



Custom Design Benefits

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# TrueCost

A Medicare Plus Reimbursement Plan

# Introduction & Overview

- History/Background
- What is it?
- Why it works
- Savings
- Addressing Providers
- Case Study



# Background

Development with Stop Loss Carrier partner exclusive to CDB in our markets

- Concept was successfully utilized by NUS clients (TPAs) for 10+ years in SE Texas, Arkansas & Louisiana markets. (Also being done in WI, FL, CA and LA.)
- Groups' claims dropped significantly, rates stabilized.
- NUS reviewed concept, history and results and began development of Green Star in mid-2009
- Reinsurer, and actuarial review were completed in mid-2010



Custom Design Benefits

# Overview of Concept



## Custom Design Benefits

- Customer Service
- Account Management
- Claims Processing
- Plan Administration
- Compliance
- Reporting
- Coordinates program

## Medical Management/Patient Advocacy

- Patient advocacy
- 24-hour Member & Provider Support
- Prior Notification
- Direction to providers who accept program
- Strong Medical Management (UM/CM) promotes smarter utilization integrated with the Stop Loss Carrier



**EXPRESS SCRIPTS**  
*Charting the Future of Pharmacy*

- Pharmacy Benefit Management

## NUS, Inc.

- Stop Loss Insurance
- Exclusive with CDB
- Underwriting vetted by two actuary firms



- Enforceable Plan Document with amendments as needed
- Legal Support for Plan
  - Balance Billing
  - Disputes
  - Appeals

# What is it?

- Different approach for how employers pay for health care (game changer)
  - No PPO (and no out-of-network benefits)
  - Uses Medicare rates + 40% (or other %) as the basis for payment
  - True Transparency
  - Saves minimum 12-15% on cost of healthcare
  - Rewards efficient hospitals
  - Stabilizes health care cost by addressing unit cost
  - Plans may eliminate deductibles & coinsurance
    - Providers recover ~23% of billable charges



## Why it Works

- No PPO Network - Why NOT using Contracts (Carrier or PPO) saves?
  - National solutions don't exist
  - Contracts conflict with ERISA duties & rights
    - Legal issues/actions vs. Plan & Administrator
    - Fiduciary duty to enforce the SPD
    - Audits/Medical Necessity Reviews limited with contract
  - Transparency is difficult
    - Contracts are proprietary/confidential
    - What you buy now may not be what you get
  - Outliers -- Large Claims revert to % billed



# The Savings

- Medicare Analysis

## Top 20 Medicare Codes

Avg Billed Charges	\$450,818
40% PPO Discount	\$270,491
TrueCost Allows	<u>\$112,890</u>
<b>Savings</b>	<b>\$157,600</b>
<b>Effective discount</b>	<b>65%</b>

Source: national average, NUS client; 2008 CMS data





# CDB Savings Analysis Allowable Charges vs. Medicare-Based Pricing

CDB Data Sample – Summer 2011	Billed Charges	Medicare Allowable	With TrueCost (Medicare + 40%)	With 50% PPO Discount
Allowable Charges	\$3,169,898	\$844,510	\$1,182,314	\$1,590,951
Effective Discount		74%	62.7%	50.0%
Savings to Plan with TrueCost Plan:			\$408,637 ←13% more savings!	

Based on Unit Cost Per Procedure					
BILLED UNIT COST	Medicare Discount	PPO Discount	140%	130%	125%
Less than \$11,000	48.7%	35%	28.2%	33.3%	35.9%
\$11,000 -- \$24,999	66.8%	50.4%	53.6%	56.9%	58.5%
\$25,000 -- \$49,999	72.1%	50.6%	60.9%	63.7%	65.1%
\$50,000 -- \$74,999	82.4%	51.8%	75.3%	77.1%	78.0%
More than \$75,000	77.3%	53.4%	68.2%	70.4%	71.6%
EFFECTIVE DISCOUNTS:			62.7%	65.4%	66.7%

Source: CDB Results – sampling of data, Summer 2011





# Addressing Providers

- Eliminates cost of contracting with PPOs
- Eliminates backend audits of payment vs. contracts
- Eliminates or greatly reduces the need for provider collection efforts
- Very specific language protects the plan and its members:
  - ID Card - addresses upfront how plan reimburses
  - SPD Language
  - EOB language
- Laws around Assignment of Benefits
- Back end support if issues arise, provided by the Phia Group (fees apply)

# National Provider Experience with Medicare-Based Reimbursement

- The Stats
  - 15% of claims have some provider pushback
  - 90% of those are resolved on 1st call describing how the program works
  - 1% to 2% will need some further negotiations or alternate form of payment.
  - 0 cases have gone to court



## CDB TrueCost Experience - 1<sup>st</sup> Client January-September 2012

- Local Employer - over 200 employees
- ASO with carrier prior to 1/1/2012
- 2 Plans
- Implementation **TrueCost** Plan 1/1/2012



## **CDB TrueCost Experience January - September 2012**

- 5,137 - Medical Claims
- 23 (Less than 1%) - Claims in Balance Billing Status
- \$2,129,647 - Billed Medical Charges
- \$849,103 - Allowable Charges (Medicare + 40%)
- \$706,525 - Plan Payment Medical
- 60% - Average Plan Discount



# What's In It For the Shareholders

## **Brokers**

- New Business
- True Strategic Partnering
- Creativity
- Ahead of the Curve

## **Members**

- Richer benefit plans
- Freedom to go to any provider
- Lower out of pocket: benefits and contributions
- Simplified plan design

## **Employers**

- One plan design
- Transparency
- Predictable Costs; stabilized claims
- No PPO Access Fees

## **Providers**

- Elimination of back end collections
- Direct relationship with area employers
- Predictable reimbursement



## Barriers

- New to Greater Cincinnati
- Afraid of Balance Billing

## Removing Barriers for Success

- Balance Billing prevention comes first by education of employers, members and providers
- Enough time to educate and communicate to members
- Deductible and Coinsurance elimination
- Identifying copays on ID cards.
- Simple Letter of Understanding with at least one provide system