2016 ICCMHC CONFERENCE
EMERGING TRENDS AND A NON-TRADITIONAL APPROACH TO CONTROLLING EMPLOYEE BENEFIT COSTS
Thursday, October 13th, 2016 – 4:15-5:00pm
INTRODUCTIONS

APEX BENEFITS

• Eric Dreyfus, Senior Advisor
• Bill Sylvester, Advisor
• Shawna Schwegman, Business Development Consultant
AGENDA

• Data Analytics
  – Clinical Analysis
  – Predictive Modeling

• Emerging Trends in Healthcare
  – Telemedicine
  – Supplemental Pharmacy Advocacy Programs
  – Price Transparency Tools
  – Reference-based Reimbursement

• Q&A
CLINICAL ANALYTICS ADVANTAGE

• The “Mythical Magic Bullet” …..

• There is not ONE solution to the healthcare spending crisis nor ONE cost driver responsible for all of the spending

• Clinical Data Analytics is a crucial part of identifying the unknown to address both Population Health Management and financial trends
WHAT CAN ANALYTICS PROVIDE?

• Identification of group-specific health trends affecting member’s personal health and the overall health of the plan

• Target areas of improvement

• **Ability to analyze ROI for wellness, clinics and other health initiatives**

• Provide actionable, timely data (dashboard/windshield perspective)

• Build a strategic plan and approach to address health needs of your population
EXAMPLES OF CONTRIBUTING FACTORS/MEASURES FROM ANALYTICS

• Demographic Trends
• **Rx Cost Drivers**
• Behavioral Health/Depression
• High Risk Members
• **Exorbitant Hospital Charges**
• Utilization Versus Cost
• Excessive ER Visits and Narcotic Rx
• Chronic Conditions/Comorbidities
MANAGING YOUR RISK POOL

EMPLOYEE POPULATION

A

HIGH COST ($)

HIGH DISEASE BURDEN

HIGH CARE GAP (CGI)

B

CASE MANAGEMENT

HELP MANAGE HIGH COST
HELP MEMBERS NAVIGATE SYSTEM

CLOSE GAPS IN CARE

DISEASE MANAGEMENT AND MONITORING

B

LOW COST ($)

LOW DISEASE BURDEN

LOW CARE GAP (CGI)

C

MONITOR COMPLIANCE RATES

DISEASE MANAGEMENT AND MONITORING

MANAGE RISK FACTORS

WELLNESS PROGRAMS
PREDICTIVE MODELING THROUGH ANALYTICS

• How would you like to know who your potential high costs claimants could be in the next 12-24 months?

• Risk scoring of all members of a population from the lowest to the highest (regardless of health claims)

• Enables employers and health plans to take a proactive action and contain/reduce their risk as well as their costs
INTEGRATION FOR ACTIONABLE RESULTS

DATA
Tools gather data that assess employee lifestyles and address potential risk factors

INFO
Reports help identify and analyze group-specific information trends affecting the health of members

INSIGHT
Insight of current initiatives allows for success to be gained through adapting a custom health and wellness benefits plan to fit the specific needs of employees and company

ACTION
Strategic action plans accommodate the needs of your employees and target prominent health and wellness risks

ROBUST REPORTING CAPABILITIES AND INSIGHTFUL/CUSTOMIZED RECOMMENDATIONS
STRAIGHTFORWARD APPROACH TO EMPLOYEE ENGAGEMENT

Data Intelligence

Utilizing clinical expertise and other valuable data sources to PROFILE your population and each individual

Engagement Solutions

ENGAGE individuals in a personal, effective way to educate, encourage and support change in health behavior

Wellness Strategies

TARGET health conditions, gaps, health actions specific to your population and each individual
EMERGING TRENDS

Telemedicine

Supplemental Pharmacy Programs

Price Transparency Tools
TELEMEDICINE

<table>
<thead>
<tr>
<th>COMMON CONDITIONS TREATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Allergies</td>
</tr>
<tr>
<td>• Arthritic Pain</td>
</tr>
<tr>
<td>• Bronchitis</td>
</tr>
<tr>
<td>• Certain Rashes</td>
</tr>
<tr>
<td>• Cold/Flu</td>
</tr>
<tr>
<td>• Gastroenteritis</td>
</tr>
<tr>
<td>• Headaches</td>
</tr>
<tr>
<td>• Insect Bites</td>
</tr>
<tr>
<td>• Respiratory Infections</td>
</tr>
<tr>
<td>• Sinus Infections</td>
</tr>
<tr>
<td>• Stomach Ache/Diarrhea</td>
</tr>
<tr>
<td>• Urinary Tract Infections</td>
</tr>
<tr>
<td>• Minor Burns</td>
</tr>
<tr>
<td>• General Information</td>
</tr>
</tbody>
</table>

...and much more

• Fast and convenient access to a licensed physician 24/7/365
• Speak to physician via phone or video
• Prescriptions called into your local pharmacy any time day or night
SUPPLEMENTAL PHARMACY ADVOCACY PROGRAMS

Concierge Prescription Drug Support

- Personalized Rx advocate services
- Support members on expensive brand name and specialty drugs
- Significantly lower members cost (in some cases no cost) as well as the health plan sponsor costs
- Voluntary program to the member but plan sponsor typically would pay for administrative fees
SUPPLEMENTAL PHARMACY ADVOCACY PROGRAMS

Mail-order Generic Maintenance Drug Program

• Access to over 1,200 medications
• Covers 51 major chronic therapeutic classes
• Fixed pricing tiers for 90-day supply
• All U.S. mail order solution
• Employer pays 100% of the cost
• Member receives their prescription at their residence within 5-7 days
SUPPLEMENTAL PHARMACY ADVOCACY PROGRAMS

Prescription Drug Pricing Services

• Free phone or tablet applications
• Applies prescription drug benefits from your insurance plan
• Compares prices at local pharmacies and determines out-of-pocket expenses
• Patient assistance program included
• Utilize manufacturers coupons and pharmaceutical discounts
Orbitz/Amazon for Hospital Surgical Procedures

- Domestic hospital-shopping interactive experience
- Online “consumer-friendly” Web 2.0 platform
- Finds and ranks hospitals based on distance, cost and quality
- Members can receive cash rewards and no out-of-pocket expenses
PRICE TRANSPARENCY TOOLS

Integrated Member Empowerment Solution

• Educating members on cost of procedures and services before they are rendered (included in decision process)
• Increased choice for patients and competition will drive costs down
• Works through your current health insurance administrator/PPO network
• Concierge service available to provide “hand holding” level of comfort
“SWEATING THE SMALL STUFF”

Employers often spend too much time worrying about the pennies vs. the dollars.
REFERENCE-BASED REIMBURSEMENT

• Chargemaster
• Hospitals are profitable
• Charge-to-Cost Ratio (Mark-up)
• Escalator Clause/Trend/Inflation
• Facility Bill Audits
• Facilities are already doing this
• Cost plus a reasonable margin
• Claims are paid according to plan
### THE OPPORTUNITY

#### Commercial % of Medicare Estimates

<table>
<thead>
<tr>
<th>State</th>
<th>IP</th>
<th>OP</th>
<th>Prof</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>180%</td>
<td>307%</td>
<td>147%</td>
<td>220%</td>
</tr>
<tr>
<td>Indiana</td>
<td>242%</td>
<td>260%</td>
<td>127%</td>
<td>251%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>191%</td>
<td>277%</td>
<td>114%</td>
<td>200%</td>
</tr>
<tr>
<td>Ohio</td>
<td>206%</td>
<td>291%</td>
<td>124%</td>
<td>213%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>198%</td>
<td>267%</td>
<td>139%</td>
<td>206%</td>
</tr>
</tbody>
</table>

Source: Milliman Medicare and Commercial Pay Analysis, 2016

NOTE: These percentages are NET of billed charges (i.e., after network discounts)
## WHY REFERENCE-BASED REIMBURSEMENT?

<table>
<thead>
<tr>
<th>HOSPITAL NAME</th>
<th>BEDS</th>
<th>2013 NET INCOME</th>
<th>2012 NET INCOME</th>
<th>2011 NET INCOME</th>
<th>AVERAGE MARK-UP</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHIO HOSPITAL A</td>
<td>1,272</td>
<td>$646,121,222</td>
<td>$434,206,838</td>
<td>$59,085,984</td>
<td>432 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL A</td>
<td>123</td>
<td>$40,043,243</td>
<td>$46,866,098</td>
<td>$7,534,372</td>
<td>312 %</td>
</tr>
<tr>
<td>MICHIGAN HOSPITAL A</td>
<td>189</td>
<td>$23,859,669</td>
<td>$19,059,492</td>
<td>$9,879,084</td>
<td>309 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL B</td>
<td>36</td>
<td>$11,598,450</td>
<td>$17,487,932</td>
<td>$11,299,485</td>
<td>359 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL C</td>
<td>1,266</td>
<td>$579,065,786</td>
<td>$762,656,517</td>
<td>$166,793,241</td>
<td>405 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL D</td>
<td>352</td>
<td>$39,884,790</td>
<td>$35,777,570</td>
<td>$733,078,377</td>
<td>490 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL E</td>
<td>72</td>
<td>$49,434,921</td>
<td>$51,847,249</td>
<td>$43,035,081</td>
<td>712 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL F</td>
<td>386</td>
<td>$153,824,682</td>
<td>$158,283,289</td>
<td>$160,526,532</td>
<td>622 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL G</td>
<td>39</td>
<td>$32,205,065</td>
<td>$26,711,993</td>
<td>$23,390,867</td>
<td>713 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL H</td>
<td>38</td>
<td>$49,201,598</td>
<td>$43,836,297</td>
<td>$41,410,765</td>
<td>267 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL I</td>
<td>36</td>
<td>$11,598,450</td>
<td>$17,487,932</td>
<td>$11,299,485</td>
<td>359 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL J</td>
<td>37</td>
<td>$56,567,490</td>
<td>$35,872,041</td>
<td>$22,656,373</td>
<td>462 %</td>
</tr>
<tr>
<td>INDIANA HOSPITAL K</td>
<td>112</td>
<td>$6,859,723</td>
<td>$8,556,035</td>
<td>$3,707,905</td>
<td>292 %</td>
</tr>
</tbody>
</table>
## WHY REFERENCE-BASED REIMBURSEMENT?

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Otherwise known as</th>
<th>Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral cleansing device</td>
<td>Toothbrush</td>
<td>$1050.00</td>
</tr>
<tr>
<td>Cranial support system</td>
<td>Neck support pillow</td>
<td>$450.00</td>
</tr>
<tr>
<td>Mucus recovery system</td>
<td>Facial/Nasal tissues</td>
<td>$75.00</td>
</tr>
<tr>
<td>Tuberculin syringe</td>
<td>Diabetic syringe</td>
<td>$14.00</td>
</tr>
<tr>
<td>Acetaminophen Tablet</td>
<td>Tylenol</td>
<td>$513.23</td>
</tr>
<tr>
<td>CBC</td>
<td>Blood Count</td>
<td>$280.00</td>
</tr>
<tr>
<td>Blood Glucose Monitoring</td>
<td>One Diabetic Test Strips</td>
<td>$20.90</td>
</tr>
</tbody>
</table>
WHY REFERENCE-BASED REIMBURSEMENT?
CHARGEMASTER VERSUS RETAIL

<table>
<thead>
<tr>
<th>Drug Description</th>
<th>Hospital Price</th>
<th>Retail Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacitracin (Antibiotic)</td>
<td>$108.00 Each</td>
<td>Pack of 3 for $12.33</td>
</tr>
<tr>
<td>Acetaminophene (Tylenol)</td>
<td>$1.50 Each</td>
<td>Bottle of 100 for $1.49</td>
</tr>
<tr>
<td>Gauze Pads</td>
<td>$77.00 a Box</td>
<td>Pack of 50 for $4.90</td>
</tr>
<tr>
<td>Diabetes Test Strip</td>
<td>$18.00 Each</td>
<td>Box of 50 for $27.00</td>
</tr>
</tbody>
</table>
WHY REFERENCE-BASED REIMBURSEMENT? FACILITY CHARGE EXAMPLE

This is a “CT Scan without contrast” at a major system hospital:

- Billed: $3,037 Approximately 14.5 times Medicare
- Medicare: $175
- Cost: $45
- **RBR:** $210 Including Reasonable Profit Margin
- National Average: $1,674 National Average for CT Scan
PARADIGM SHIFT FROM THE NORM

Traditional PPO Approach

- 3rd party agreement between an insurance company/PPO network and health care provider

RBR Approach

- Eliminates middleman
- Allows you to have a direct deal that benefits you
HOW DOES IT WORK?

STEP 1
PHYSICIAN ONLY SERVICES
Abandon network of medical facilities

STEP 2
MODIFY PLAN DOCUMENT
Install Smart Plan language for RBR methodologies including TPA as co-fiduciary

STEP 3
CLAIMS AUDIT
Audit ALL in-patient and out-patient facility claims applying the RBR formulas, as per the new Plan language

STEP 4
ERISA BASED APPROACH
TPA handles all claim appeals on behalf of the employer and responsible for legal defense of Plan

STEP 5
PROTECT THE PLAN MEMBER
Protect member with expert attorneys from balance billing from providers or collection agencies at no additional costs
WHAT IS THE PROCESS?

CLAIM INCURRED
at Facility Provider

CLAIM SENT
to TPA

CLAIM AUDITED
and Paid

PROVIDER ACCEPTS
Payment in Full (89%)

PATIENT NOTIFIES
TPA of Balance Billing

PROVIDER BALANCE BILLS
Patient (5%)

PROVIDER APPEALS
to Health Plan

TPA HANDLES
Balance Bill via ERISA
Appeals Process

TPA HANDLES
Appeals and Maintains
Fiduciary Status
REFERENCE-BASED REIMBURSEMENT CASE STUDY EXAMPLE

19,200 CLAIMS

- **PROFESSIONAL CLAIMS**
  - Physician, Lab, x-ray
  - Paid in physician-only PPO
  - NEVER sent to TPA for Audit

- NO BALANCE BILL OR APPEAL
- RESOLVED VIA ATTORNEY LETTER OR APPEAL RESPONSE
- ONGOING DISPUTES FOR TPA TO DEFEND

94% of All Claims

FACILITY 6% of All (1,250 Claims)

GROUP SAVINGS $1,500,000 (at $150,000 per 100 EEs)

40 DISPUTES FOR TPA ATTORNEYS TO DEFEND (4 per 100 EEs)
DIFFERENT TRACK – LOWER AND FLATTER TREND

YEAR

‘12
‘13
‘14
‘15
‘16

COST

INFLATED HOSPITAL CHARGES
NEGOTIATED DISCOUNTS
REASONABLE PROFIT PER PLAN DOCUMENT
SELF-REPORTED COST OF PROCEDURE
Q&A

• Thank you very much for the opportunity to present at the 2016 ICCMHC Conference
• Please let us know if you should have any further questions or concerns with anything we discussed this morning

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