



Application of Pricing Transparency by a TPA, My Experience

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During the past few years, as Ocean Surgery Center—a fully transparent, multi-specialty, California ASC— began to embrace the free market and we were looking for like-minded support, I have found myself traveling to Oklahoma. To some of you, this may seem odd; but Oklahoma is the hot seat, the root of the grassroots movement, of the free market.

Two of my trips were to attend the *Free Market Medical Association's* Annual Conference; the conference has become a yearly pilgrimage for the transparency faithful.

As a healthcare economist, it is my job to promote the price transparency model. There are many hurdles to this promotion, as many of you will agree. Everything from Healthcare Reform (ACA) to Lack of awareness and plain skepticism, makes speaking with employers about their benefits more complicated now than ever.

The Hurdles

Healthcare reform is a simple enough hurdle to overcome.

Obviously we can toe the government line and We can package providers into ACOs and value-based reimburse them; EMR medical offices, MOC our doctors, and blanket ICD-10 everything. We can Cadillac tax employer-sponsored coverage at incredibly high amounts. We can strive towards universal coverage. Single payer, if we so choose.

However, the fact is that none of these measures genuinely addresses rising costs in healthcare! The name “The Affordable Care Act” is a complete misnomer. We all know the truth that aside from addressing the rising costs in healthcare, NOTHING is genuine ‘healthcare reform.’

Skepticism though, is another impediment entirely.

Moving Forward Through the Fog of Misinformation

It'll be two years since Ocean Surgery brought together different specialties and set about publishing prices. We've seen some cash or near-cash patients here and there, but we haven't yet been able to mainstream the model.

Mainstreaming, as I see it, involves stepping outside of our comfort zone as a group of medical providers and entering the world of benefits administration. Most Americans get their healthcare coverage through their workplace. It follows then that mainstreaming would involve making this transparency movement easier to understand; utilizing education, marketing, and creating an out-of-the-box, easy-to-use program for the employers and their employees.

It is the self-insured employers who assume health claims risk and shoulder much of the payment burden. Instead of the deep pockets of a big insurer conventional insurance, they are paying their employees' health claims out of their own budget. They have the most to gain by tapping into the transparency model, and in turn, they constitute the model's primary market segment and audience.

To promote and educate employers on the transparency movement, the Oklahoma-based Kempton Group—a leader and backer of the transparency movement—developed the Kempton Premier Provider™ program. This program is not only for current clients of Kempton, but also can be ‘bolted



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on' to an existing self-funded health Plan. As its name suggests, like dental and vision, KPP can be an add-on that an employee can access on a case by case basis. It in no way replaces, or disrupts, a current Employee Benefit Plan.

Prices under the Kempton Premier Provider™ program are on average 40 to 60 percent less than their typical in-network counterparts, and some instances, up to 80 percent less.

Because these providers are offering their best, all inclusive, bundled, cash price, there is NO need for a 'discounting entity' i.e. the PPO Network. Prices are public, knowable, and set before any treatment. Employees are incentivized to use a KPP by incurring zero out-of-pocket costs, no deductibles, copays, or coinsurance. That is a pretty big carrot! The employer is willing to waive out-of-pockets, because the VALUE of high quality, low cost services makes this a win-win-win for everyone.

In my efforts educate employers and local benefit professionals about this program and this movement as a whole; I faced a definite push back. The reason were varied and included such things as it may be illegal, there aren't enough providers in 'network' (not a network!), no access to EMRs which will throw a wrench into my information exchange channels, etc.

"You can't price healthcare services," will always be my favorite, and "transparency is not feasible in healthcare," a close second.

I was clearly having a difficult time communicating my thoughts. Why couldn't I get these knowledgeable professionals thinking beyond convention? I was willing to accept that convention, deeply embedded into our knowledge base, made it difficult to fathom the new and the uncommon. However, to move forward, I also had to acknowledge that a benefit administration rookie, living in the provider realm, really should see the benefit world for himself.

So I decided that I needed to travel to Oklahoma. I needed to see firsthand how this theory is being applied.

I spoke to Megan Freedman, my colleague and contact at the Kempton Group. It was a little presumptuous of me to ask, but I mustered up enough imprudence to do just that. "Can I come and spend a few days at the Kempton office. I need to better understand what happens in world of benefit administration." The Kempton Group being who that are, and Meg who she is, said "let's do it!" And sure enough, a few weeks later I was on my way to Oklahoma.

I first met with Gaylene Hanson, the Executive Vice President of the Kempton Group. We spent an hour or so together. She gave me a thorough overview of what the group does, preface with the following statement: "all of our premier provider clients are self-funded, ranging from 46 to 900 lives, including multi-employer welfare arrangements. *And they all use the heck out of the program.*" The Kempton Group's Legal Advisor since 1988-Maria Robles Meyers of healthcare price transparency fame- writes the stand-alone, ERISA compliant consumer driven plan document that constitutes the bolt-on that, as Jay Kempton put it, "rides sidecar" to the working plan.

As part of the service, the Kempton Group generates two quarterly reports for their clients: the first, a Utilization Report that illustrates just how much the employers saved by opting into the Premier Provider Program™; the second, a Missed Opportunity Report shows just how much extra the company paid out when their staff chose to stay with an in-network provider. A medium size company with 81 employees that I had the opportunity to visit had saved \$470,000 since signing up with the program two years prior. The Missed Opportunity Report indicated that the company could have saved an additional \$295,000 if patients had opted for the program when that option was available to them.

Liza Eatmon, the Premier Provider Liaison, walked me through a typical patient encounter. The patient would call Kempton once their doctor determines that surgery is necessary. They speak to Liza or one of



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her colleagues, called Patient Advocates, who let them know whether the procedure is available under the Kempton Premier Provider™ program. Patient Advocates also provide a full concierge service that works with the patient to schedule a consultation, assist with travel if need be, and are generally there to help every step of the way. And of course, they issue the vouchers that are used to reimburse providers. The call takes no more than 10 minutes.

The Kempton Group's biggest effort however is education, and education is my primary task. Jay Kempton and his staff spent a great deal of time on the road, not selling a product, but educating employers and their staff on how to use the product they've already bought into. A friendly reminder, so to speak, and an opportunity to update and reacquaint clients with Kempton Premier Provider™ program. I spent an entire day with Jenny Horn-Williams visiting different Tulsa employers. Jenny speaks to her clients' staff and goes over the medical aspects of the program and how to access it. She also overviews the similar programs they run for imaging and diagnostics, and even over-the-counter medication. There were more general topics as well—how historically it had been impossible to find out the cost of surgery prior to treatment, and how transparency will continue to bring down costs and transform care delivery. In terms of reforms, the effort to educate and raise awareness has put Oklahoma leaps and bounds ahead of where we are at here in California. Professionals and the lay alike understand how model works. They see its merits and its potential, and apparently “they use the heck out of it”

Then, there was the employee who was about to undergo surgery on his knee. A witty fellow, mid to late 20s, but clearly in pain. He stretched out his leg and shifted his weight uncomfortably as he listened to Jenny speak. At the end of the talk he gathered his crutches and walked up to Jenny. He asked her to thank the Patient Advocate with whom he had been dealing.

The Patient Advocate had walked him through the entire logistics of his surgery and arranged everything on his behalf. To him, she was also the face of an organization that because of the waivers, was saving him by my estimates three or four thousands of dollars.

He was happy and soon will have his knee repaired. His employer is happy too, and the Kempton Group were proud to have made it happen. Gaylene earlier called it “a virtuous circle of heroes”- the employee, the employer, and the Kempton Group all coming together to find a solution.