Employers Using Price & Transparency to Purchase Healthcare

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Today’s Healthcare Headlines

**THE WALL STREET JOURNAL**

*Cost of Employer-Provided Health Coverage Passes $20,000 a Year*

Annual poll of employers by Kaiser Family Foundation finds premiums rose 5% for family plans; “It’s the cost of buying an economy car.”

**ebn**

*Employers expect healthcare costs to jump 5% in 2021 amid coronavirus pandemic*

By Amanda Schiavo  August 24, 2020, 5:00 a.m. EDT  3 Min Read

**NEWS**

*As Hospital Prices Soar, a Stitch Tops $500*

Hospital pricing is often convoluted, and hospital charges represent about a third of the total United States health care bill.
Premiums continue to increase

Average Annual Worker and Employer Premium Contributions and Total Premiums for Family Coverage – 2009, 2014, and 2019

OOP costs continue to grow faster than wages

Cumulative growth in out-of-pocket and total health spending for people with large employer coverage, 2007-2017

Key impacts of healthcare costs on employers and employees

• Healthcare expenditures are a **large proportion** of employer budgets
• Per employee costs are growing rapidly, at rates **far above the cost of living**
• These increases are **challenging the ability to provide raises** to employees
• Employers have tried to shield employees over time, but they are **not able to continue** doing this in the future

This is **NOT** sustainable.
Unsustainable employer costs

“Of course we have benefits. Our next one is Saturday night. We hope to raise enough money to pay our group insurance premium.”

Source: https://www.glasbergen.com/ngg_tag/insurance-cost/
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ABOUT US

- Headquartered in Indianapolis, Indiana
- Privately owned since 1947
- More than 650 company employees
- One of the nation’s largest distributors of beer
- Represent 500+ of the world’s best brands
- Deliver on average 60,000 cases of product a day
### HEALTHCARE COSTS IN THE US

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Contribution</th>
<th>Worker Contribution</th>
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</thead>
<tbody>
<tr>
<td>1999</td>
<td>$4,247</td>
<td>$1,543</td>
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<tr>
<td>2000</td>
<td>$4,819*</td>
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<tr>
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<tr>
<td>2008</td>
<td>$9,325*</td>
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<td>2009</td>
<td>$9,880*</td>
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<td>2010</td>
<td>$9,773</td>
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<td>2011</td>
<td>$10,944*</td>
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<tr>
<td>2012</td>
<td>$11,429*</td>
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<td>2013</td>
<td>$11,766</td>
<td>$4,565*</td>
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<tr>
<td>2014</td>
<td>$12,011</td>
<td>$4,823*</td>
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<td>2015</td>
<td>$12,591*</td>
<td>$4,955*</td>
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<tr>
<td>2016</td>
<td>$12,865</td>
<td>$5,277*</td>
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<tr>
<td>2017</td>
<td>$13,049</td>
<td>$5,714*</td>
</tr>
<tr>
<td>2018</td>
<td>$14,069*</td>
<td>$5,547*</td>
</tr>
</tbody>
</table>

*Estimate is statistically different from estimates for the previous year shown (p<.05).

OUR PHILOSOPHY

If you are in business, you are in the business of healthcare
WE CAN’T SEEM TO INFLUENCE PEOPLE TO CHANGE THEIR BEHAVIORS

Move from a Center Of Excellence (COE) to Physician of Excellence (POE) model.

Move from a tiered network of health care providers based on a non-transparent formula to a transparent system based on price and quality.
NEW FOCUS IS TO USE RELEVANT CLINICAL DATA TO REDUCE HEALTHCARE COSTS AND IMPROVE OUTCOMES

- Focus On Disease Prevention
- Focus On Disease Management
- Focus Quality Providers
- Focus On Lower Cost Providers
POP HEALTH DASHBOARD

CLINICAL VALUE REPORT

ADT REPORTING

CARE MANAGER

Indiana Health Information Exchange
CLINICAL VALUE REPORT

CARE WEB
FUTURE STATE OF HEALTHCARE

- Direct contracting
- Narrow or tiered network designs based on transparent quality and price data
- Reference-based and bundle pricing
About Us

- One of the nation’s leading research institutions with a reputation for excellent and affordable education
- Three campuses / Four locations - differing needs and resources
- 12,718 active eligible employees
- 25,051 total members (employees, spouses, dependents)
- 84% in HDHP; 16% PPO

Benefit Department Goals

1. To provide high-quality, affordable, family-friendly benefit offerings to meet the needs of our diverse workforce
2. Reshape healthcare at Purdue and disrupt that which needs disrupting
Healthcare Expenditures

Dollars in Millions

2014 - 2017

2014
- Three plans (2 HDHP; 1 PPO)
- Anthem contract; savings used to reduce employee premiums

2015-2016
- No employee premium increases
- Added free preventive dental
- Added autism and bariatric coverages

2017
- Direct agreement for on campus labs
- Imaging/radiology offered at Student Health Center
- New onsite employee clinic operator
- Healthy Boiler provided additional financial incentives for wellness activities and education
- Employee premium increase (4%)
Change in Focus

- Administrative Changes
- Direct Agreements
- Concierge Services
- Narrow Network Option
- Reviewed eligibility rules
Narrow Network Option

HealthSync network added to existing medical plans

More personalized care plans
High-performing doctors driven by quality
Lower costs with participating providers
Nearly 10,000 providers and 45 hospitals across Indiana
Faster appointments with specialists
Narrow Network Option

Lower plan costs

✅ Lower deductibles
✅ Lower co-insurance
✅ Lower out-of-pocket maximums
Direct Agreements

- On Campus Labs
- Imaging
- Total Hip Total Knee
- Specialty Rx - Medical
- Specialty Rx - Prescription
- Physical Therapy
Direct Agreements - Imaging

Why?
- Imaging services are a commodity
- Purdue has significant volume (e.g. over 15,000 x-rays)
- Total plan costs - over $10m annually
  - Covers non-emergency imaging services (i.e. x-rays, ultrasounds, mammograms)
- Substantial competition exists from providers outside of an inpatient hospital setting

Selection
- Key criteria:
  - Access/locations
  - Accreditation
  - Patient safety
  - Diagnostic services (i.e. timeliness, decision support, incidental findings)
  - Cost

Estimate 17% reduction in costs
Direct Agreements – Total Hip & Total Knee

Why?
- Wide variation in costs for same procedure matched with a wide variation in outcomes
- One of highest musculoskeletal expenses - $2.7m annually for 75 procedures

Selection
- Key criteria:
  ▪ Provider qualifications and experience
  ▪ Prior experience with bundled care
  ▪ Quality measures (i.e. replacement process, safety, readmission, infection, complications)
  ▪ Patient care experience
  ▪ Warranty on total care associated with replacement (i.e. return to function)
  ▪ Cost

Estimate 34% reduction in costs
Direct Agreements – Specialty Rx

Why?
- 1-2% of total prescription volume, but 46% of total Rx dollars
- Better prior authorization process - focus on outcomes
- Variances in Site of Care for patient - cost and comfort
- Co-Pay Assistance to support employee - maximizing opportunities

Selection
- Key criteria:
  - Provider qualifications and experience
  - Prior experience with carve out
  - Patient care experience - including communication
  - Patient outcomes key to process
  - Cost
Direct Agreements – Physical Therapy

Why?
- Wide variation in costs for same procedure matched with a wide variation in outcomes
- Directly related to many musculoskeletal expenses - $13m annually
- Potential reduction in workers compensation claims - $3m annually

Selection
- Key criteria:
  - Provider qualifications and experience
  - Prior experience with direct contract
  - Quality measures (Merit-based Incentive Payment System)
  - Patient experience, including access
  - Ability to provide on campus prevention services
  - Cost
Healthcare Expenditures – Flat Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare Expenditures in Millions</th>
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<tbody>
<tr>
<td>2014</td>
<td>106.0</td>
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<tr>
<td>2015</td>
<td>110.9</td>
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<td>2016</td>
<td>123.7</td>
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<tr>
<td>2020P</td>
<td>136.2</td>
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<tr>
<td>2021P</td>
<td>136.9</td>
</tr>
</tbody>
</table>

- **Employee OOP**
- **Employee premium**
- **Purdue**
History of Benefit Changes

2014
• Three plans (2 HDHP; 1 PPO)
• Anthem contract; savings used to reduce employee premiums

2015-2016
• No employee premium increases
• Added free preventive dental
• Added autism and bariatric coverages

2017
• Direct agreement for on campus labs
• Imaging/radiology offered at Student Health Center
• New onsite employee clinic operator
• Healthy Boiler provided additional financial incentives for wellness activities and education
• Employee premium increase (4%)

2018
• Change in pharmacy benefit manager
• Numerous measures to reduce administrative costs (i.e. broker consolidation, data mgmt.)
• Employee premium increase (7%)

2019
• Deductible/OOP increases
• Prescription formulary change
• Employee premium increase (6%)

2020
• No employee premium increase
• Sunset PPO medical plan (1/1/21)
• Working spouse premium
• Tobacco surcharge increase
• Direct provider agreements
• Tiered narrow network option
• Cancer concierge
• Prescription concierge
Employer Actions to Consider

**Benefit Design Strategies**
- Reference-based Pricing
- Centers of Excellence
- Value-based options: high quality and low cost

**Provider Network and Contracting Strategies**
- Tiered or narrow provider network
- Alternative sites of care
- Medicare Plus Contracting
- Direct Contracting