Healthcare Update and Exploring Near-Site Clinics

Bob Donaldson, Account Executive
SET SEG Employee Benefits Services
What We’ll Cover

1. Healthcare Pricing
2. Rx Pricing
3. Reference Based Pricing
4. Healthcare Center
5. Self-Funding
6. Medical Loss Ratio
Healthcare Pricing

Note: Healthcare *prices* are not the same as healthcare *costs*.
Healthcare Pricing

Healthcare prices vary drastically based on a number of factors:

- Location
- Billing practices
- Financial interest
- Because it can! (lack of transparency)
Healthcare Pricing - Location

HealthCare Pricing By Where Schools Are Located Using MDE Locale Coding

*SET SEG book of business*
**SET SEG Example: Infliximab**

Infliximab is an injection used to help treat autoimmune diseases.

<table>
<thead>
<tr>
<th></th>
<th>Total Claims Paid</th>
<th>Number of Claims</th>
<th>Paid per Claim</th>
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<tr>
<td>Physician C</td>
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<td>1</td>
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</tbody>
</table>

*SET SEG book of business*
Healthcare Pricing – Financial Interest

Case Study: Remicade (infliximab)

Beth Israel Hospital, NY  $19,000/infusion

NYU Langone Hospital  $110,410/infusion

Elisabeth Rosenthal: “An American Sickness”
Healthcare Pricing – Financial Interest

Case Study: Remicade (infliximab)

NYU Langone Hospital
• Has a financial interest in the infusion
• The infusion’s inventor donated a portion of the patent royalties to the hospital
• Hospital receives payment when profits from infusion rise above an undisclosed amount

Elisabeth Rosenthal: “An American Sickness”
Healthcare Pricing – Because it Can!

Common Procedure Price Variance

- **Physical Exam**: 64 million exams per year
- **CT Scan**: 62 million scans per year
- **Tonsillectomy**: 400,000+ tonsillectomies per year

Content from healthresearchfunding.org
Healthcare Pricing – Because it Can!

Common Procedure Price Variance

Price Range: $100 - $1,000

Medicare Pays: $128

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Healthcare Pricing – Because it Can!

Common Procedure Price Variance

Price Range: $540 - $11,000

Medicare Pays: $401

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Healthcare Pricing – Because it Can!

Common Procedure Price Variance

Price Range: $4,000 - $11,000

Medicare Pays: $2,199

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Rx Pricing

Drug prices see similar variation

• For FDA approval, a drug only needs to prove that it is:
  a. Safe
  b. More effective than taking nothing
Rx Pricing

Drug prices see similar variation

• This opens the door for “brand name” drugs that:
  a. Have the same active ingredient as inexpensive generics with minor variations
  b. Are just combination drugs
  c. Encourage over-prescription/treatment
Atenol did not reduce heart attacks or deaths – patients on atenol just had better blood-pressure numbers when they died.”

The Atlantic: “When Evidence Says No, but Doctors Say Yes”
Rx Pricing

Express Scripts Prescription Price Index, 2008 - 2016

- **Brand Prescription Price Index**
- **Generic Prescription Price Index**

188% increase in Brand Prescription Rx

Source: Express Scripts Prescription Price Index • Get the data • PNG
Impact on Insurance Premiums

So what? How does this effect health insurance premiums?
Impact on Insurance Premiums

Growth in Family Health Insurance Premium Compared to Consumer Price Index 1999-2017

- $5,666 Increase
- $8,336 Increase
- $19,101 Increase

147% Increase
337% Increase
167% Increase
What can we do?
Reference Based Pricing

Negotiates and pays hospitals and providers based on the one nationwide “reference” for healthcare costs:

• Medicare
  • Runs very efficiently with only a 2% medical loss ratio (we’ll go over this later), meaning it pays only slightly above how much medical procedures actually cost.
CT Scan Pricing - Sample Michigan Hospital
CT Scan, Abdomen And Pelvis, Contrast

List Price: $4,308
Current School Employee Price: $1,939
Medicare Employee Price: $401
Future School Employee Price: $561
Uninsured/“Underinsured”/High Deductible Average: $461

55% Discount

140% of Medicare Reference
Near-Site Health Centers
Near-Site Health Centers

Enhanced Primary Care

• Same day or next day appointments
• No waiting
• 20+ minutes with the doctor
  • Fewer referrals
  • More coordinated care
  • Improved health
• Lab, pharmacy, and x-ray on site
Near-Site Health Centers

Benefit to Employees

- Dedicated primary care facility
- Employees can receive care at no cost
- Fewer specialist visits
- Fewer unnecessary tests
- Generic medications dispensed on site
Near-Site Health Centers

Benefit to Districts

- Lower healthcare costs
- Better population health
- Attractive benefits package
Near-Site Health Centers

“Recently, my 7 year old son hurt his thumb while at soccer practice. It was swollen, and black and blue. Rather then go to a busy ER or Urgent Care for x-rays, we called the Family Healthcare Center. They scheduled us an appointment right away...
Near-Site Health Centers

...Our son met with Dr. O’Keefe, she did a series of test and determined x-rays were not needed and that it was better to save him the radiation exposure. They have the capability to do x-rays on-site when needed. However, it was nice knowing they were not going to x-ray if not needed...
Near-Site Health Centers

...The whole trip took less than an hour and only cost $40 out of pocket. I would highly recommend the Family Healthcare Center, it really is a ‘one stop shop’, illness, injuries, referral to specialist, they can do it all there!”

- Bill B., Charlotte Public Schools Employee
Self-Funding

Take control of spending

- Removes the insurance carrier from the equation.
- When you go to the doctor, the district writes the check.
- District pays a small fee for administrative costs and stop-loss insurance to protect against high claims.
- Better visibility = better control
Self-Funding

Transparency is key

• See which facilities claims are coming from
• See what procedures/services are being administered
  • See the cost of each
• See which Rx your populations are using
  • Are there low-cost alternatives?
  • Do we have a population-wide need (e.g. diabetes education?)
What is the Medical Loss Ratio (MLR)?

- The percentage of premium dollars spent on healthcare by the insurance company.
- In other words, an 80% MLR means that an insurance carrier spends $0.80 of every dollar they collect in premiums on healthcare.
- 20% is the carrier’s profit
Medical Loss Ratio

What is the Medical Loss Ratio (MLR)?

• In 1993, one major carrier’s MLR was 95%. In other words, $0.95 of every premium dollar went toward healthcare
• In 2010, that same carrier had MLRs as low as 65% in some states

Medical Loss Ratio

The ACA vs. the MLR

The ACA tried to curb insurers’ profits with a law that said 80% - 85% of premiums must be spent on healthcare.
- Insurance companies could only grow profit by growing their expenses.
Medical Loss Ratio

What is your district’s “MLR?”

You can figure out if your premiums are justified by calculating your district’s “MLR.”

- Even if you your premiums didn’t see an increase or you actually saw a decrease, you still may be paying way more in premiums vs. what the carrier is paying in care for your employees.
What questions or comments do you have?
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