

WHY: FOUR HEALTH CARE COST DRIVERS

#1: We pay our doctors, hospitals and other providers in ways that reward for more tests, procedures and visits, rather than being efficient.

- Most Insurers pay on a fee-for-service basis
- Duplicated tests/procedures
- System not integrated

WHY: FOUR HEALTH CARE COST DRIVERS

#2: As a population we are growing older, sicker and less healthy.

- Nearly half the US population has a chronic condition
- Two thirds of adults are overweight or obese

WHY: FOUR HEALTH CARE COST DRIVERS

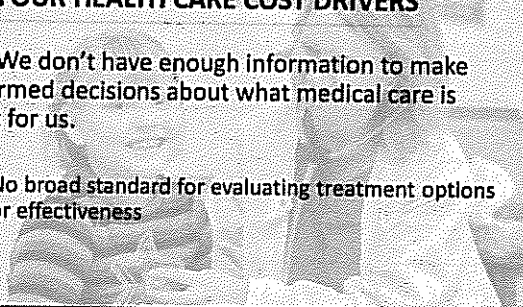
#3: We want new drugs, services and technologies.

- Much of the new technology available has only been tested for safety not effectiveness.
- Patient demand
- Prices for newer treatments tend to cost more

WHY: FOUR HEALTH CARE COST DRIVERS

#4: We don't have enough information to make informed decisions about what medical care is best for us.

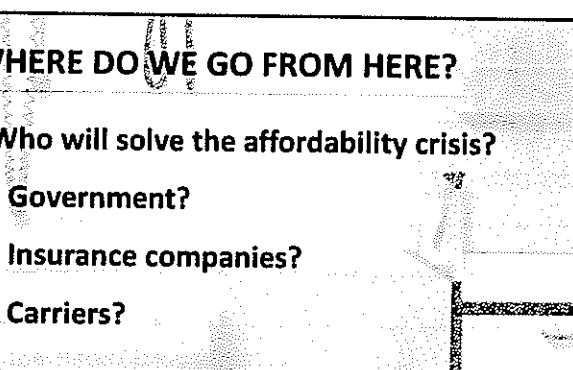
- No broad standard for evaluating treatment options or effectiveness



WHERE DO WE GO FROM HERE?

Who will solve the affordability crisis?

- Government?
- Insurance companies?
- Carriers?



TODAY'S DISCUSSION

The Past

- The current system and how we got here

The Present

- Challenging assumptions


The Future

- Examples In Innovation
- Next steps



INNOVATIVE EMPLOYERS ARE CHANGING THE QUESTION

“What’s the best insurance option for our employees?”



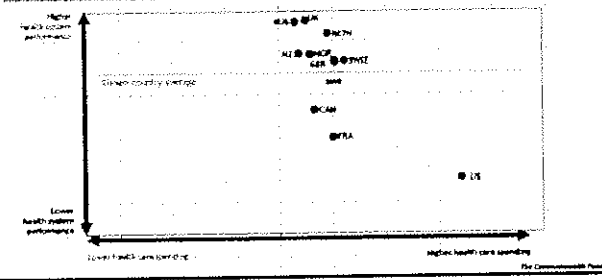
“How can we provide the best health care to employees?”

CHALLENGING ASSUMPTIONS

“Better health care is more expensive.”

No correlation between cost and quality of care.
 Data indicates better care is less expensive.

HEALTH CARE SYSTEM PERFORMANCE COMPARED TO SPENDING



CHALLENGING ASSUMPTIONS

"A primary care physician's job is to refer you to the right specialist."

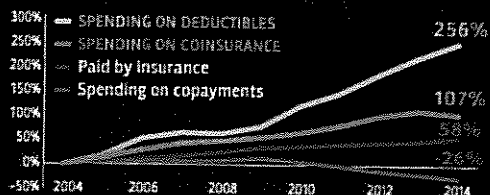
80-90% of care needs could be addressed by primary care.

CHALLENGING ASSUMPTIONS

"Insurance companies are trying to reduce my costs."

Insurance companies make more money when claims are high.

Workers' Deductibles and Coinsurance Are Growing Faster Than Costs Paid by Insurance



PETERSON-KAISER HEALTH SYSTEM TRACKER

CHALLENGING ASSUMPTIONS

“Medical costs will always be high.”

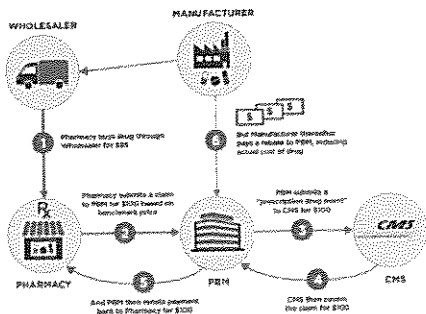
Excellent primary care doctors only charge \$60-90 per employee per month.

CHALLENGING ASSUMPTIONS

“Rx plans generally incentivize employees to use the most cost-effective drugs available.”

Drug manufacturers work to increase utilization of their products even when lower cost options are available.

Impact of Manufacturer Rebate on Prescription Drug Event

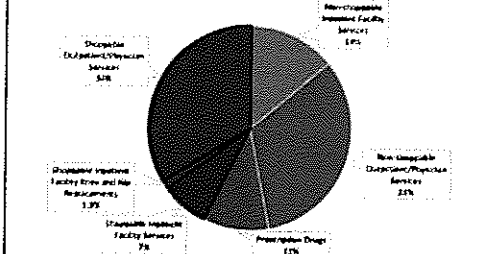


CHALLENGING ASSUMPTIONS

“High-deductible plans make my employees wise consumers.”

Only a small amount of health care services can be shopped. High-deductible plans tend to lead to delayed care and long-term health issues.

Figure 1: Distribution of Total ESI Spending by Shoppable/Non-Shoppable Services, 2011

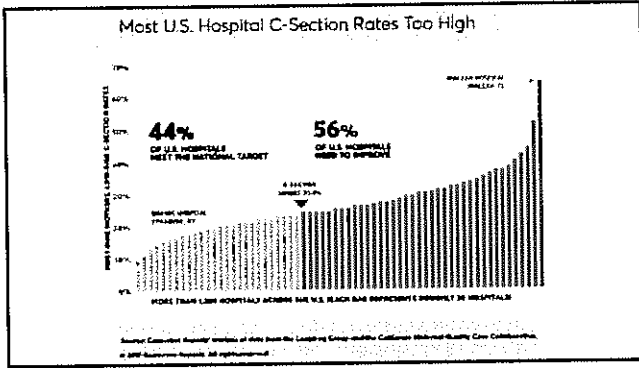


Source: HCD, 2014. Claims data from employer-sponsored insurance (ESI) population younger than age 65 for the year 2011, data weighted to be nationally representative.

CHALLENGING ASSUMPTIONS

“All hospitals and surgeons excel at procedures and surgeries they offer.”

There are dramatic differences in quality of care within a given region and across the country.



CHALLENGING ASSUMPTIONS

“Schools can’t address escalating costs.”

Schools can and should leverage purchasing power and community clout. Public employers are uniquely positioned to challenge abuses in health care system.

IN SUMMARY...

The health care affordability crisis is getting worse, mostly due to increasing costs being passed to school employees.

Progressive employers are beginning to question assumptions and use purchasing power to effect change.

WHAT CAN YOU DO?

Stop Writing Blank Checks

- Engage deeply with your district's health care plan and performance

Build a Team of Industry Experts and Allies

- Surround yourself with a team of industry experts to help you tackle the issue

Share the Journey

- Employee health care task forces help build support and consensus

Make a Change

- "Change happens when the pain of holding on becomes greater than the fear of letting go"

STOP WRITING BLANK CHECKS

- School leaders should engage in this large expense item that affects employee well-being

- Same intensity and focus as other district spending

- School employees need help from leadership

BUILD A TEAM OF INDUSTRY EXPERTS AND ALLIES

Does your team include partners who will fight to...

- Provide employees with the best possible care that is convenient and comprehensive?

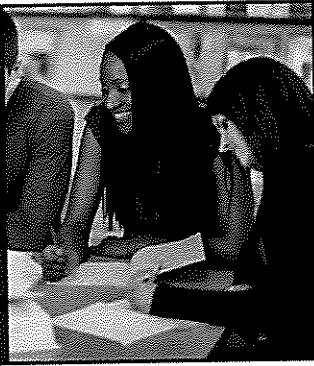
- Carefully pay for, audit and analyze health care expenditures?

- Negotiate fair pricing on behalf of your district and ensure employees have access to the most appropriate Rx?

SHARE THE JOURNEY

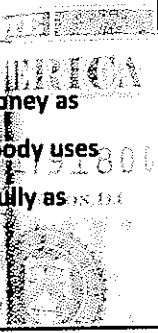
Assemble health task force

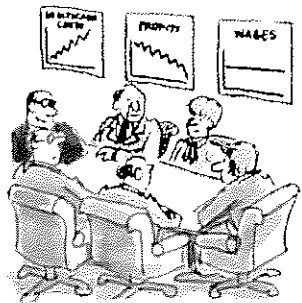
- Employees are in this together
- Task force can and should evaluate partners and ideas
- Way to gain consensus and help communicate changes



MAKE A CHANGE

"Nobody spends somebody else's money as carefully as they spend their own. Nobody uses somebody else's resources as carefully as they use their own."

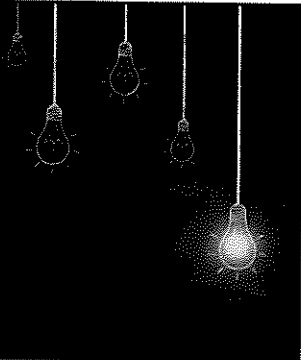




"WHAT IF WE DON'T CHANGE AT ALL... AND SOMETHING MADICAL JUST HAPPENS?"

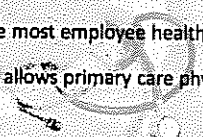
EXAMPLES OF INNOVATION

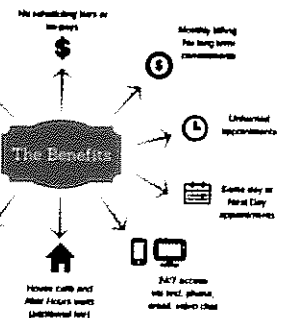
1. Provide thorough and accessible primary care resources
2. Incentivize employees to travel to the best care
3. Clean up Rx program



PROVIDE THOROUGH AND ACCESSIBLE PRIMARY CARE RESOURCES

- Ensure employees have convenient access to a physician with whom they can build a relationship
- Primary care could handle most employee health issues
- Fixed fee payment model allows primary care physician to take more time with employees
- District directly contracts to specify service level expectations and fees



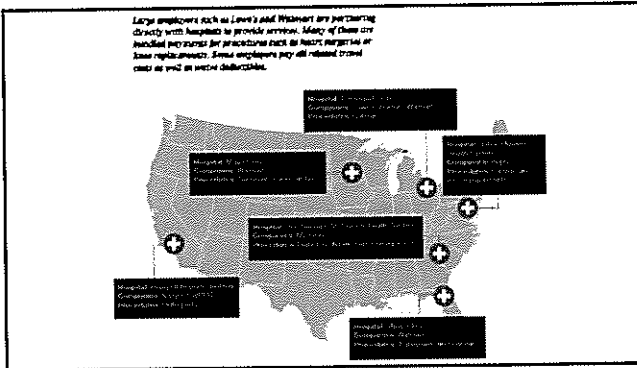


	FAMILY PRACTICE	DIRECT PRIMARY CARE
Medical professionals providing	74,821	1,000
Patients per doctor	As many as 2,307, according to some estimates	500 - 1,000
Cost per visit	Depends on insurance plan	Flat with monthly membership - often about \$20
How long a visit is	17-19 minutes	20 - 60 minutes
How doctors get paid	Salary - about \$207,000	Paid with monthly membership fees
Can you see a specialist?	Yes	No
Cost of blood tests	Depends on insurance plan, typically billed after the fact	Wholesale price, often included as part of costs for fees
Cost of prescription drugs	Copy amount	Wholesale price plus 10%

SOURCE: BENTLEY

INCENTIVIZE EMPLOYEES TO TRAVEL TO THE BEST CARE

- Conduct RFPs to identify best care for major procedures like hip replacements, spine surgery, coronary bypass, etc.
- Incentivize employees to travel to top care locations, with a companion, by waiving deductibles and copayments
- Bonus: Helps negotiate with local hospitals to convey they're "not the only game in town"



CLEAN UP RX PROGRAM

- Pay Pharmacy Benefit Manager (PBM) flat rate to administer drugs
- PBM doesn't make money on drugs or rebates
- PBM doesn't sell patient data to manufacturers to target physicians
- PBM can help take advantage of manufacturer coupons to pay for drugs



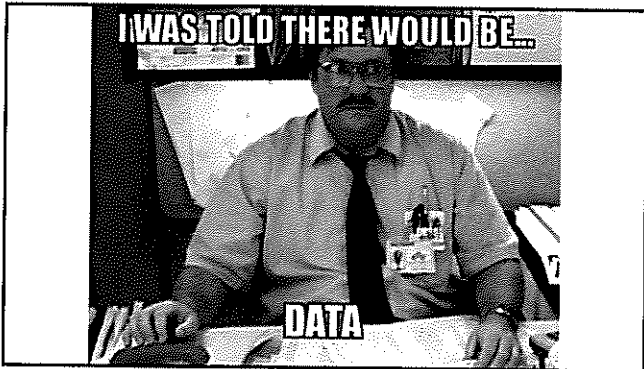
SELF-FUNDING HEALTH BENEFITS

- Requires employers pay directly for medical and Rx claims rather than through an insurance company
- The major advantage of self-funding is to provide this level of control to the district
- Self-funding is not gambling
 - Insurance companies eventually get their money
 - District purchases insurance to protect against catastrophic situations
 - District hires professionals to pay claims—no change to business office operations



I WAS TOLD THERE WOULD BE...

DATA



CONCLUSION

- Health care affordability crisis is getting worse, mostly due to increasing costs being passed to school employees
- School leaders must engage in their district's health care and involve employees in this process
- Should you consider self-funding?
 - Assess your district's health plan performance & benchmark it against others
- Determine if you can challenge assumptions and 'change the question' of how to deliver your employee health care

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