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REVERSING THE TREND: EMPLOYERS IMPROVING QUALITY & LOWERING HEALTHCARE COSTS



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Employers are saving 30-50% through transparent models:
[Link to Success Stories \(4 min 32 sec\)](#)

Montana State Employee Health Plan: 30,000 employees: [Link to Case Study Video \(90 sec\)](#)

- Changed Third Party Administrator and appointed an innovative, independent administrator
- Implemented transparent, pass-through RX benefit
- Implemented Reference-Based Pricing Model for Montana hospitals, re-negotiating contracts as a multiple of Medicare rates

- **Reversed its \$9 million deficit to a \$112 surplus for total savings of \$121 million**
- Saved \$47 million over 3 years with Reference- Based Pricing contracts
- Froze employee premiums with no negative impact for hospitals.

Rosen Hotels and Resorts: 6,000 employees in Florida: [Link to Case Study Video \(2 min 12 sec\)](#)

- Ended insurance model and created a self-insured, price-transparent alternative called RosenCare
- Opened an on-site medical facility for employees and removed barriers to care
- Negotiated upfront, clear prices with surgical centers and hospitals for serious and emergent care

- **Saved \$500 million** since RosenCare inception, spending less than half the national average on healthcare
- Provided employees easily accessible, high- quality, personalized healthcare.

Osceola School District: 6,500 employees in Florida: [Link to Case Study Video \(1 min 51 sec\)](#)

- Eliminated middle players and directly contracted with local hospitals, imaging centers and providers
- Opened an on-site center for preventative care
- Hired an independent PBM with transparent pricing

- **Saved \$21 million over 2 years**
- Lowered out-of-pocket costs for employees while improving quality.
- Re-allocated savings towards classrooms and teachers' wages

Self-Insured Schools of California: 368,000 members across 450 school districts

- Identified five high-volume procedures with low variation in quality
- Contracted directly for those procedures and steered members to a specific network

- **Saved \$3.1 million in the first year for just five procedures**

Network of Distinction: 215,000 state employees in Connecticut: [Link to Case Study](#)

- Steered employees to high-value providers that agreed to accept bundled payments and meet high quality benchmarks

- **Saved \$15 million in the first year**

Oregon's State Employee Health Plan: 290,000 state employees in Oregon: [Link to Case Study](#)

- Steered employees to high-value providers that agreed to accept bundled payments and meet high quality benchmarks

- **Saved \$15 million in the first year**

EMPLOYER HOW-TO: FOUR STEPS TO ACHIEVE SIGNIFICANT HEALTHCARE SAVINGS

STEP 1: THOROUGHLY REVIEW CONTRACTS.

Avoid hidden fees and provisions that hinder cost recovery:

"Claims payment may include fees paid to third party vendors, of which Claims Administrator may hold an ownership interest."

"Claims Administrator may have contracts with Network Providers or Vendors that limit their right to recover overpayments."

"Claims Administrator may pay a provider more than billed charges."

"Claims Administrator is not liable for recoveries it does not successfully recover, including recoveries for Claims Administrator errors in paying claims."

Avoid conflicts of interest and provisions favoring the Claims Administrator:

"Claims Administrator contracts with manufacturers for rebates and manufacturer administrative fees on its own behalf and for its own benefit, and not on behalf of Employer."

"Employer acknowledges that unintentional administrative errors may occur... Claims Administrator will not be required to enter into litigation to obtain a recovery... nor will Claims Administrator be required to reimburse the Plan."

"Claims Administrator may receive remuneration for selling Employer's plan data to other parties for use in research, monitoring, benchmarking, etc."

STEP 2: PROACTIVELY GATHER PRICING AND CLAIMS DATA FROM THIRD PARTY ADMINISTRATOR (TPA), PHARMACY BENEFIT MANAGERS (PBM) AND CONSULTANTS.

Submit a [Demand Letter](#) to your TPA's, PBM's, and consultants to receive all negotiated prices and claims data as fiduciary of your employees' plan.

STEP 3: ANALYZE PLAN DATA AND CONTRACTS.

- ✓ Consider engaging third party to reprice a year of medical claims data at Medicare Rates.
- ✓ Engage a prescription analytics company to scrub pharmaceutical claims for potential savings.
- ✓ Identify and investigate overcharges, payment errors, adjudication anomalies, and pursue recoveries.

HAMMER TOE CORRECTION						
Provider Name	Procedure Code	Revenue Code	Paid Date	Units/Quantity	Billed Amt	Paid Amt
Redacted Provider Information		0490	6/5/20	1	\$ 1,200	\$ 990
		0490	6/5/20	1	\$ 900	\$ 309
		0490	6/5/20	1	\$ 945	\$ 250
		0490	6/5/20	1	\$ 945	\$ 259
		0490	6/5/20	1	\$ 10,041	\$ 50,713
		0490	6/5/20	1	\$ 865	\$ 266
		0490	6/5/20	1	\$ 865	\$ 266
		0490	6/5/20	1	\$ 2,282	\$ 1,104
		0490	6/5/20	1	\$ 2,000	\$ 927
		0490	6/5/20	1	\$ 865	\$ 312
		0490	6/5/20	1	\$ 945	\$ 259
		0490	6/5/20	1	\$ 2,012	\$ 927

EMPLOYER A: ANALYSIS OF CLAIMS DATA FROM 2015-2018								
Service Category	Billed Charges	Actual Allowed Amount Paid	Effective Discount	Medicare Allowed Amount	Relative Price Paid vs. Medicare	Average Relative Price for Plan X	Potential Savings if Employer A paid 150% of Medicare Rate	Potential Savings if Employer A paid 200% of Medicare Rate
Inpatient	\$ 32,991,620	\$ 20,588,619	38%	\$ 7,449,203	276%	211%	\$ 9,414,814	\$ 5,690,212
Outpatient	\$ 19,039,482	\$ 11,080,947	42%	\$ 4,325,884	257%	254%	\$ 4,607,121	\$ 2,449,180
Inpatient + Outpatient	\$ 52,031,102	\$ 31,669,566	39%	\$ 11,765,087	269%	229%	\$ 14,021,935	\$ 8,139,392

STEP 4: IDENTIFY AND IMPLEMENT SAVINGS OPPORTUNITIES.

- ✓ Re-negotiate service provider contracts to align vendor performance with goals, or go to RFP for new partners.
- ✓ Eliminate middle players; contract directly for fairly priced, high-quality hospitals and providers.
- ✓ Implement fair, transparent Reference Based Pricing model; agree to pay a percentage of Medicare Rates.
- ✓ Consider Centers of Excellence, steering employees to high quality, lower priced providers.
- ✓ Implement a transparent, pass-through pharmacy benefit, carved out of the medical benefit.
- ✓ Manage drug formulary, using Waste Fee Drug designs, Biosimilars, Single Source Generics.
- ✓ Provide enhanced primary-care to lower plan costs and improve health outcomes.
- ✓ Update plan documents & benefit design to safeguard fiduciary role and eliminate non-value-added programs.

HELPFUL RESOURCES: WHERE TO START

National Association for State Health Policy – [Hospital Cost Tool](#): View hospital revenue, costs, profitability, and break-even points at the hospital, health system, and state levels. The breakeven data can be leveraged in negotiations.

Employers Forum of Indiana – [Sage Transparency Dashboard](#): View public and proprietary data to compare prices and quality across hospitals, health systems, and states.

RAND Corporation – [RAND 4.0 Hospital Price Transparency Study](#): Review hospital pricing analysis gathered from employer data, relative to Medicare benchmark.

Purchaser Business Group on Health – Leverage employer tools to [advance quality](#) and [drive affordability](#). Consider partnering with PBGH to improve employee care through [Employers Centers of Excellence](#)

Kaiser Family Foundation – [Employer strategies to reduce health costs and improve quality through network configuration](#)

SHRM Magazine – [15 Ways Employers Can Reduce Health Care Spending That Aren't Cost-Sharing](#)

The Commonwealth Fund – [Reducing Wasteful Spending in Employers' Pharmacy Benefit Plans](#)