



Cost Containment Strategies: Understanding the Pros and Cons

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TODAY'S PRESENTER

Ed Oleksiak is chairman of the NAHU Legislative Council and joined Holmes Murphy & Associates in 2002. He is responsible for developing and managing client relationships in Corporate Benefits, as well as advising clients on regulatory and benefits compliance matters. Ed has over 20 years of experience in Human Resources and has extensive experience in managing the administration, budgeting, and planning of welfare benefit plans, and along with his legal expertise, enables him to offer a unique perspective on legislative and compliance issues affecting employers.

OBJECTIVE

- Discuss the advantages of cost containment tools in light of participant, employee relations and other considerations
- As Agents and Brokers it is critical that we understand all aspects of the products and solutions we present to our clients

AGENDA

- Transparency
- Networks
- Telemedicine
- Pharmacy Strategies
- On-Site Clinics
- Medical Tourism
- HSAs and other Plan Design Concerns
 - Centers of Excellence (reduced or waived deductibles)
 - Embedded Deductibles
- Medicaid

Transparency

- IMPACT:
 - Improve Consumer Engagement
 - Cost and Quality enters into the purchasing equation
 - Lower plan and participant cost
 - Improved Quality
 - Increased trust patient/physician
- CONSIDERATIONS:
 - Consumer confusion
 - Complexity of medical coding and terminology
 - Consumer fear of challenging physicians
 - Consumer view higher cost as better cost
 - Plan designs may not drive consumer engagement (copays)
- Other:
 - Concierge component can bridge knowledge and fear gaps

Network Strategies

- **IMPACT:**

- Lower cost achieved by steering to narrow network
- Increases market competition
- Can improve quality
- Trade off cost vs access
- 2014 70% of marketplace plans Narrow or Ultra-Narrow
 - ACA requires “reasonableness standard”

- **CONSIDERATIONS:**

- Participants required to change providers
- Limited specialist available in certain geographies
- PCP access and provider reputation = consumer satisfaction
- Balance Billing exposure
- Appeals process for rare diseases – few providers nationally

- **Other issues:**

- Balance: regulatory pressure to define what is too narrow

Network Strategies

State Health Reform Assistance Network

Appendix A – Comparison of Network Adequacy Standards and Requirements

Accessibility Standards

State or Framework	Applicability	Regulatory Agency Responsible	Access Standard	Minimum Enrollee/ Provider Ratios	Maximum Travel Times/ Distances	Maximum Wait Times	Exemption Available
NAIC Model Law (#74)	Managed Care Plans	N/A	Sufficient in number and types of providers to assure that all services delivered to covered persons will be accessible without unreasonable delay.	No	No	No	No
ACA	Qualified Health Plans	N/A	Sufficient in number and types of providers, including providers that specialize in mental health and substance abuse services, to assure that all services will be accessible without unreasonable delay.	No	No	No	No
FFE and SPE	Qualified Health Plans	State Department of Insurance if "adequate;" if not, CCIIO	Sufficient in number and types of providers, including providers that specialize in mental health and substance abuse services, to assure that all services will be accessible without unreasonable delay.	No	No	No	No

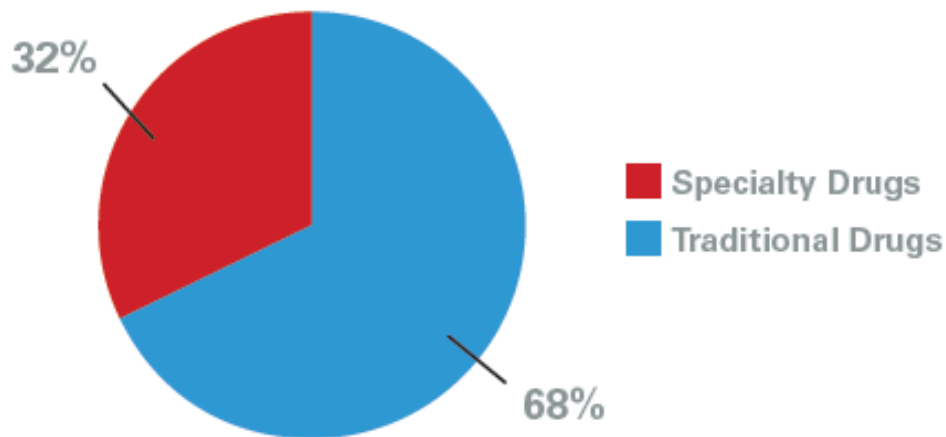
Telemedicine

- **IMPACT:**
 - Convenience, Lower Cost, Improved Access
 - Improves consumer access to basic primary care needs
 - Provides off hour access
 - MEC plan add on
 - Improved rural access
- **CONSIDERATIONS:**
 - Design critical to avoid HSA eligibility disqualification
 - Reduced care continuity
 - Technical glitches
 - Privacy issues
- **Other issues:**
 - State by State restriction on availability (Texas and Arkansas)
 - Increase access for all PCP to Telemedicine billing

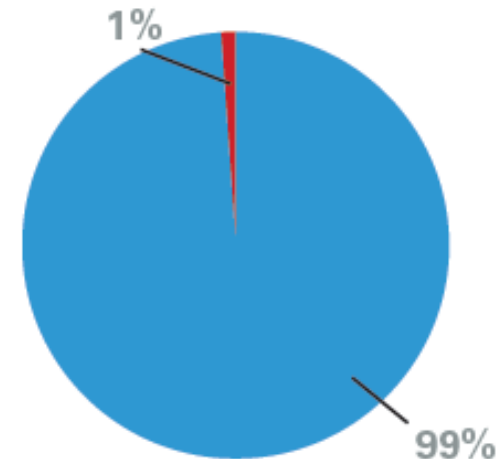
Prescription Strategies

Figure 1: U.S. Spending on Prescription Drugs, 2014

Prescription Drug Spending in 2014



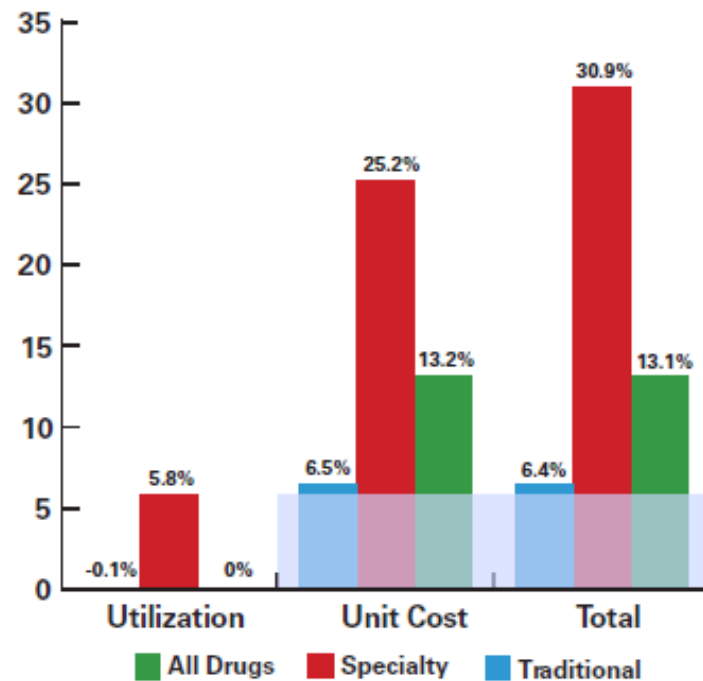
Prescriptions Written in 2014



Source: The Express Scripts 2014 Drug Trend Report. March 2015. Available at: <http://lab.express-scripts.com/drug-trend-report/>

Prescription Strategies

**Figure 3: Commercially Insured:
Components of Trend, 2014**



Source: The Express Scripts 2014 Drug Trend Report. March 2015. Available at: <http://lab.express-scripts.com/drug-trend-report/>

Prescription Strategies

- **IMPACT:**

- Provide Rx access while controlling cost
- PBM Carve out, Formularies, Specialty Drug Restrictions
- Controls cost of an rapidly increasing cost component
- Designed to control cost with quality in mind
 - Not designed to maximize consumer satisfaction

- **CONSIDERATIONS:**

- Formulary migration/elimination irritates participants
- Patient/Physician confusion
- Elimination or restriction can lead to ADA or other discriminatory challenges
- PBM Carve out can restrict ability to manage medical/pharmacy

Prescription Strategies

- *EEOC Staff Informal Views On Wellness (may 7,2015)*

Does excluding Harvoni violate the ADA?

- *Ok if formulary includes alternative which is as effective*
- An exclusion could be viewed as race or sex discrimination
- Also, exclusion for treatment exclusively for those with disability is prohibited

On-site/Near-site Clinics

- **IMPACT:**
 - Designed for convenience and control
 - Increased participant access, lower cost
 - Increase participant preventive care
 - Increased chronic condition management
 - Improved participant satisfaction
- **CONSIDERATIONS:**
 - Possibly creates a new health Plan
 - Could disqualify HSA eligibility
 - Cadillac Tax inclusion?
- **Other Issues:**
 - Can positively impact worksite incidents

Medical Tourism

- **IMPACT:**
 - Offshore treatment for high cost procedures
 - Can provide high quality lower cost solution for targeted conditions
 - Includes travel expense for patient and family members
 - Very short lead times
 - Vacation
- **CONSIDERATIONS:**
 - Participant reluctance/fear of long distance travel
 - Follow-up treatment issues
 - Potential HSA issues if deductibles waived
 - Language/Culture and Safety Concerns
 - Outside US regulatory jurisdiction
 - Look for International Accreditation
 - See CDC Risks and AMA Guidelines

Medicare Cost Plus Strategies

- **EXAMPLES:**
 - Medicare Cost Plus Plans
 - Disease Specific - Dialysis
- **IMPACT:**
 - Lower plan/participant cost
- **CONSIDERATIONS:**
 - Denial of non-emergency treatment
 - Balance Billing Potential

Medicaid

- **IMPACT:**
 - Identify low income employee eligibility for Medicaid
 - Reduce covered population
 - Helps avoid ACA penalties
- **CONSIDERATIONS:**
 - Possible loss of productivity and presenteeism gains from wellness programs
 - Medicaid may shift them back to employers program

OTHER STRATEGIES

- CDHP and HSA issues
 - Value-Based Plan Designs
 - Centers of Excellence
- Wellness programs
 - Estimated 70% of cost associated with Lifestyle Choices



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