



# LOCKTON

## Health & Welfare – Hot Topics

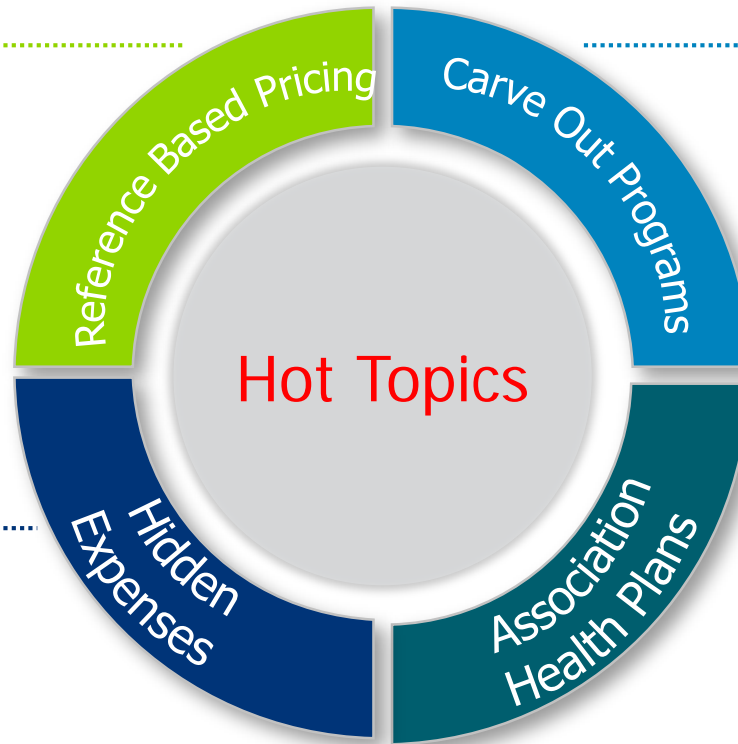
August 16, 2018



L O C K T O N C O M P A N I E S

# Hot Topics

- ▶ Sets reimbursement to providers at a defined percentage of Medicare



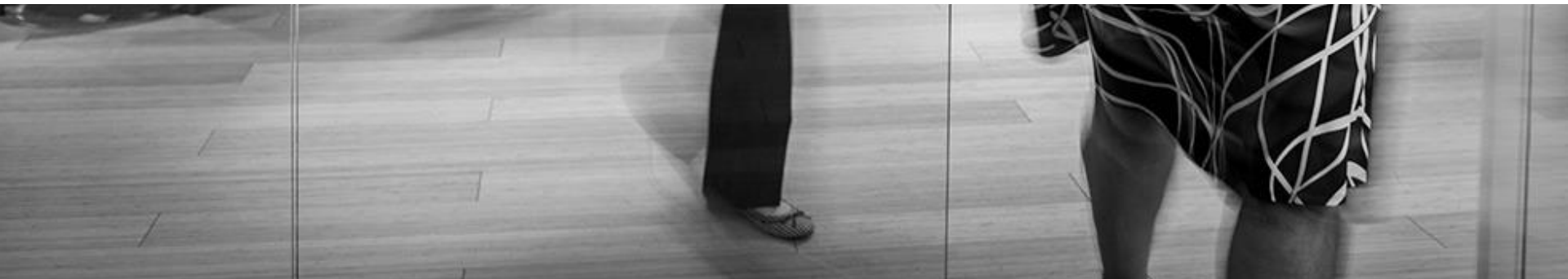
- ▶ Establishes set procedure and/or program for specifically defined plan services

- ▶ Plan expenses not reported or considered that are written into vendor contracts

- ▶ Grouping of like-minded entities to create purchasing efficiencies



## Reference Based Pricing



# Reference Based Pricing

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## **The Problem**

Plan cost continues to rise with limited control/transparency for provider reimbursements

## **The Solution**

RBP uses a defined percentage of Medicare as the initial “reference” point for provider reimbursements

# Reference Based Pricing

## PROS

- ❖ ER controls price points for reimbursements
- ❖ Creates cost equality with providers
- ❖ Creates transparency for plan/members

## CONS

- ❖ No established network
- ❖ Additional member engagement required
- ❖ Friction with provider community possible

## CONSIDERATIONS

- ❖ Plan Administrator – “concierge” level service
- ❖ Protocol for managing provider negotiations
- ❖ Legal support for plan/members
- ❖ Communication plan with members
- ❖ Updating plan documents

# Success Story - Reference Based Pricing

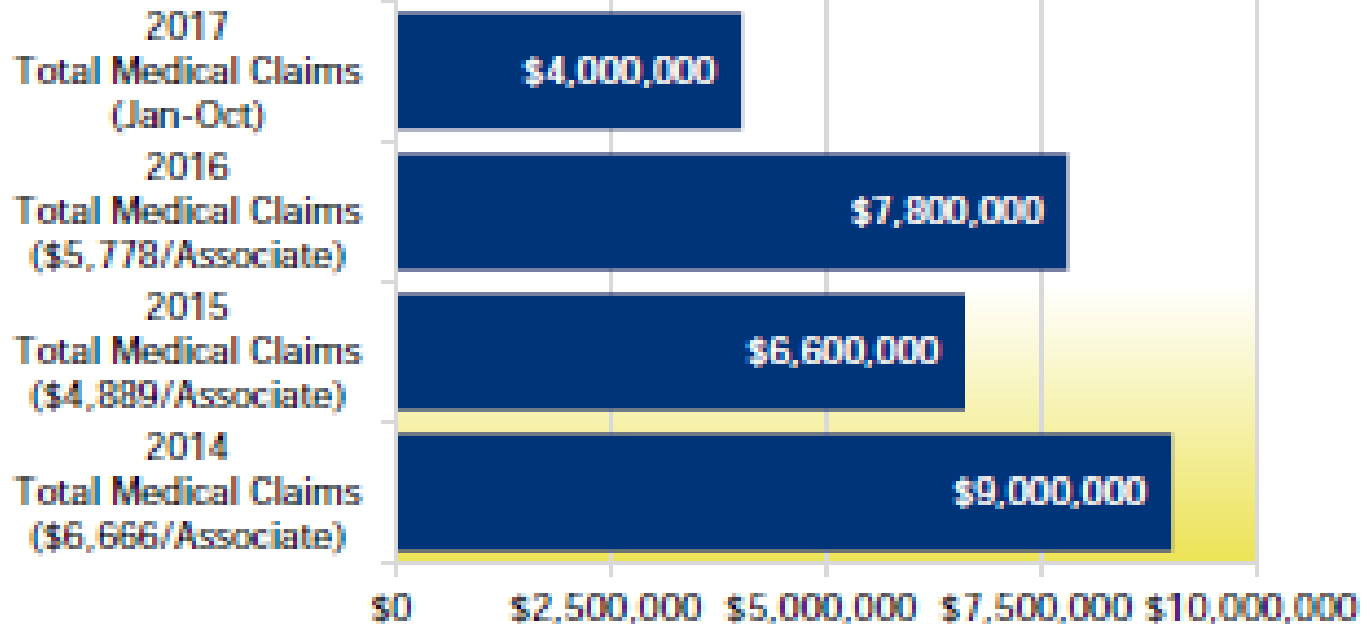
**1,350 Associates**

Claims trending 10%–13% annually

**\$6,600,000+**

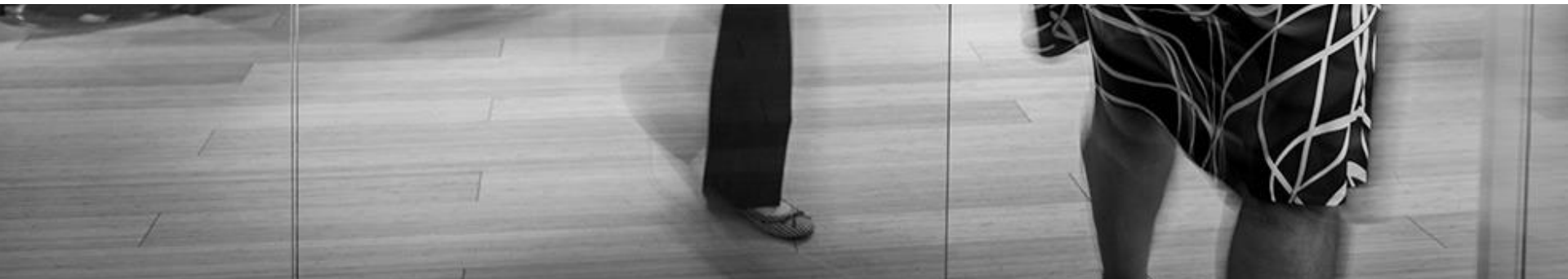
Decrease in claims spend over 3 years

REDUCED MEDICAL CLAIMS BY 20%+ ANNUALLY  
SINCE INCEPTION





## Carve Out Programs



# Why Carve Out Programs

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## **The Problem**

Cost for high-risk/expensive conditions continue to negatively impact plans

## **The Solution**

“Carve outs” establish a set procedure/program for specifically defined plan services, to reduce or eliminate cost while improving quality results

# Carve Out Programs

## PROS

- ❖ Increased benefits for members
- ❖ Cost control/risk elimination to plan
- ❖ Plan creates strategy for highest risk/cost procedures

## CONS

- ❖ Could create provider limitations for members
- ❖ Might require capital expenditure prior to risk surfacing
- ❖ Requires education to each risk issue

## CONSIDERATIONS

- ❖ Type of Service – “Non-Emergency Care”
- ❖ Reasonable Access
- ❖ Quality of Providers
- ❖ Exceptions Process
- ❖ Full Disclosure to Members

# Carve Out Programs

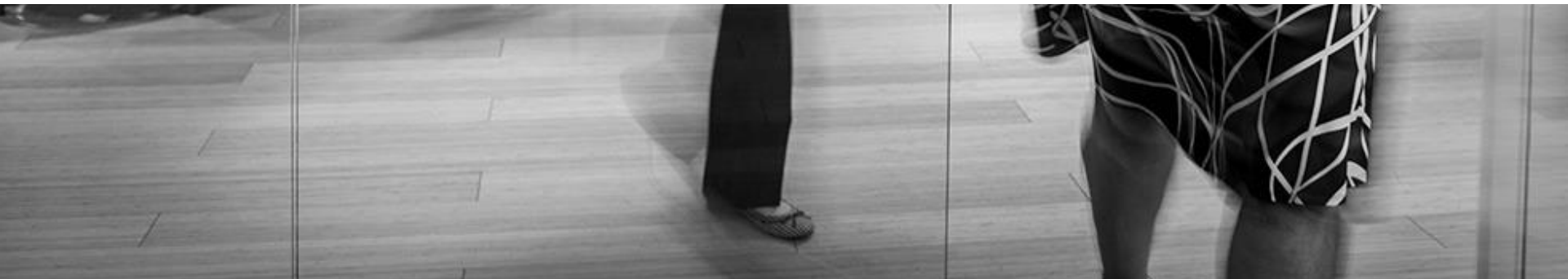
## PROGRAMS

- ❖ Pharmacy
- ❖ Transplants
- ❖ Dialysis
- ❖ Oncology\*
- ❖ Imaging\*
- ❖ Orthopedics\*
- ❖ Neonatal\*
- ❖ Burn\*

\* Indicates opportunity for direct contracting



## Association Health Plans / Captives



# Why Association Health Plans / Captives

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## **The Problem**

Employers have limited market options because of vendor consolidation

## **The Solution**

Association Health Plans and Captives allow grouping of like-minded entities to create purchasing efficiencies

# Association Health Plans / Captives

## PROS

- ❖ New market options
- ❖ Alignment of entities with common interest creating purchasing power
- ❖ Additional risk/cost control strategies
- ❖ Create tax efficient revenue (captives)

## CONS

- ❖ Potential “reserve” requirements
- ❖ Potential loss of control in decision making
- ❖ Could be grouped with “poor” risk pool

## CONSIDERATIONS

- ❖ Risk Management Process
- ❖ Contract Language / Fees
- ❖ Renewal Formulas
- ❖ Termination Clauses
- ❖ ER/EE Liability if Insolvent



## Hidden Plan Expenses



# What Are Hidden Plan Expenses

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## **The Problem**

Language within medical and pharmacy contracts have created additional expenses to plans and members without transparency to the measured impact

## **The Solution**

Diagnostic review of all contracts to validate and measure ALL expenses, fees and performance to agreed terms

# Hidden Plan Expenses

## PROGRAMS

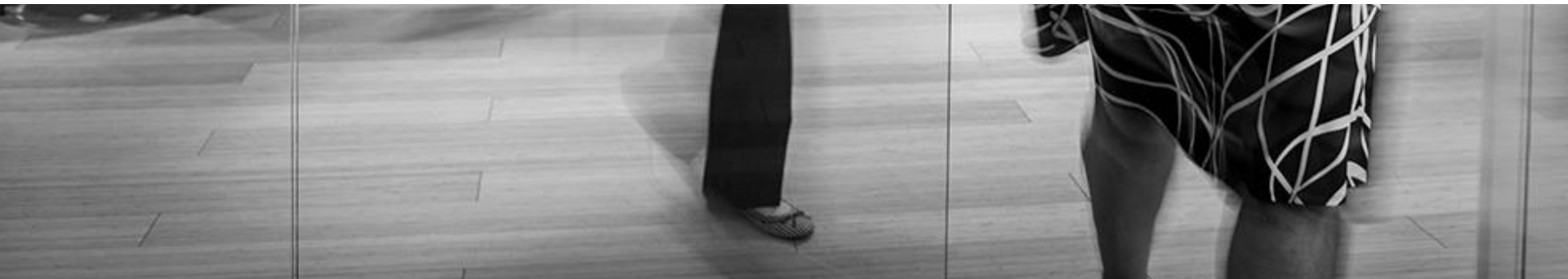
- ❖ Shared Savings Programs
- ❖ Network Access Fees
- ❖ Capitation
- ❖ Utilization Review / Case Management
- ❖ Subrogation
- ❖ Pharmacy Formulary Reporting (Generic to Brand for pricing)
- ❖ Pharmacy Dispensing/Access Fees
- ❖ Pharmacy Rebates/Refunds
- ❖ Retro Audit Language

## POTENTIAL SAVINGS

- ❖ 0%-3%
- ❖ 0%-2%
- ❖ 0%-2%
- ❖ 0%-5%
- ❖ 0%-2%
- ❖ 0%-4%
- ❖ 0%-2%
- ❖ 0%-2%
- ❖ 0%-4%



## Objective Analytics



# Action Through Insight

Identify opportunities and design a customized plan based on data findings and your business objectives.



## Our Mission

To be the worldwide value and service leader in  
insurance brokerage, employee benefits, and risk management

## Our Goal

To be the best place to do business and to work



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