

Castlight Health

Referenced Based Benefits

May 2014

Overview

- Introductions
- Castlight Update
- Castlight Referenced Based Benefits (RBB)
- Indiana Employer Forum Opportunity
- Discussion/ Q&A

Castlight Update

Leading The Transformation In Health Care

The New York Times

PAYING TILL IT HURTS

The \$2.7 Trillion Medical Bill



A colonoscopy scope at a Veterans Affairs center in Seattle.
MATTHEW RYAN WILLIAMS FOR THE NEW YORK TIMES

By ELISABETH ROSENTHAL
June 1, 2013

FOX BUSINESS
THE POWER TO PROSPER

Improving Health-Care Cost Transparency



AFTER THE BELL
CASTLIGHT: WELLPOINT PARTNERSHIP
VALIDATES OUR MISSION TO LOWER COSTS

FOX BUSINESS

Castlight Health CEO Dr. Giovanni Colella on efforts to help people gain control of their health-care costs greater transparency.



Forbes

Castlight Is Poised To Play A Pivotal Role In Reducing Health Care Costs

The Washington Post

A complex ecosystem of costs in health care



High Prices, Low Transparency The Bitter Pill of Health Care Costs



It's about creating health care consumers

**To create health care consumers,
you have to be able to answer many
questions...**

Is this
doctor good?

Do I really need
this back MRI?

What is an HSA? Do
I have an HSA?

Why should I
choose a CDHP?

What does
this cost?

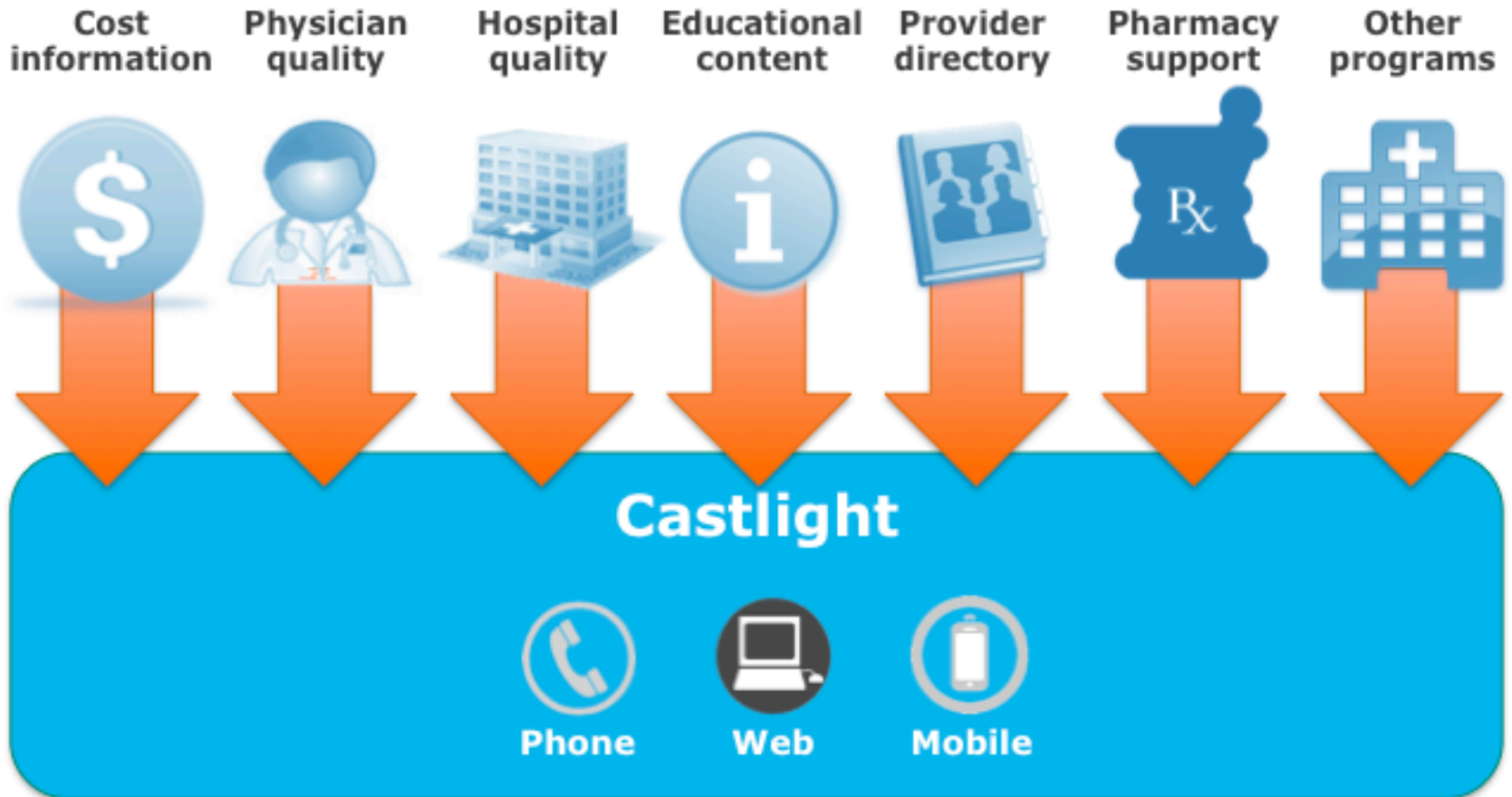
What doctors are
in-network?

Should I go to the
ER or Urgent Care?

What is my
deductible?

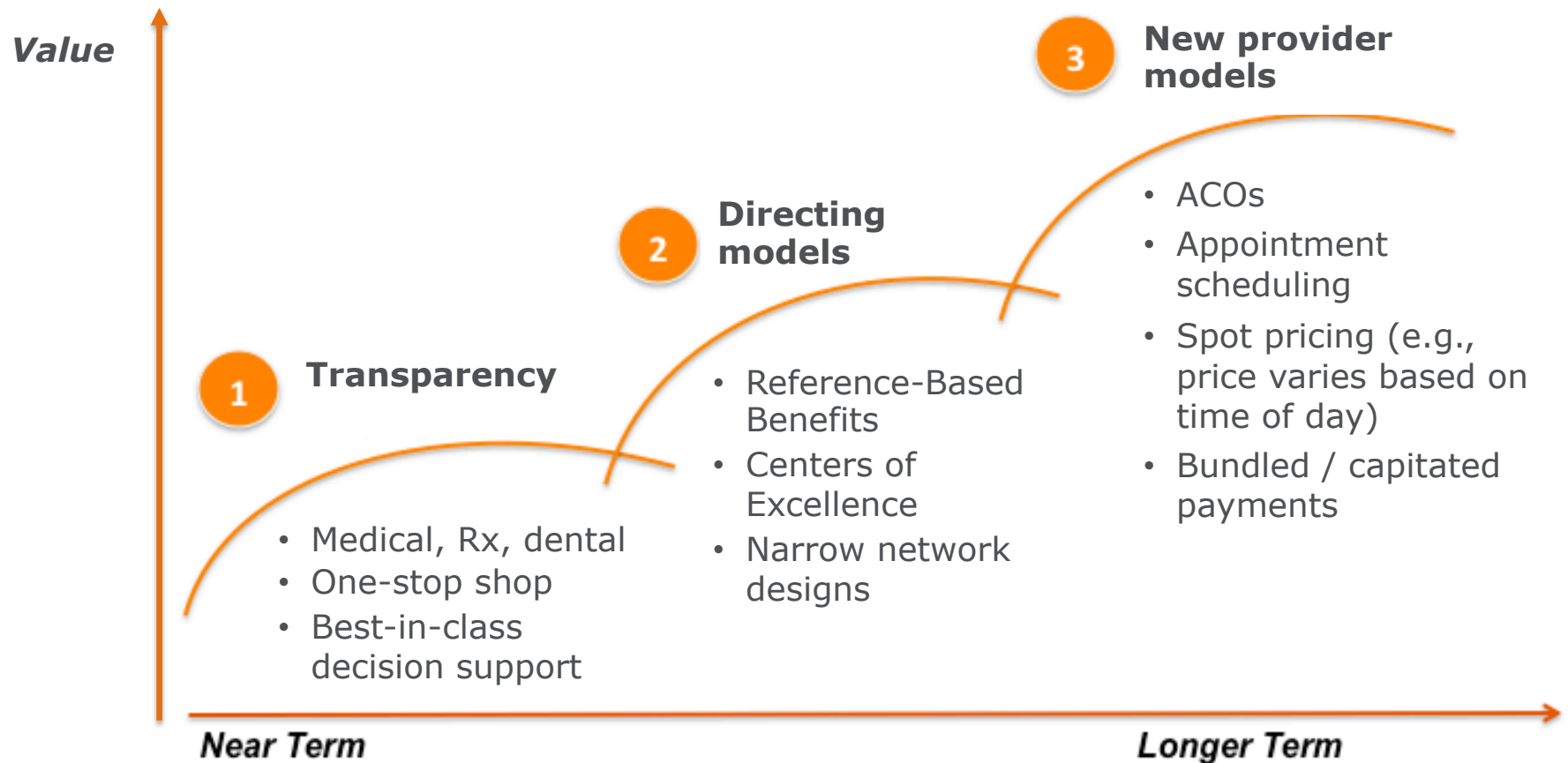
Do we have
diabetes coaching?

More than just cost transparency



Transparency is just the beginning...

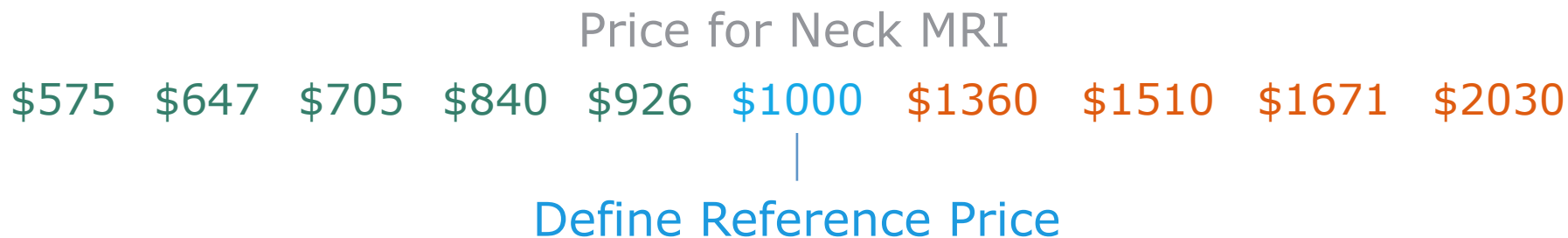
Illustrative journey for employer clients



Referenced Based Benefits

What is Reference-Based Benefit (RBB)?

Wide price variation exists within a region



If member chooses location below reference price



Normal coverage rules apply

If member chooses location above reference price



Member pays portion above reference price

Control spending while maintaining choice

RBB guarantees savings for included services



Payment is capped for specific procedures

and maintains member choice

Members are free to go to any in-network provider



Castlight RBB is shaped by our **years of experience** working with innovative employers

Comprehensive Services

Employers have pushed for an RBB product that include a comprehensive set of services. Castlight RBB has been designed to cover more than **25** procedures, **80** imaging services, and **225** labs.

Cutting-Edge Analytics

RBB prices have to be set very carefully so as to maximize savings while limiting employee disruption. Castlight RBB sets prices based on a cutting edge analysis dividing the country into **930** different geographic areas.

Flexible Design

Employers want a flexible RBB program that matches their company's goals and philosophy. Castlight RBB offers configurability around **what services** to include, how to **set prices**, and how to handle the **OOP maximum**.

Change Management

RBB is a big change for an organization and must be rolled out effectively. Castlight RBB comes with **comprehensive change management** support based on our experience launching RBB with multiple customers and employee types.

Maximizing the savings potential of RBB

RBB can be tailored to meet your savings goals



Number of Services

Move covered services, more savings



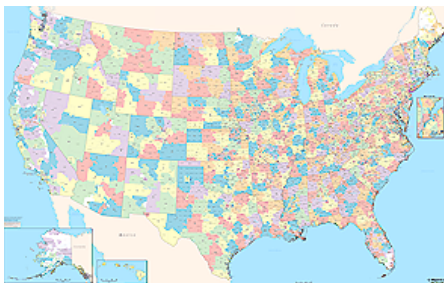
Reference Prices

Lower reference prices, more savings

Setting RBB Prices: How it Works

- 1 Understand regional price variation at a very granular level
- 2 Decide how aggressive/conservative RBB prices should be
- 3 Define local RBB prices

Granular Analysis of Health Care Pricing



Question:

How do we account for the fact that different areas have different health care prices and market conditions?

- 929 3-digit zip code regions nationwide-
- Castlight analyzed each of the 929 regions to understand local health care pricing and buying patterns (like geoaccess and commuting)
- Based on that analysis, Castlight grouped each of the 929 regions into one of 50 buckets (*7 buckets in Indiana*)
- Each bucket contains a set of regions that have similar health care pricing and other marketing conditions
- Castlight then sets a separate RBB price in each of the 50 buckets

Granular, region-specific analysis is essential for maximizing employer savings and minimizing disruption

Determining target percentile of behavior change

RBB Prices are based off of percentiles

- For example, setting the RBB price at the 70th percentile means that 70% of providers will be under the RBB price, 30% will be above the RBB price

Employers can use percentiles to calibrate the behavior change desired, in terms of customer spend and employer savings

- Selecting a lower percentile (like 50th) means more savings to the employer, but means more disruption to the employee
- Higher percentiles (like 90th) mean less savings to the employer but less disruption for employees

Employers can choose one of five plans for RBB:

	In-patient	Out-Patient	Imaging	Labs
Plan 1	50%	50%	50%	50%
Plan 2	50%	60%	50%	50%
Plan 3	60%	60%	50%	60%
Plan 4	80%	80%	60%	60%
Plan 5	80%	80%	80%	80%

Lab Tests

Lab test price estimates are for: comprehensive metabolic panel (CMP) ⓘ

You pay: \$4 - \$210

▲ The Reference Point Price for this service is \$12

Sort by

Distance

Distance

25 miles

Change lab tests

Refine your search

Show filters

Show map



Compare

1-10 of 15 | 1 2

Quest Diagnostics
Independent Lab, Laboratory Services
In-Network

Estimated price: **\$5**

You pay 100% ⓘ

5720 Stoneridge Mall Rd, Suite 110
Pleasanton, CA 94588 (2 mi)
60 Fenton St, Suite 2
Livermore, CA 94550 (7 mi)
556 Mowry Ave
Fremont, CA 94536 (8 mi)
12901 Alcosta Blvd, Suite A
San Ramon, CA 94583 (8 mi)
2191 Mowry Ave, Suite 500b
Fremont, CA 94538 (9 mi)
[View 35 more addresses](#)

About Lab Tests

A lab (laboratory) test is a basic test most often performed... [Learn more »](#)

Your plan coverage

Lab Tests:

For many lab tests, there is a maximum amount that applies to your benefits.

[View Your Plan](#)

Valley Care Medical Foundation, Inc
Family Medicine, General Surgery, Internal Medicine
In-Network

Estimated price: **\$149**

You pay 100% ▲

5565 W Las Positas Blvd, Suite 220
Pleasanton, CA 94588 (2 mi)

Exceeds the Reference Point Price of \$12.

You pay the full cost because you are in your deductible phase.

Only \$12 will apply toward any deductible.

[Learn more »](#)

LabCorp aka Laboratory Corporation of America
Laboratory Services
In-Network

Estimated price: **\$4**

You pay 100% ⓘ

2324 Santa Rita Rd, Suite 16
Pleasanton, CA 94566 (2 mi)
2301 Camino Ramon, Suite 108
San Ramon, CA 94583 (8 mi)
2147 Mowry Ave, Suite C1
Fremont, CA 94538 (9 mi)
19942 Lake Chabot Rd
Castro Valley, CA 94546 (9 mi)
13847 E 14th St, Suite 100
San Leandro, CA 94578 (13 mi)
[View 25 more addresses](#)

Easy to identify providers below the reference price

Clear indication of the reference price and easy explanation

Search for a doctor, service, condition, or medicine [Search](#)

Searching near 4375 Foothill Road
Pleasanton CA 94588 [Change >](#)

Reference Point Price Benefit from Chrysler

- [Overview](#) >
- [Lab tests](#) >
- [MRI scans](#) >
- [CT scans](#) >
- [Outpatient surgery](#) >

Overview

The Reference Point Price is a program designed by Chrysler to control costs and save you and Chrysler money. For a service like a lab, an MRI, a CT scan, or a procedure, price can vary dramatically - but paying more doesn't mean you are getting better care. To learn more about why, [click here](#).

Because prices can range for these services, Chrysler has set a maximum dollar amount that it will cover. Here's how it works:

How it works

If you choose a service - a lab, an MRI, a CT scan, or a procedure for example - that costs more than the Reference Point Price, you pay the difference. This additional cost does not count toward your deductible.

Example prices for an MRI



- **Not covered cost**
You will pay this portion and it will not apply toward your deductible.
- **Covered cost**
This portion may be applied towards your deductible or out of pocket maximum.

Special cases

Reference Point Prices do not apply in certain special cases. These include medical emergencies, cancer care, care for members under age 18, and most preventive care. Reference Point Prices do not apply to screening colonoscopies if they are performed in an ambulatory (outpatient) surgical center. Reference Point Prices also do not apply to Medicare, Medicaid, foreign, or VA provider claims. Reference Point Prices for labs and imaging will not apply if these services are performed while you are hospitalized in an inpatient facility. Reference Point Prices will be waived if the services are performed in an emergency room or ambulance.

Appeals

If you believe a Reference Point Price was incorrectly applied to your service, call (800) 555-1234.

User-friendly explanation of the RBB program

Completely customizable based on Chrysler requirements

Referenced Based Benefits are here to stay

PRESS RELEASE | June 26, 2013, 8:05 a.m. ET

Castlight Health and WellPoint's Affiliated Health Plans Introduce Reference Based Benefits

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Innovative Benefit Design Enables Employers to Control Health Care Costs While Empowering Employees to Better Manage Their Care

SAN FRANCISCO--(BUSINESS WIRE)--June 26, 2013--

WellPoint, one of the nation's largest health benefits companies, and Castlight Health, a leader in health care transparency, today announce a joint offering for employers called Reference Based Benefits. Innovative health care benefit designs are an important component of controlling costs while increasing access to quality care. The new offering combines Castlight's consumer-focused health care transparency solution with WellPoint's affiliated health plans' focus on customer service, broad provider networks and efficient administrative process



WellPoint, the nation's second-largest insurer, is hopping aboard the [reference-based pricing bandwagon](#) come Jan. 1.

The Indianapolis-based company said it will begin offering employers a coverage plan for their workers that will include set prices for certain kinds of medical procedures. While reference-based pricing has been catching on, mostly in large employer plans, what's different this time is that WellPoint said it will set prices for 900 medical serv

...phy and same network. However, higher costs without sacrificing quality. With Reference Based Benefits, employees are assured under their group health plans

ebri.org
Employee Benefit
Research Institute

April 2014 • No. 398

Previously, organizations like CALPERS, the California employee pension plan, capped amount it would pay for certain procedures such as hip and knee replacements. The WellPoint plan, if it proceeds as advertised, would essentially set the bar for a much broader range of services and would likely force many health providers to adjust to the standard

[Employers](#) have been waiting for just such an opportunity from a large insurer.

Some two-thirds of large employers surveyed by Aon Hewitt earlier this month said they are considering using reference-based pricing to control health coverage costs. With WellPoint plan as a touchstone, benefits consultants who spoke with the Wall Street Journal said they expect to see widespread adoption by employers.

WellPoint said it will choose to sp

The screenshot shows a blog post from 'The Dose' dated April 21, 2014. The article title is 'In Indiana, everyone makes big profits on health care'. The author is J.K. Wall. The article content includes: 'It looks like everyone is making good money on health care in Indiana.' and 'We already knew that was the case for hospitals in the Indianapolis area, whose reimbursements for both inpatient and outpatient care are at the top of the heap when compared with other cities. Hospitals in such cities as Anderson, Bloomington, Fort Wayne and Kokomo are doing just fine, as well.' and 'Physicians don't do too badly either, especially in recent years as hospitals have been sharing some of the health care market.'

Issue BRIEF

Reference Pricing for Health Care Services: A New Twist on the Defined Contribution Concept in Employment-Based Health Benefits

By Paul Fronstin, Ph.D., Employee Benefit Research Institute; and M. Christopher Roebuck, Ph.D., RxEconomics

AT A GLANCE

“Employer savings is projected to be \$9.4 billion through implementation of RBB...” – EBRI, April 2014

Employers are realizing significant savings from RBB

CalPERS Experience: Knee and Hip Replacements

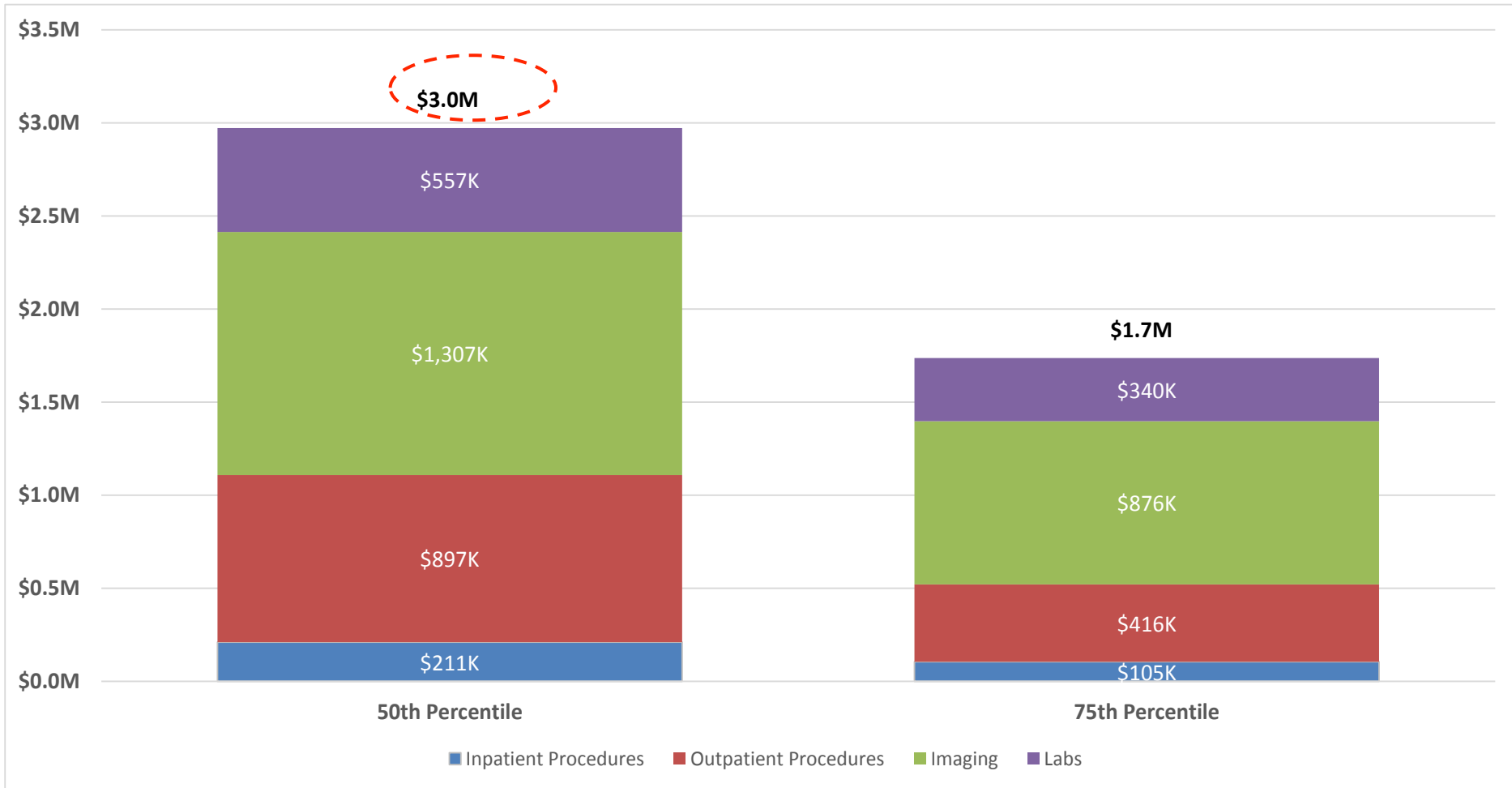
- Use of designated sites (i.e., those below reference price) increased 21%, member OOP was constant
- Use of non-designated sites (i.e., those above reference price) fell (-34%)
- Overall cost/unit changed (-19%), from \$35,408 to \$28,695
- CalPERS quality statistics fared better than non-CalPERS members
- Main program impact due to price decreases rather than utilization shift

Kroger Experience: Advanced Imaging

- CT price/unit decreased (-6.3%)
- MRI price/unit decreased (-11.1%)

Castlight projects RBB savings based on claims analysis

Example analysis for client with \$112M annual medical spend

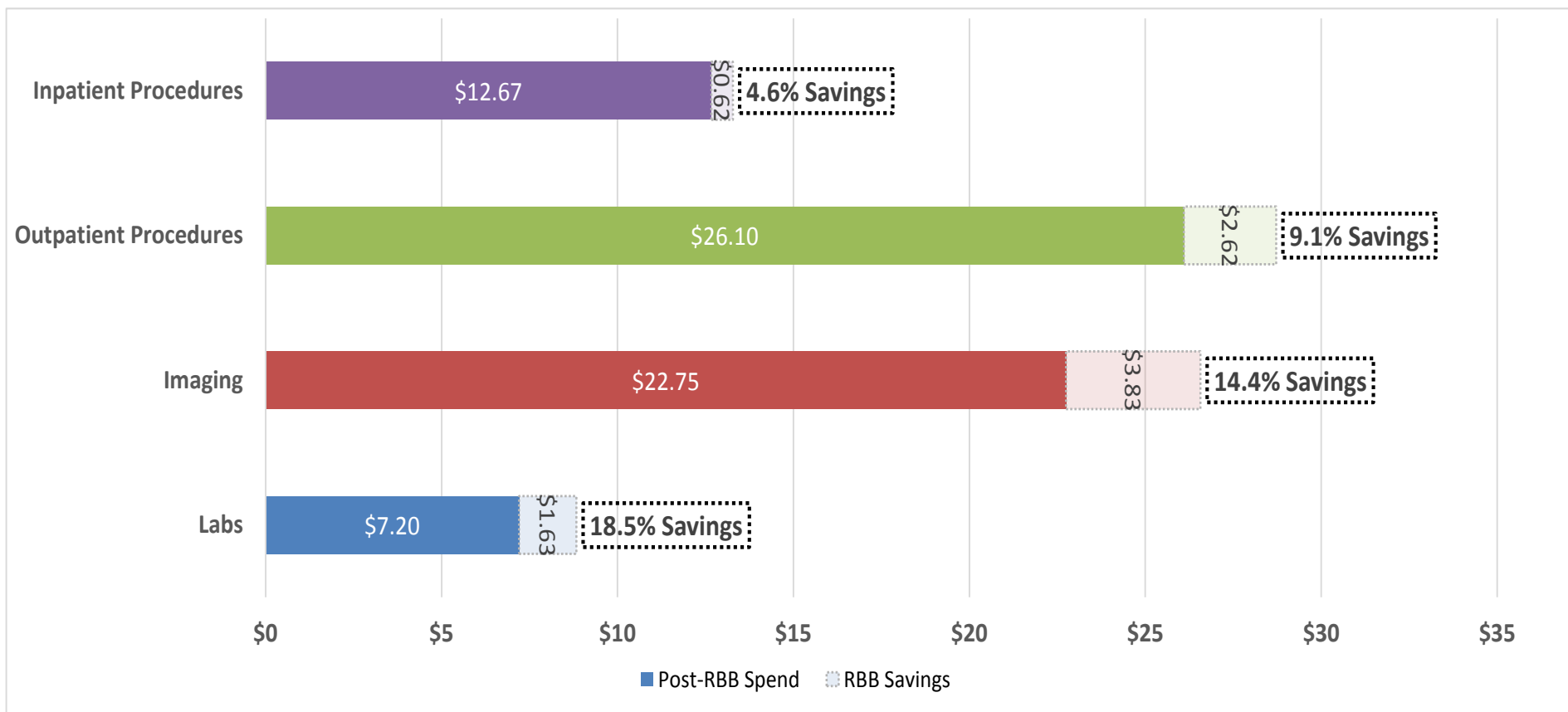


Procedure and price selection will ultimately drive the savings potential for an RBB program

RBB Savings by Category (PMPM)

Example analysis for client with \$112M annual medical spend

PMPM Savings for 50th Percentile Prices



Coordinating an RBB rollout through the Forum

Providers have reduced rates in response to RBB

- In California, providers reduced prices in order to stay under CalPERS reference price

A broad, coordinated effort among Indiana employers will likely accelerate marketplace changes

- IN Employers represent meaningful percentage of revenues, even higher percentage of profits
- Providers do not want to be above reference price

Coordinated rollout will benefit employers, members

- Inspire exchange of best practices
- Engage providers
- Drive community awareness, educate stakeholders

Questions?