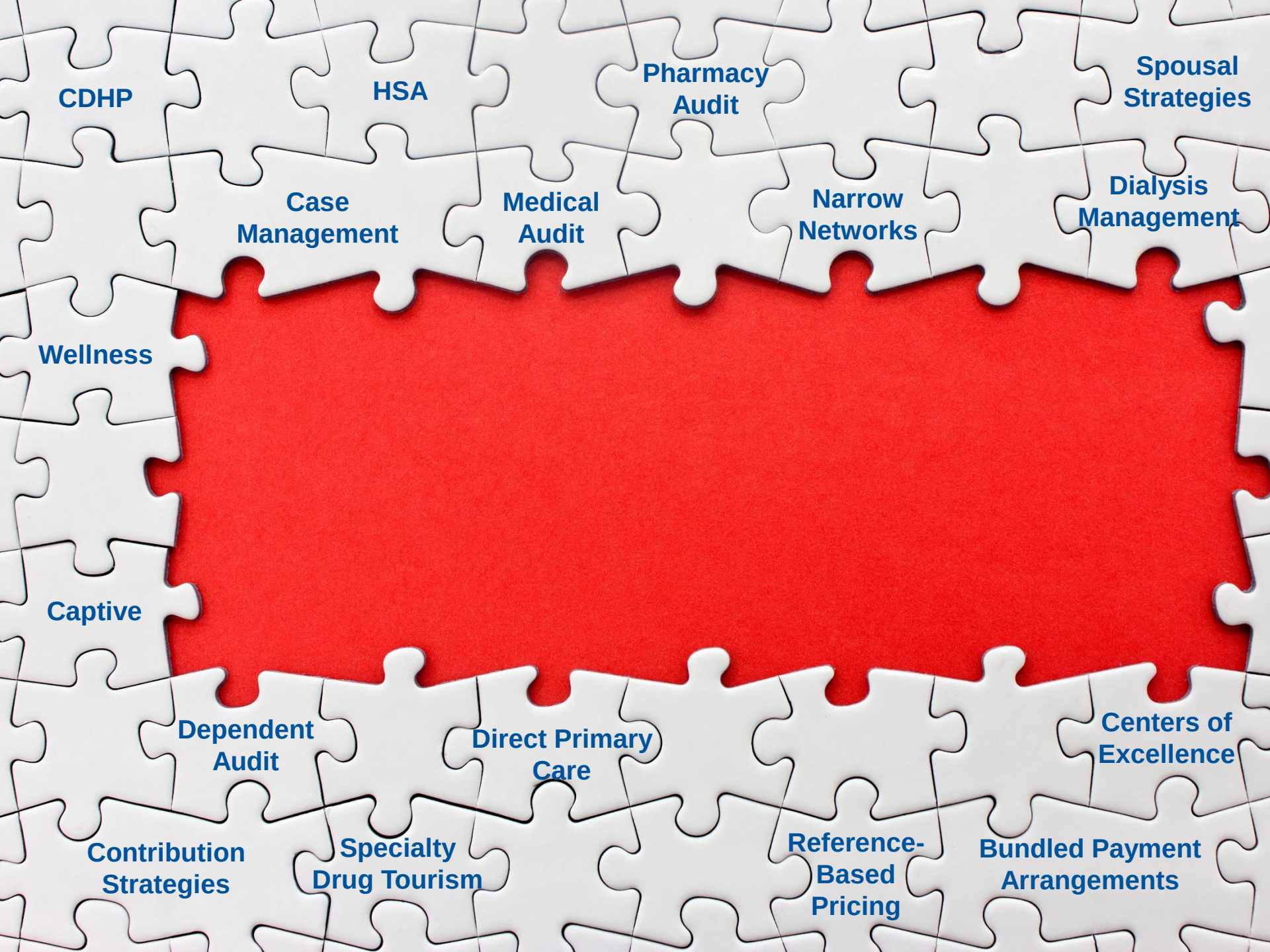
Wisdom at Work.

SILVERSTONEGROUP.COM

SilverStone GROUP™

Benefits Are More Complex Than Ever – $620 Billion Private Health Insurance Industry

With so Many “Shiny Objects,” What Should I Be Focused on?


CDHP
HSA
Pharmacy Audit
Spousal Strategies
Case Management
Medical Audit
Narrow Networks
Dialysis Management
Wellness
Captive
Dependent Audit
Direct Primary Care
Centers of Excellence
Contribution Strategies
Specialty Drug Tourism
Reference-Based Pricing
Bundled Payment Arrangements

Survey Says…

- 2017 Alex Benefits Communication Survey
- New research conducted from Jellyvision by Harris Poll

Trust and Understanding

- 55% of employees want help when choosing their health plan!
  - Feedback:
    - 49% say making health insurance decisions is always very stressful for them
    - Among those whose company offers health insurance, 36% feel the open enrollment process at their company is extremely confusing
  - Younger employees are especially likely to find the open enrollment process baffling
    - Finding the open enrollment process confusing is more common for 18- to 34-year-olds and declines with age

The Knowledge Gaps

What Is MY Cost?

- Employees want to understand THEIR cost
  - Premium
    - Employer/employee contribution
  - Cost of care
    - Physician services
    - Outpatient care
    - Inpatient care
    - Pharmacy
  - Plan design calculations
    - Copays, deductibles, coinsurance

When Can I Make Changes?

- 46% of employees don't know when they can make changes outside of open enrollment
- 57% don't know who to ask about their employee benefits
- 45% of employees don't know how much their employer is paying on their behalf
- 13% of employees cannot remember how many healthcare options they have

High Deductible Health Plans (HDHPs)

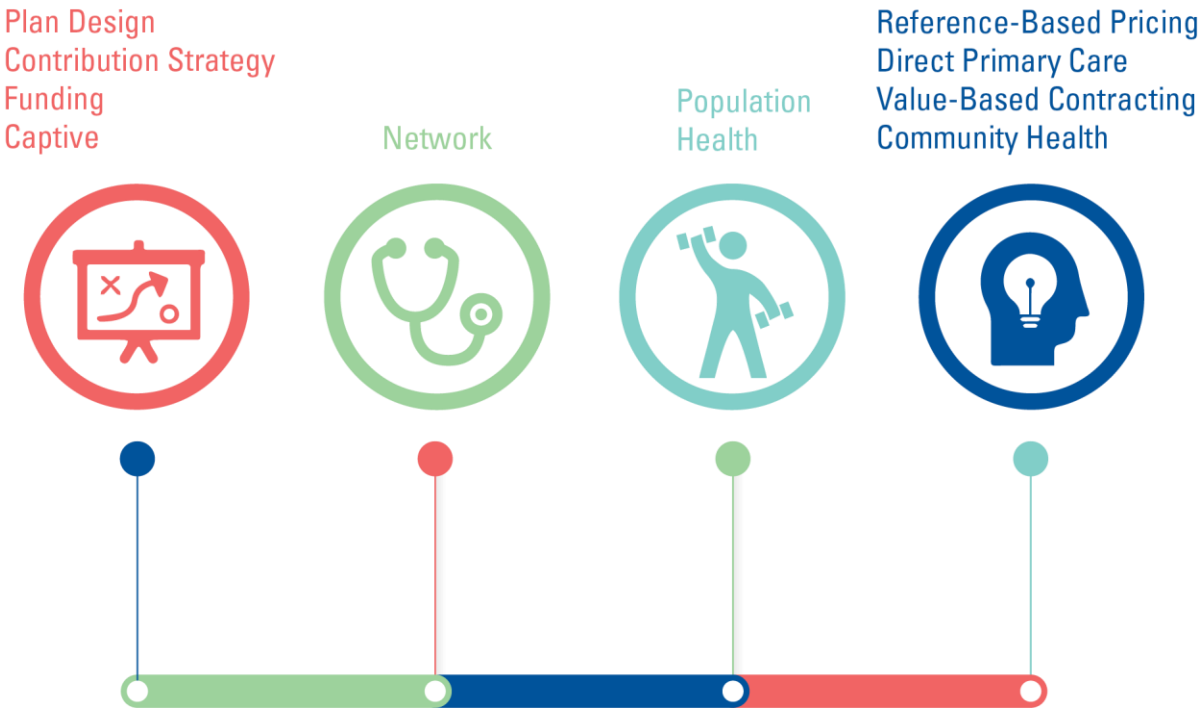
- Only 16% of employees say they understand HDHPs
- BUT, when employees understand HDHPs, they are more positive about them
- 50% of employers offer an HDHP as a dual option with another plan
  - 76% of employees appreciate having the option

Not Everybody Makes Good Decisios

- In fact, 21% of employees often regret the benefit choices they make

Employers Are at a Crossroad

Strategy Continuum



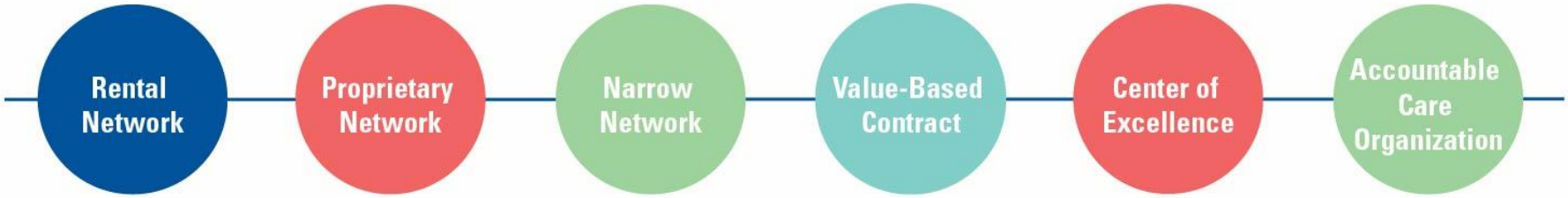
Administrative Fees: What Are You Paying for?

Fixed Cost Audits

- Administrative fees
  - Base fees
  - Network access fees
- Stop-loss
  - Reimbursement protocol – integrated or not?
  - Preferred vendor
  - Data integration charges
- Other fees
  - Reporting
  - Telemedicine
  - Rx rebates/admin fee credits
  - Commissions and other fees
  - Care/case management fees

The Value of Networks

Network Overview



Network Contracts

- Proprietary documents that include provisions for payment of services to be provided
- Areas of caution:
  - Evergreen
  - Automatic increases
  - Facility charge master changes
  - Ability to audit
- Do you know what's in your network contract?
  - Stop-loss reviews
  - Changes in administration of services (e.g., dialysis)

What Are High Performance Networks?

- High performance or narrow networks
  - Transplant, cancer, obesity, pregnancy
  - Partnerships with local facility/provider groups
  - Customer-specific network
- Drive cost and utilization
- Used for variance in cost for shoppable procedures (e.g., musculoskeletal)

Why Does It Work?

- Data can provide insight into:
  - Utilization and prescribing patterns
    - Opportunity to help those providers that may be outliers
  - Population management
    - Identification of those at-risk patients allows for more focused care
    - More focused care can result in improved health or more appropriate use of the healthcare system
  - Incentive structure
    - Creating, managing and adjusting incentive structures to create a win-win scenario

Who Is Choosing?

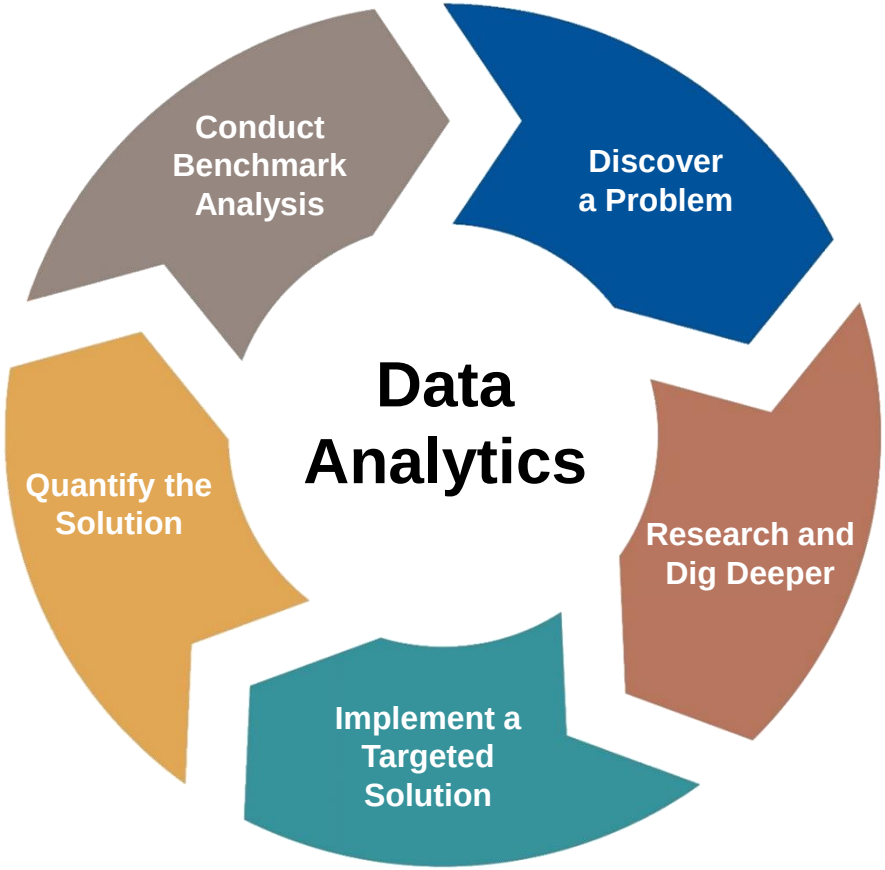
- According to a National Business Group on Health poll of 46 large U.S. employers, 17% already had a high performance network in place, while an additional 24% were considering it for 2015 and another 20% for 2017
- A University of Chicago survey found that 57% of small employers would opt for a high performance network if it would lower costs by 5% or more (about 77% said they would choose the high performance network if it lowered costs by at least 10%)

Analysis Paralysis:
Data-Driven Decision-Making

Does Data Matter?

- Real time data is the key to effective solutions
- Data tells a story – good or bad
- Healthcare costs are not decreasing – future strategies are data-focused to ensure we are attacking the biggest problems

How to Make Data Work for You



Examples of Data-Driven Strategies

- Plan design
  - Overuse and abuse
  - Structure to drive appropriate utilization
  - Example: primary care, urgent care, emergency room, telemedicine
- Reimbursement
  - Network contract amounts and reimbursements should not be ignored
  - Example: dialysis
- Contractual limitations
  - Innovations can reduce cost
  - Example: home infusion therapy

Pharmacy: What Can You Swallow?

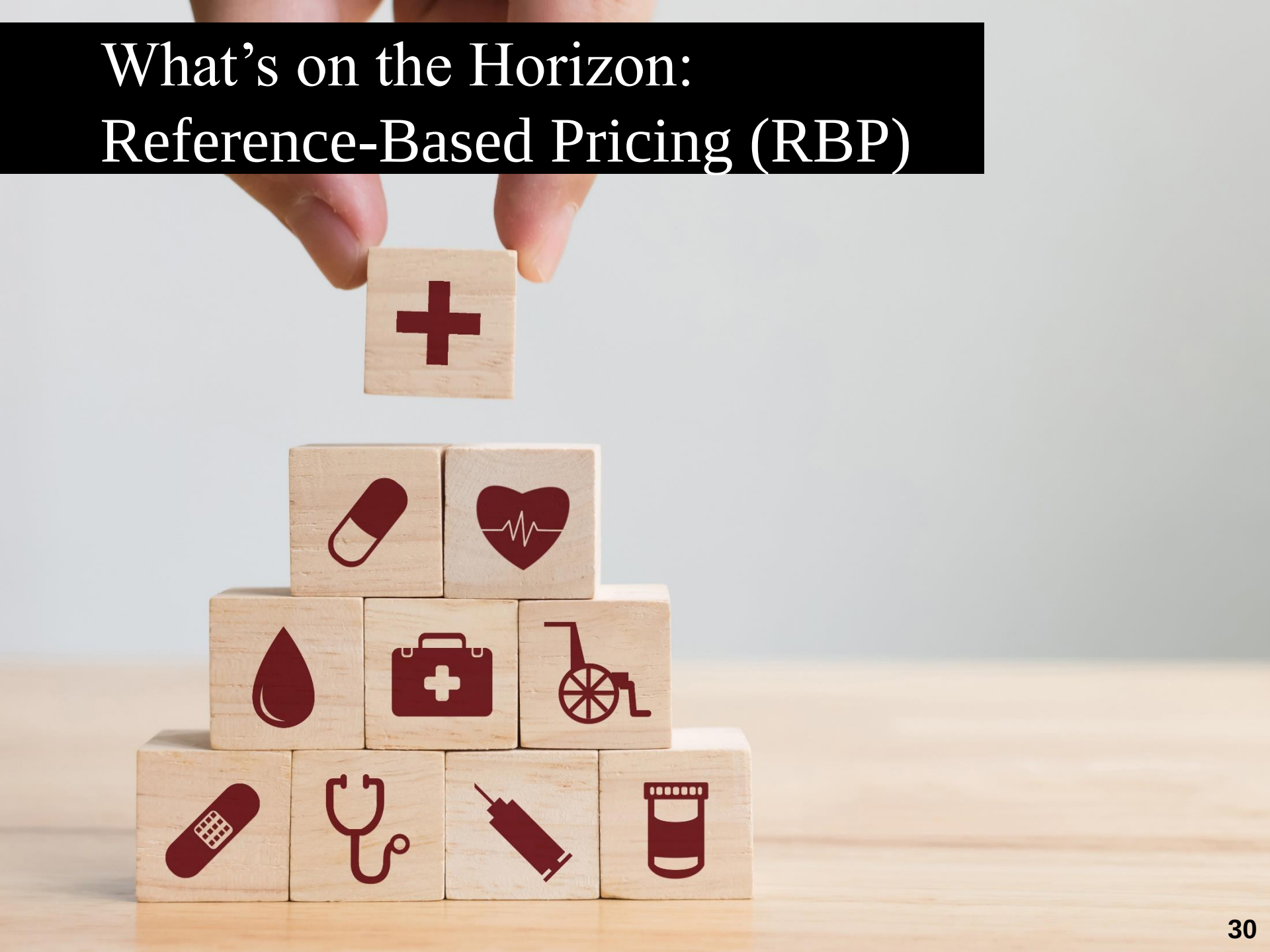
What Strategies to Consider?

- Strategic formulary management
  - New medications to market
  - Generic management
- Tiered copayment structures
- Specialty pharmacy programs
  - Consider mandatory options for dispensing

Removing the Hidden Terms

- Review pharmacy contract and impact to pharmacy spend – are you getting what you were promised?
- Comparison of actual payments versus contract
- Review and enhance guarantees to remove uncertainty
- Be careful of coalitions and question, “What’s in it for me?”

What's on the Horizon: Reference-Based Pricing (RBP)



What is RBP?

- Reimbursement methodology using objective benchmarks, such as Medicare, and other cost information to determine a fair and reasonable payment for medical services

RBP Option #1 – Select Services

- Utilizing a PPO network, RBP on certain services
- Full PPO network, RBP discretely on certain services
- Most scrutinized approach to RBP
- Example: CalPERS
  - June 2013
  - ONLY on knee and hip services
  - Report an estimated $3.1 million in savings
  - Exploring other outpatient procedures

RBP Option #2 – RBP Carve-Out

- Identified in plan
- Specific types of care, services and/or providers
- Literature stating identified are not part of standard schedule of benefits
- Example: dialysis carve-out

RBP Option #3 – Complete Replacement

- No network
- Referred to as “pure” RBP
- Pays every claim (professional and facility) RBP

RBP Option #4 – Facility-Only RBP

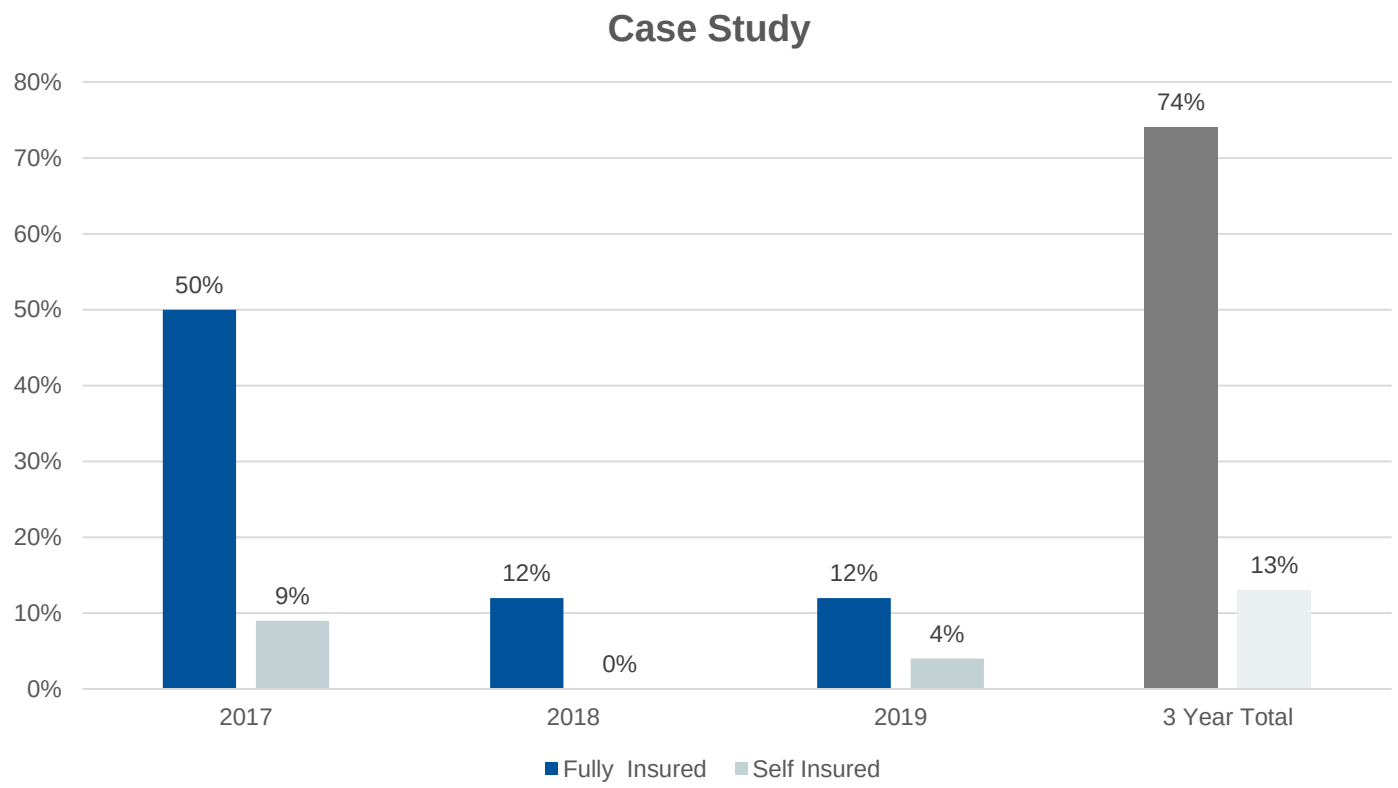
- Hybrid using a PPO on most common claims
- Focused RBP on highest cost claims
- Most common approach to RBP

Potential Challenges

- Consumer dissatisfaction with limited networks
- Balance billing
- Lack of market knowledge for various constituents
  - Provider
  - Member/employee

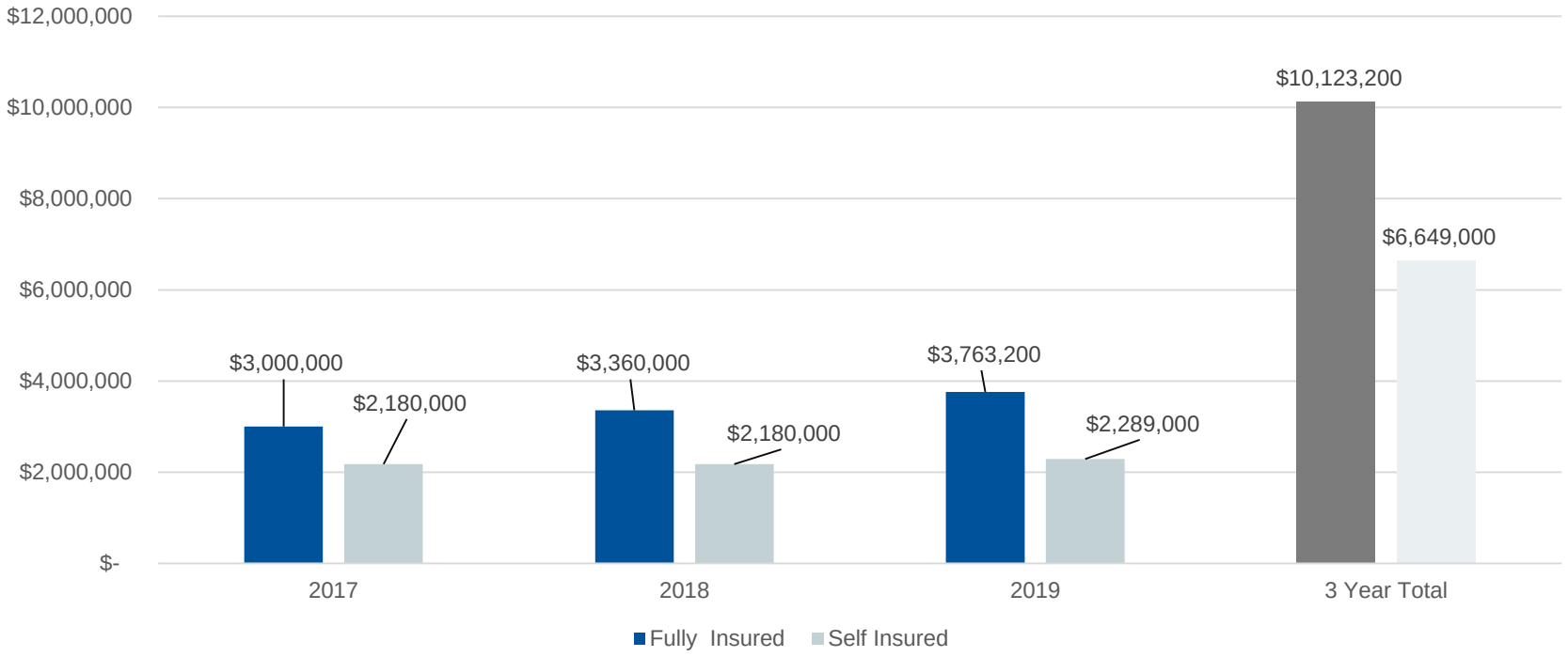
Why Discuss RBP?

- Claim payment errors can be costly to providers and consumers
- RBP trend is 38% below national average
- Providers can be paid in a more timely manner
- Employers have discretion in setting reimbursement percentage
- Stop-loss premium discounts



- Notes
  - Fully insured option included narrow networks
  - Years 2018 and 2019 show trend increase
  - 2017: Added core/buy up medical plan option
  - 2018: Added Direct Primary Care (DPC) versus employer HSA contribution option

Case Study


$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
$3,000,000
$2,180,000
$3,360,000
$2,180,000
$3,763,200
$2,289,000
$10,123,200
$6,649,000
2017
2018
2019
3 Year Total
Fully Insured
Self Insured


Industry Specialization
Property & Casualty
Claims & Safety
Surety
Regulatory Compliance
Risk Management Consulting
Business Continuity Planning
Risk Management
Employee Benefits
Group Benefits Consulting
Actuarial
Underwriting
Regulatory Compliance
Retirement Plans
Voluntary Benefits
Estate Planning
Retirement Consulting
Personal Insurance
Investment Consulting
Private Client Services
HR Consulting
Strategic Human Resource Assessment
Employee Handbook & Policy Development
Compensation Studies & Surveys
Guidance on Human Resource Policy
Recruiting & Selection

Questions?