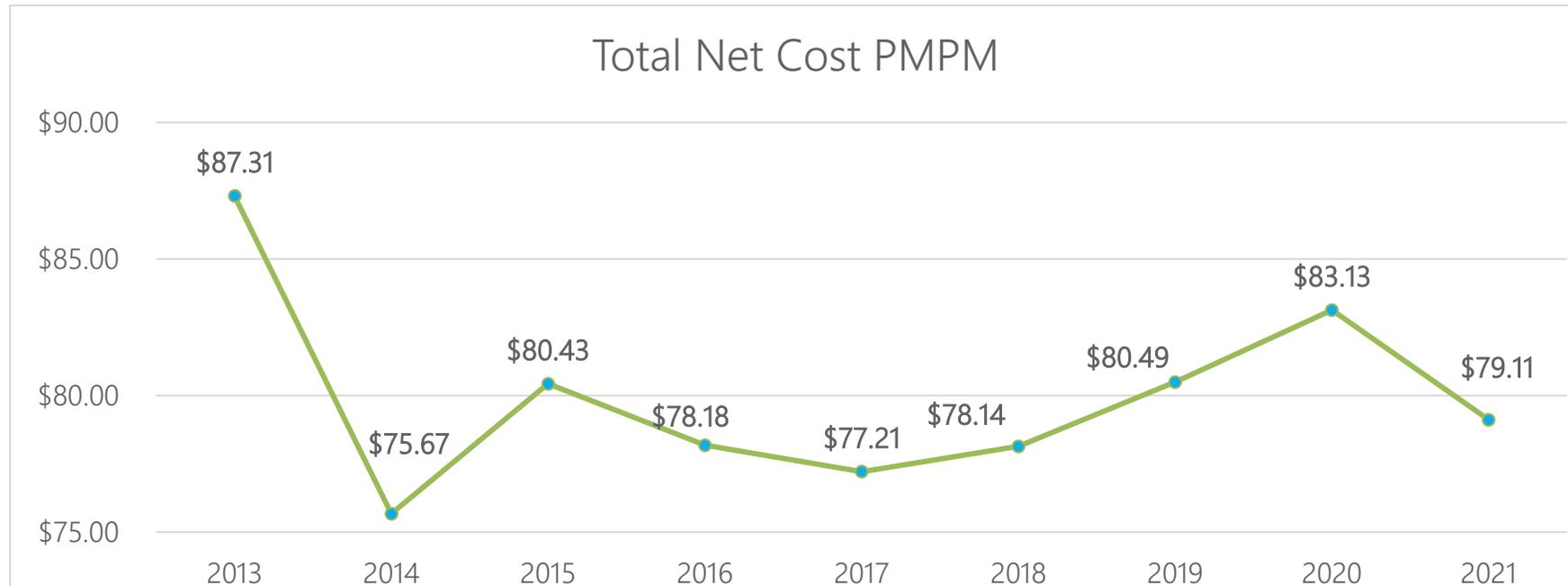
Projected 36 Months of Future Pharmacy Costs (Based on Repricing Recent Claims)			True PBM Compensation?	
	Large PBM	Navitus	Large PBM	Navitus
<b>Retail Generic Claims</b>	\$73,200,000	\$65,100,000	\$8,100,000	
Retail Brand Claims	\$196,700,000	\$197,300,000	Spread Pricing: Negotiating a price that is lower than the price guaranteed to the client and keeping the difference	
<b>Mail Generic Claims</b>	\$23,300,000	\$10,700,000	\$12,600,000	
Mail Brand Claims	\$81,100,000	\$81,600,000		
Specialty Claims	\$86,800,000	\$86,500,000		
Total Claims	\$461,100,000	\$441,200,000		
<b>PBM Fees</b>	\$2,300,000	\$8,700,000	\$2,300,000	\$8,700,000
Rebates (Guaranteed Minimums)	(\$41,900,000)	(\$38,800,000)		
<b>Totals</b>	\$421,500,000	\$411,100,000	\$23,000,000	\$8,700,000

# Transparency Helps Expose “Wasteful Drugs”

What Drugs Should Be Covered? (Actual Examples)*		
	Drug Name	Plan Paid Per Script
Brand PPI	Dexilant	\$157 (after rebate)
Generic PPIs	Omeprazole	\$3.76
	Pantoprazole	\$3.51
	Lansoprazole	\$10.73
	Vimovo	\$528 (after rebate)
Ingredients	Prilosec OTC & Naprosyn OTC	OTC
	Treximet	\$219 (after rebate)
Ingredients	Sumatriptan (85 mg) & Naproxen (500 mg)	\$4.65 \$2.66
	Metformin HCL ER (1000 mg)	\$352
Same Drug	Metformin HCL ER (500 mg & double pills)	\$12.68

\*Pricing was at the time of the analysis. Prices and rebates can change significantly over time.

# Results



In a time of increasing costs (new specialty drugs started coming to market in 2014 and 2015 including \$84,000 Hep C drugs), we lowered our costs and have remained below our 2013 costs.

**Our approach has allowed us to maintain rich benefits for our members.**

## SISC Average Copays:

Generic	\$4.30
Brand	\$26.54
Specialty	\$26.54

# Key Insights and Lessons Learned

## The cost curve won't bend itself.

- The healthcare system is always striving to maintain the status quo.
- Change won't come without deliberate action.
- Government talks about change, but rarely acts in a meaningful way.
- It's up to the purchasers of healthcare to do something.
- We need to go after opportunities to curb waste and unnecessary spending.
- Transparency provides the insight needed to get the best value.
- The system isn't going to become more transparent unless we push for it.
- When something stands out as being more honest and transparent, then we need to have the will to pursue it.
- Work with partners who are free from conflicts of interest.

# Key Insights and Lessons Learned

## There is no silver bullet

- Most changes (even successful ones) provide incremental value, not sweepstakes savings.
- Incremental changes add up over time and help limit the need to move to plans with higher deductibles and copays.

## Communication is the secret sauce

- Don't let preconceived notions about member disruption get in the way of the pursuit of value.
- Clearly communicate the rationale for a change and keep it simple.
- Emphasize what's wrong with the system and that maintaining access to high quality and safe care comes first.
- Most members will understand and appreciate efforts to keep benefits affordable.

## Smarter Thinking Solutions – The National Landscape



**Josh Berlin – CEO  
Rule of Three**

## A Smart Network for Houston, for Employers by Employers



**Ken Janda – Founder & CEO  
Wild Blue Health Solutions**





# Solutions for Employers: Developing a Smart Network Program *... by employers for employers*

April 12, 2022

# Powerful Healthcare Forces



**Healthcare costs** continuing to rise at a pace greater than inflation (market consolidation, specialty pharmacy, chronic disease)



**Consumerism** with access to data, transparency efforts around pricing and quality, expectations based on non-healthcare transactions



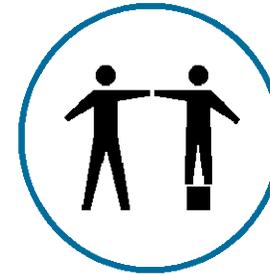
**Aging population** creating payor mix shift to Medicare



**Workforce challenges** including physician shortages, burnout, labor costs, skillset deficits



**Rapid adoption of virtual care** post-COVID (telemedicine, digital medicine)

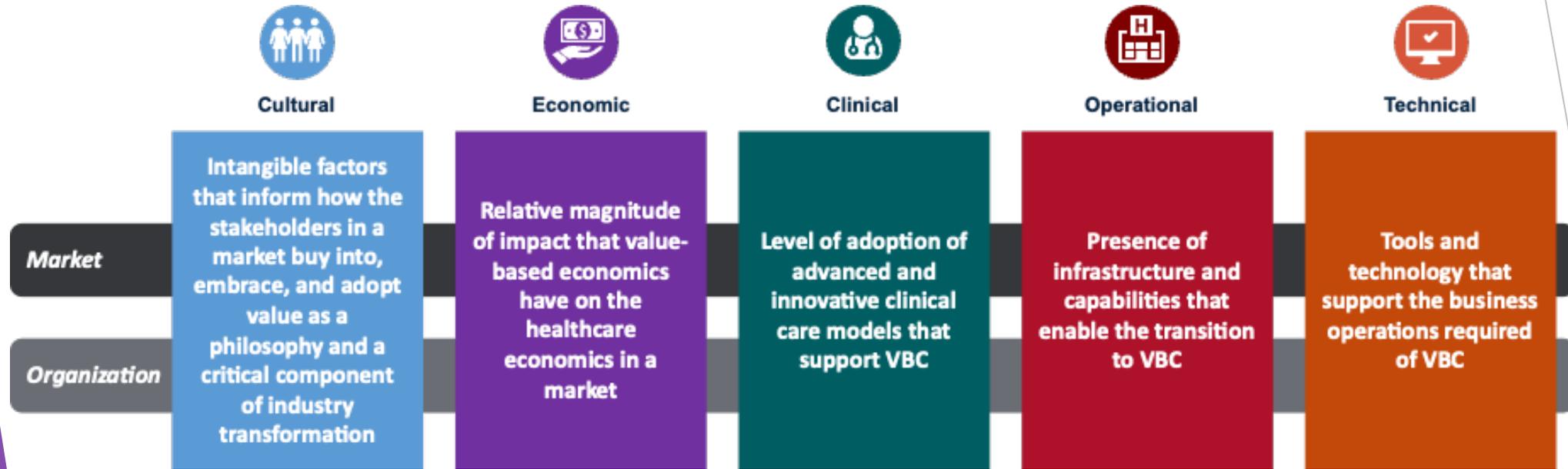


**Health equity** focus, access to care for underserved populations

# Equally Powerful Responses

- 1 **Employers** increasingly taking bold steps to reduce costs
- 2 **Transition to value-based payments** led by Medicare and Medicare Advantage
- 3 **Private equity** funded digital and tele-medicine companies, new provider models, health plans and provider acquisitions
- 4 **New competitors** that are well-financed, scaled, and potentially disruptive (Amazon, Walmart, CVS, Walgreen's, Best Buy, Dollar General)
- 5 **Vertically-integrated** organizations (United Healthcare/Optum, CVS/Aetna, Humana/CenterWell)

# Value-Based Maturity Emphasized



*How do we mature?*

*Where do we prioritize?*

*What is our pace of change?*

# SmArt Network Design Elements

## Advanced Primary Care

- 2-3 multi-site groups

- *Prevention, wellness, chronic care, sick visits, urgent care*
  - *Integrated mental health, lab, telemedicine*
  - *Population-based (capitated) payment model*

## Specialty Care

- Surgical, medical and challenging chronic care
  - Emergency and other services

- *Specialists identified via quality and efficiency metrics*
  - *Bundled episodes or capitated, 60-70%*
  - *Use of wrap-around network, FFS for unbundled*

## Facilities and Other Services

- ASC, Hospital, rehab, skilled nursing
  - Ambulance, DME, supplies

- *Identified via quality and efficiency metrics*
- *Episode payments bundled with specialty whenever possible*
  - *Use of wrap-around network, FFS for emergency*

## Pharmacy

- Limited network, integrated specialty network

- *Aggressive formulary based on lowest net prices*
- *Patient incentives for therapeutic substitution*
  - *Integrated specialty drug plan*

## Care Coordination, Navigation

- *Directed by primary care to specialty care*

## Shared Information

- *Shared medical records, care coordination*

## Standard Measure Sets

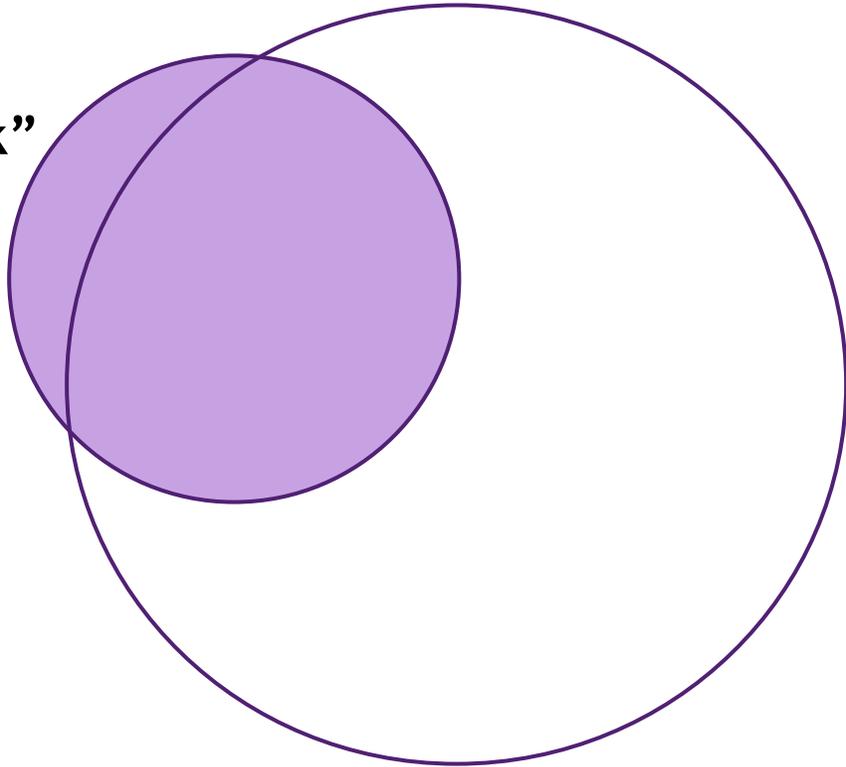
- *Transparent quality, cost and efficiency measures*

## Smart TPA

- *Eligibility, population-based payments, reference prices*

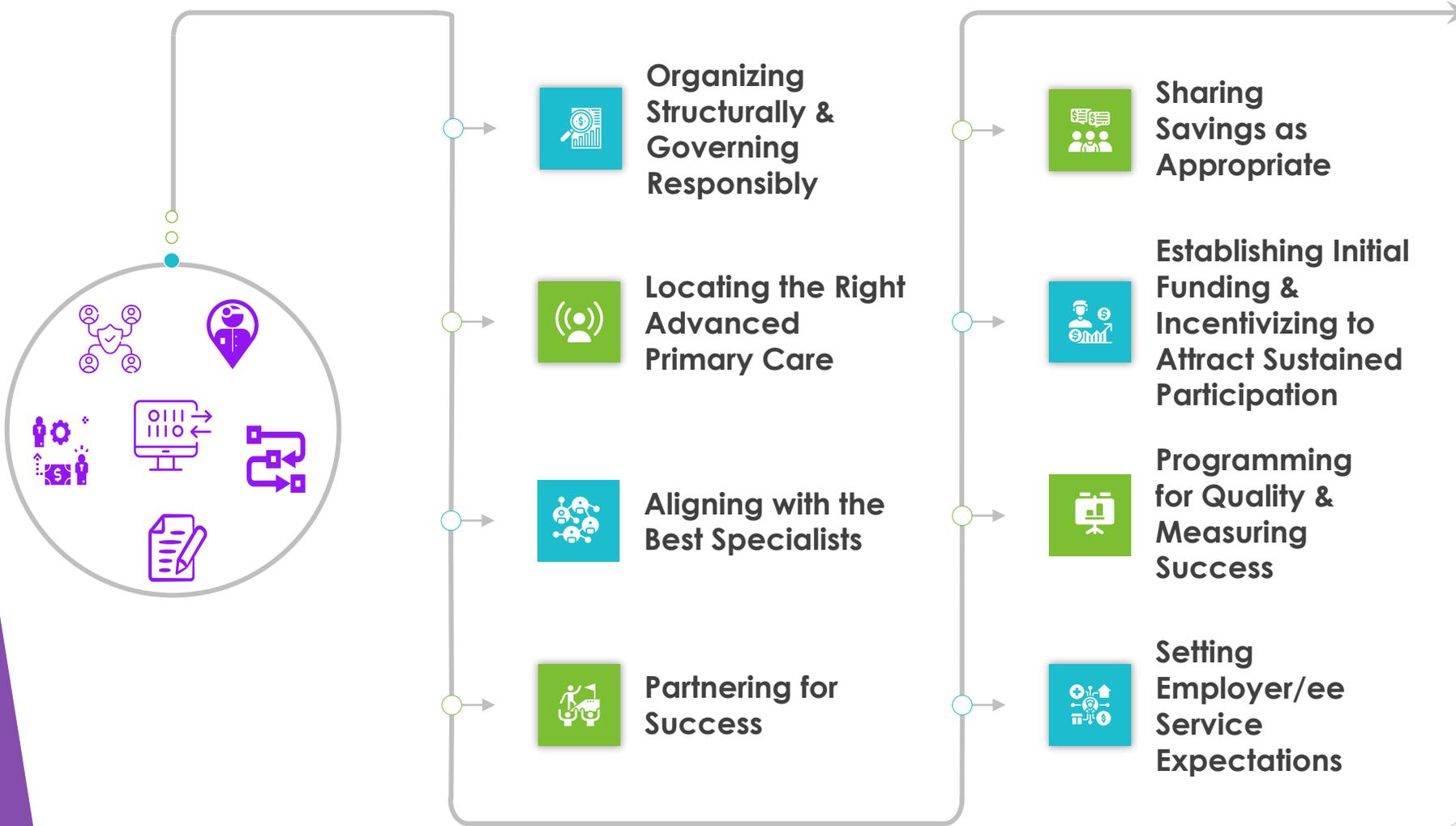
# SmArt Network Thinking

**“SmArt  
Network”**



**TPA's current network  
(wrap services outside of  
Smart Network)**

# SmArT Network Design Considerations



# Next Steps for HBCH Members/Employers

## Feasibility?



How do we evaluate the feasibility of creating the SmArt Network across the market?

## Selection?



How do we determine which partners to select and what process do we install to do so?

## Participation?



How do we achieve near-term participation/funding success and longer-term sustainability?

# A Path Forward for Houston



Behind every success there is effort

Behind every effort is passion

Behind every passion is someone with the courage to try

