









Incorporating the Free Market into your Employee Benefits April 13, 2019









Today's Speaker

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Agenda

- Problem, Purpose, Process
- The Phia Group's Own Plan
- The Best Reference-Based Pricing
- Specialty Drug Price Trends
- Cost-Containment Strategies
- The Future Is Now
- High Drug Price Options
- Staying Relevant
- Tools Needed



The Problem – Health Care Costs Too Much and The Price is Increasing; Employers are Forced to Offset Costs Through Higher Co-Pays and Deductibles

Our Purpose – To **Make Health Benefits Affordable** for Employers and Employees

Why? – Because **Hard Working Americans Deserve Access** to High Quality, Affordable Healthcare



How Do We Achieve this Purpose? – By Empowering Plans

What Does it Mean to "Empower Plans"? – Create, Manage, Customize and Take Control of Your Plan Through Cost-Containment, Maximizing Benefits While Minimizing Costs

How Do We Empower Plans? – Start by Promoting and Educating About Self-Funding, Implement Cost Containment Services, and Deliver Custom Solutions



• Phia Monthly Contribution

- Single \$168.76
- Family \$472.55
- $_{\odot}$ $\,$ No Deductibles & \$0 Co-Pay for Generics and Urgent Care
- Massachusetts Avg. Monthly Premium (Sources: Kaiser Family Foundation & NCSL)
 - Single \$269.83
 - Family \$696.58
 - Premiums *Dropped* Since 2017 as *Deductibles Exploded*!
 - State Avg. \$1,500 (Single) to \$3,000 (Family) [300% Growth Over Two Years!]
 - Avg. Co-Pay is \$30 for Generics and Urgent Care [Up From \$5 in 2017]
- Our Employees Care About Cost of Care Consumers of Healthcare!
 - Phia Actual 2018 Cost Per Employee \$4,635.13 (Down from \$5,858.11 in 2017)
 - Cost Per Non-Phia Employee in Region \$11,858.00



RBP requires good organization

- Claims repricing: must be accurate, accountable, and have the ability to use more than just a percentage of Medicare (ex. pediatric claims, spinal fusion – Medicare prices at \$0)
- "Ground level" patient advocacy: patients need someone to hold their hands, and balance-billing and collections can be minimized if someone is proactive in discussing claims with providers



RBP requires good organization

- Plan defense: good language will do the heavy lifting, but someone has to help enforce it. Fiduciary duties can also become relevant to make sure the plan has done what it was supposed to do.
- Patient defense: there are a lot of competing definitions of the term "patient defense," so before you ally with an RBP partner, ask the tough questions and make sure you're satisfied with the answers.



Cases challenging repricers and their processes:

California, Colorado, Florida, Nebraska, Oregon, Texas, Utah

Various cases involving:

- Breach of contract (between patient and provider)
- Contractual interference
- Breach of fiduciary duty
- Unlawful trade practices
- Fraud
- Misrepresentation



Specialty Drug Price Trends



Source: PwC's Health Research Institute: Behind the Numbers 2015 and analysis of CVS Caremark data.



- Specialty drugs expected to account for 50% of total U.S. drug spend by 2020 only 1-2% of Americans use them.
- 61% of employers report that managing specialty drug costs is their #1 priority when it comes to benefits.
- In the next 15 years, cost to employers of providing healthcare benefits is expected to exceed wages.





The average annual cost of treatment with a single specialty drug was \$52,486 in 2015.ⁱ Median wage in 2016 was \$48,665," and median household income in 2016 was \$57,617."



- Excluding Specialty Drugs from the Plan Design?
- Discrimination Concerns Treatment vs. Disease
- Laws on Importing Drugs FDA's Enforcement Discretion Policy
- Manufacturing & Safety Standards
- Provider Liability Laws Victims of Medical Malpractice
- Carve-outs for specialty or other high-cost drugs Generic only?
- Vendor programs to reduce costs Manufacturer assistance
- Education and Incentives to Employees Knowledge is Key
- Pharmacogenomics gene effect on drug responses



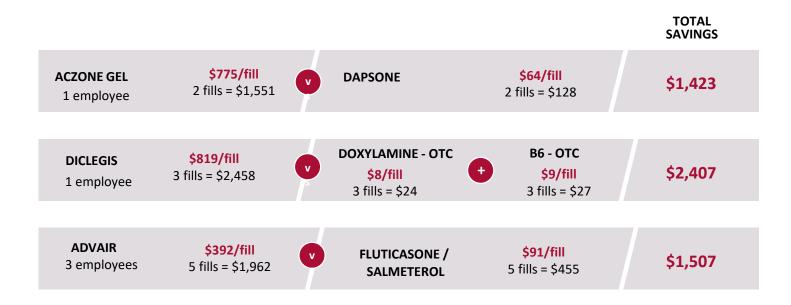
Turn Patients Into Consumers

- Text Notifications Administrative Issues No Cell Phone Data?
- Drug Usage and Expense
- Prior Authorization Monitoring
- Surgery Necessity and Options
- Balance Billing Cases Better Reporting & Communication

My Mom – The Cautionary Tale



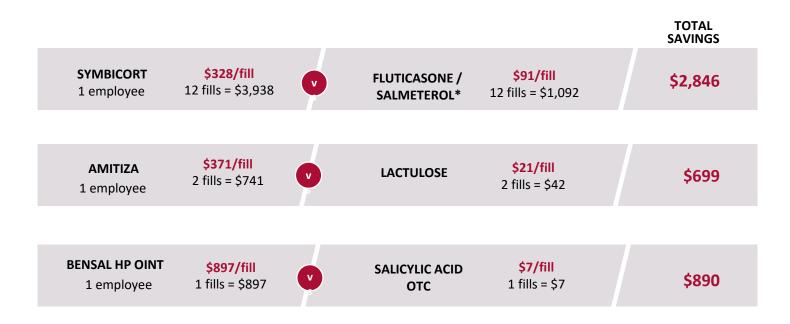
Branded Drug Optimization





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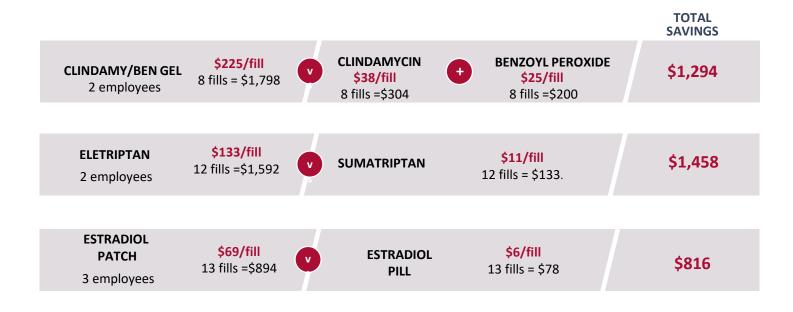
Specialty Drug Management





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Generic Substitutions





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Administrators

- Offer More Options for Existing Plans
- Develop and Administer New Plan Types
- Compete with Large Carriers by Changing the Game

Seek Out as Many Flavors as Possible

- Employers Have Been Educating Themselves, and are More Involved
- Brokers and Employers Want to Have Options Available to Them, Even if They Don't all Make Sense for Their Plans



Plan Designs & Services Needed to Remain Relevant in 2019

- 1. Advanced Data Management & Reporting / Analytics
- 2. Integrated Clinical Review & Support (IROs, Nurse Line, Etc.)
- 3. Stop Loss Management & Procurement
- 4. Employee Benefit Plan Captives
- 5. High Dollar Carve outs & Negotiation Pre/Post Treatment
- 6. Rx (Pharmaceutical) & Specialty Rx Plans



Plan Designs & Services Needed to Remain Relevant in 2019

7. Customized PPOs, Regional PPOs, and Narrow Network Plans

- Tiered PPO Solutions
- Network Optimization & Provider "Removal Options"
- Direct Provider Contracting & Direct Primary Care
- The Phia Group's Experience with DPC
- 8. RBP Plans OON vs. PPO Replacement
- 9. Community Based Healthcare & Geographically Based

Association Health Plans



Plan Designs & Services Needed to Remain Relevant in 2019

10.Consumer Driven Solution Plans

- High Deductible Health Plans (HDHPs)
- Flexible Spending Accounts (FSAs)
- Health Reimbursement Accounts (HRAs)
- Health Savings Accounts (HSAs)

11.Patient Steerage & Incentive Programs

- Outpatient Services & Hospital Alternatives No Co-Pay
- Generic Prescription Drugs & Supplies No Co-Pays
- Patient Audits ID Errors/Alternatives & Receive 20%
- Diapers & Wipes
- HR Consultations \$100



Implementation Ahead

- Plan Provisions & Applicable Contracts that Avoid Conflicts
- Document Review & Drafting Services On Demand, Year-Round
- Convenient, Web-Based Plan Drafting Software
- "Gap" Reviews
 - Hard Gap SPD Excludes Felonies / Stop-Loss Excludes Illegal Acts
 - Soft Gap Stop-Loss Mirrors SPD "Language" but Differ in Interpretation
 - Gaps Between:
 - Plan Document, Employee Handbook, Stop-Loss Policy, Administrative Service Agreement, Network Agreement, PBM Contract



Tools Needed

Be a Hero & Teach!

- Compliance
 - So... Many... Laws! (ACA, COBRA, ERISA, FMLA, HIPAA, MHPAE, MSPA)
 - Licensing Needs Old & New
 - IRS Regulations
- Consulting
 - Plan Drafting
 - Vendor Implementation
 - Claim Processing & Appeals
 - Third Party Contract Review
 - Dispute Resolution
- Stay Ahead Monitor Laws & Learn from Others' Mistakes



A Penny Saved...

- Opportunities to Recoup Funds & Avoid Unnecessary Spending
- Implement Innovative Cost Containment Strategies
- Subrogation & Overpayment Recovery -Case ID & Investigation
- Claim Negotiation The Value of Sign-Off
- Wrap Network Replacement & Out-of-Network Pricing Methods



Defenses Win Championships

- Defend the Plan at All Costs Fiduciary Duties Must be Respected, Shift Risk to those Best Suited to Deal with it, and Advocate for Plan
 - Plan Pricing Methodology Defense Services
 - Balance Bill Resolution & Defense
 - Patient Advocacy
 - $_{\odot}~$ Dispute Resolution & Negotiation
 - Third Party Fiduciaries & Protection



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