



TRANSPARENCY AND DECISION TOOLS

January 19, 2016

Prepared by Aon

Aon Hewitt | Health & Benefits

Presentation to Pinellas County Schools



Today's Discussion

Health Care Transparency

1. The Challenge
2. Current Environment-Cost and Quality
3. The Benefits - to employees/dependents and School Board
4. Cost Variation in Health Care

Vendors

1. The Players
2. The Cost
3. Analysis

Reference Based Pricing



HEALTH CARE TRANSPARENCY

The Challenge

- ✓ Healthcare costs are not transparent prior to services being rendered.
 - Industry standards dictate that the financial terms of in network provider contracts, both professional services (physician costs) and facility costs are proprietary and not available for employers or their employees to determine what the reimbursement rates are for these services.

- ✓ Employers and Health Plans know that the cost of services at non-hospital locations for services are much less than hospital-based settings.
 - Price ranges for various types of services can vary greatly from one provider/facility to the next. The quality of the services being provided is also very important.

- ✓ Employers like Pinellas County Schools have created strategies to incent employees to seek services at non-hospital settings through the use of plan design incentives with lower out of pocket costs.
 - While this has worked to a point, the employee does not know what the variable costs by provider are for the portion of the claim being paid by insurance.
 - In the past, most PCS employees were in an HMO and cost wasn't relevant to them. Today as PCS has moved to a deductible and co-insurance environment, out of pocket costs are very relevant and transparency tools can help them reduce their costs and those of the Board.

- ✓ Being able to access the claims data and determine ranges for provider reimbursement costs is something that many insurance carriers have begun to develop.
 - Humana has an online cost estimator; however, the data is not always helpful as it is reliant upon medical providers agreeing to provide pricing information for publication, and if an employer, such as PCS has what is determined as non-standard sets of benefits, the tool which estimates employee out of pocket expenditures will not be accurate. Additionally much of Humana's cost information relies on the provider cost and not facility cost.

Current Environment-Cost and Quality

- ✓ Within the last three years transparency vendors have become prevalent.
 - These vendors provide varying methodologies of how to provide health care costs that address total cost, without compromising proprietary provider reimbursement rates as negotiated by the carriers. These third party vendors maintain a barrier between the claims administrator's network contracts and the health systems proprietary pricing.

- ✓ Some of the transparency vendors can benchmark estimated costs for professional services and facility costs by diagnosis code, service, procedure and test.
 - Employers can then contract with these firms to provide this information to their employees both online and telephonically to best determine what the varying range of costs are within a zip code or region.

- ✓ In addition to providing medical transparency tools, some transparency vendors are also providing information on quality as determined by qualified third party organizations to indicate quality, as well as pricing.
 - Additionally, transparency vendors are also utilizing this platform in identifying specialty pharmacy costs, which is one of the highest cost drivers for employers today. Lastly, some transparency vendors are willing to place fees at risk to prove they can reduce the employer's total cost and also administer incentives for employees selecting lower cost options.

The Benefits

To the Employee –

- ✓ While employees have already begun to change their behavior when seeking medical services as a result of asking their physicians to send them to facilities which result in lower out of pocket costs to the employee, there is significant opportunity to further incent employees to seek services at lower cost/high quality providers.
 - Some transparency vendors have implemented incentive programs that reward employees who seek services from lower cost /high quality providers/facilities. These incentives can be actual cash incentives paid to an employee as well as strategically providing a range of incentives as part of an overall wellness component which rewards employees with lower healthcare premiums and other incentives.

To the School Board

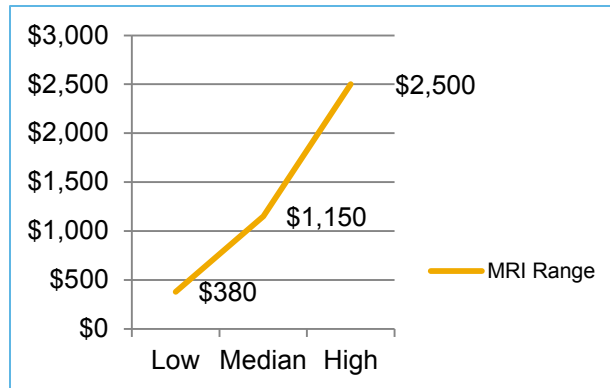
- ✓ Provide access to strategic transparency tools with incentives for employees to understand total cost and utilize lower cost/high quality providers/facilities. This will lead to reduced health care expenditures with the potential for better health outcomes for employees and dependents.
 - With the Affordable Care Excise Tax in 2018 looming, providing incentives which result in lower healthcare expenditures, will provide a needed strategy to keep employer healthcare costs from exceeding the ACA thresholds, thus resulting in very expensive penalties via the Excise Tax.

Cost Variation in Health Care

The variation in the cost of the services below is the facility variation in cost and not the provider (physician). Provider/physician variability is very small and does not affect total cost to the point that physician cost is a considered factor.

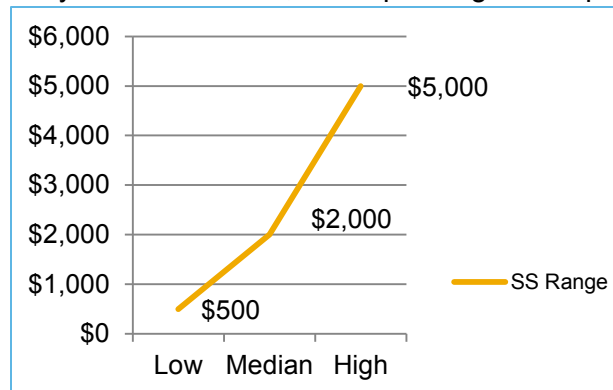
Knee MRI (no contrast)

Total costs can vary from \$380 to \$2,500 depending on the place of service.



Sleep Study

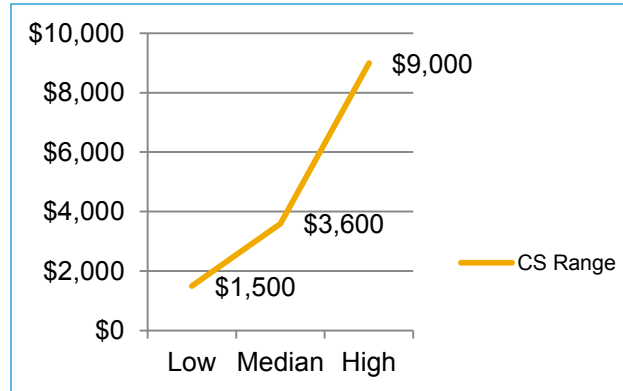
Total costs can vary from \$500 to \$5,000 depending on the place of service.



Cost Variation in Health Care

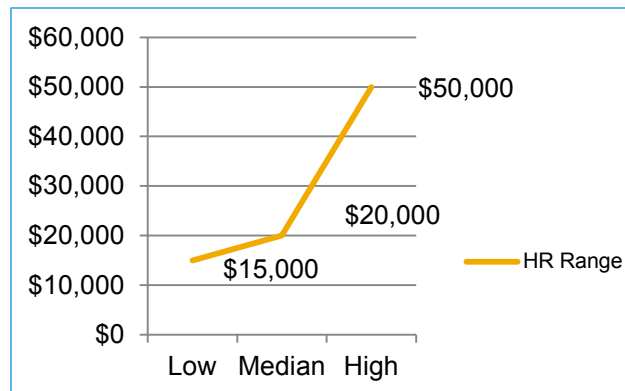
Cataract Surgery

Total costs can vary from \$1,500 to \$9,000 depending on the place of service.



Hip Replacement

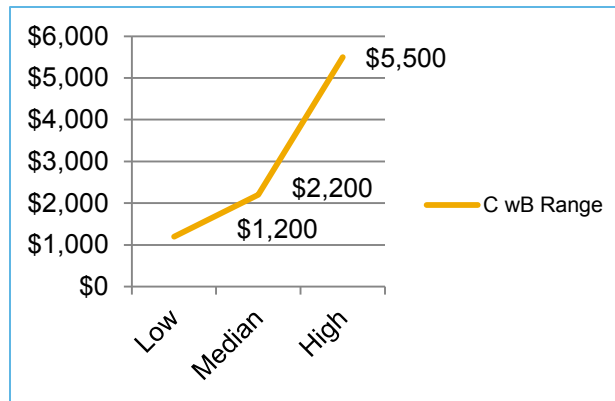
Total costs can vary from \$18,000 to \$50,000 depending on the place of service.



Cost Variation in Health Care

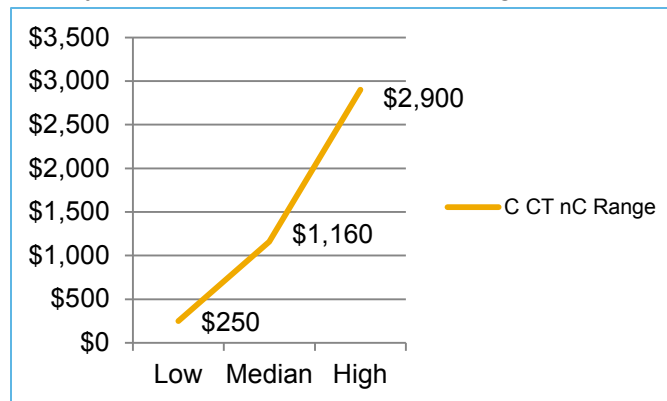
Colonoscopy (w/biopsy)

Total costs can vary from \$1,200 to \$5,500 depending on the place of service.



Chest CT (no contrast)

Total costs can vary from \$250 to \$2,900 depending on the place of service.





VENDORS

The Players

Humana

- Humana's cost comparison tool provides accurate cost information for medical services and treatments based on claims and plan data. It is available on the MyHumana website to help estimate and compare medical costs prior to a procedure. It is designed to help members evaluate options, understand what to expect during treatment, save time, and spark conversations with their doctor about ways to save money on healthcare.

Healthcare Bluebook

- Healthcare Bluebook provides quality ratings as an overall score based on specific clinical categories. This score is a multi-dimensional ranking that includes complications, patient safety events, mortality and core processes. The data is objective, and includes audited public data sources and is fully risk and volume-adjusted. Bluebook combines this data into a single score that ranks all hospitals nationally relative to each other. This approach makes it easy for plan members to determine the highest quality of care at the lowest cost (highest value).

Advance Medical

- Advance Medical contracts with some of the nation's leading physicians to review identified patient records including office notes, lab results, primary imaging and pathological tissue. Providing a service called Expert Medical Opinion, Advance Medical improves diagnosis and treatment of high cost and complex diseases. In Advance Medical's book of business 39% of cases have a change in the diagnosis and 59% of cases have a change in the treatment plan.

Compass

- Compass has designed a "tool" with the absolute understanding of the complexities of healthcare. Thus, the need for Health Pros. The reality is that a portal alone will not be enough to handle the nuances of healthcare. With the onset of account-based health plans twenty years ago, the industry has promoted the importance of consumerism. The reality is that the industry continues to struggle with the 5% true utilization of a technology only solution. The reality is that the vast majority of individuals do not have the expertise or time to search for the right healthcare.

Vitals

- SmartShopper™ uses proprietary "tiered incentive design", which provides different incentive levels based on cost. This supports Americans preference for choice. A member earns the highest amount by choosing the most cost-effective location, a lower amount for the next lowest and a third (where applicable) for the next lowest.

The Costs

Pricing from Transparency vendors contain similar components:

- PEPM fee (per employee per month)
 - ✓ base program pricing (\$1.35 - \$4.00)
- Multi-year pricing
 - ✓ up to 3 years
- Implementation Fee
 - ✓ equal to up to 2 months of fees
- Program Options
 - ✓ additional components that can be added to the base program

Transparency Vendor Analysis

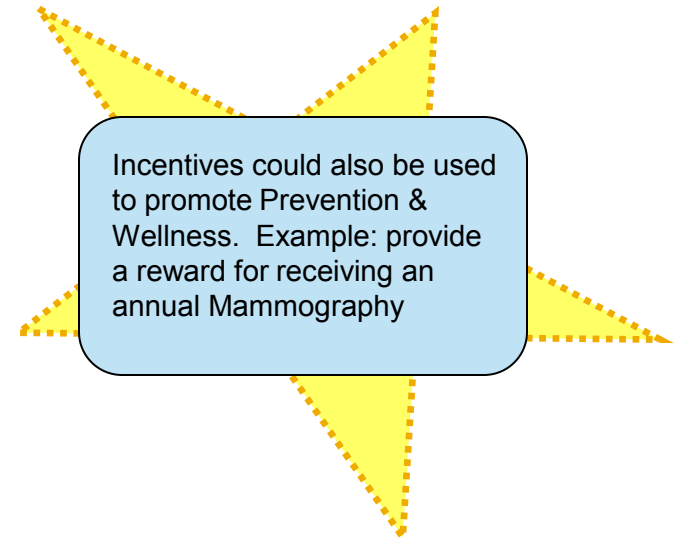
Healthcare Blue Book

We conducted an evaluation of Healthcare Blue Book when the medical plan was on a fully insured basis. The tool was user friendly and the program was a good fit for PCS, however Humana would reap the rewards of members utilizing low cost, high quality providers. With the change to self-funding in 2016 a partnership with a Transparency vendor becomes a better fit. All claim payments will be made by PCS and any savings will be realized directly by the plan.

Transparency Vendor Analysis *(continued)*

Below are some of the outpatient benefits which could be targeted:

Category	Type of Services
Surgery	Ortho, Optho, Urology, ENT, General, GYN
General Diagnostics	ENT, GI
Procedures	Urology, ENT
Cardiac	Cardiac
Women's Health	OB, GYN
Sleep Studies	
High Tech Imaging	MRI, CT
Traditional Imaging	X-ray, Ultrasound, Mammography



The Reward structure could be similar to this listing:

Procedure	Reward Amount
Colonoscopy	\$100
Endoscopy - Upper GI	\$100
Heart Perfusion Imaging	\$25
Echocardiography - TTE complete	\$25
Doppler Exam Of The Heart	\$25
Sleep Study	\$50
Lithotripsy	\$50
Cataract Surgery	\$50
Nasal Septum Repair	\$50
Laparoscopic cholecystectomy	\$50

Procedure	Reward Amount
Remove Tonsils & Adenoids	\$50
Tympanosotmy (Ear Tubes)	\$50
Cystoscopy And Treatment (Stent)	\$50
Shoulder Arthroscopy	\$50
Knee Arthroscopy	\$50
Arthroscopic Rotator Cuff Repr	\$50
Hysteroscopy w/ Biopsy	\$50
Laparoscopy, Excise Lesions	\$50
All CT	\$25
All MRI	\$25



REFERENCE BASED PRICING

Reference Based Pricing

What is it?

Employers set a pricing cap on the maximum amount they will cover for certain medical services that have a wide cost variation, such as knee and hip replacement surgery. The price is based on regional health care cost information in conjunction with Medicare allowable levels.

How does it work?

Savings from reference-based pricing materializes through the combination of:

- ✓ patients choosing providers at the reference price,
- ✓ patients paying the difference between the reference price and the allowed charge through cost sharing,
- ✓ providers reducing their prices to the reference price.

What are the Next Steps?

Introduce and incent transparency and quality tools that will allow employees to see the cost of the procedures aligned with the quality outcomes of that provider and the magnitude of cost differences in the marketplace for the same procedure. A transparent model allows the consumer to make more informed decisions which would set the stage for a referenced based pricing model.