



Benefits Cost Containment

Presented By:

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Innovative Benefit Planning

Boutique privately-owned benefit brokerage firm delivering Fortune 500 solutions to the middle market



- *Employee Benefits*
- *Retirement Plan / Fiduciary*
- *Human Resources / Compensation*
- *Wellness Planning*



UBA® **United Benefit Advisors**

Largest Partnership of Independent Insurance Firms with National Reach and Resources.

What Can I Expect To Learn Today?

- Tiered/Narrow Networks
- Alternative Funding Mechanisms
- Wellness Programs / Predictive Modeling / Health Coaching
- Prescription Drug Carve-Outs
- Reference Based Pricing
- Employee Incentives/Medical Tourism/Circles of Excellence
- Miscellaneous

Cost Containment

Tiered / Narrow Networks

What is a Tiered Network?

- A **Tiered Network** offers employers and members opportunities to save cost by utilizing preferred providers determined by cost and quality.
- The tiers often consist of:
 - **Tier 1** – Highest benefit level, most cost effective for member, but tied to a narrow network of providers
 - **Tier 2** – Option to select providers from the broader network but at a higher out-of-pocket expense
 - **Tier 3** – Typically out-of-network providers and coverage levels

Sample Tiered Network

In-Network	Tier 1 Network	Tier 2 Network
- primary care physician	No	No
- referrals for specialist	No	No
- coinsurance	100%	80%
- calendar year deductible indiv/Fam	N/A	\$1,500/\$3,000
- calendar year out-of-pocket max. Indv/Fam	\$2,500/\$5,000	\$4,500/\$9,000
- primary care physician visit	\$5 copay	\$20 copay
- specialist visit	\$15 copay	\$30 copay
- preventive care	100%	100%
- inpatient hospital benefit	\$250 per day/5 day max per admission	80% after deductible
- outpatient services	\$150 copay in hospital setting; \$100 copay at freestanding surgery center	80% after deductible
- routine radiology	100% at independent Radiology center; 100% after \$15 copay in outpatient facility	100% at independent Radiology center; 80% after deductible in outpatient facility
- complex imaging		
- lab services	100% (Labcorp in NJ)	100% (Labcorp in NJ)
- durable medical equipment	100%	100%
- emergency room facility	\$100 copay	80% after deductible then \$100 copay
- emergency room providers	Included in \$100 copay	80% after deductible
- benefit maximum	Unlimited	Unlimited

Objectives of a Tiered Network



**Steer Employees
to high value
providers**



**Leverage tiers to
reduce provider
costs**



**Offer employees
opportunity for
richer benefits**

Pros

- Lower premium rates
- Employees have financial implications of healthcare decisions
- Providers chosen based on cost & quality metrics (competition)
- Employees still have choice (albeit costly)

Cons

- Employee confusion & loss of choice
- Out-of-area employees
- Carriers control tier structure
- Few providers have even levels of quality across services; Not a commodity
- Large providers may not “play ball”

Do Tiered / Narrow Networks save \$? Time will tell...

Cost Containment

Alternative Funding



What Are the Different Types of Self-Funding?

1. Health Reimbursement Account
2. Captive / Consortium Solutions
3. Level-Funding
4. Traditional Self-Funding

Health Reimbursement Account (HRA)

- An increasingly popular strategy to save costs and “step” into self-funding, is pairing an HRA with a high deductible, higher copays, and/or lower co-insurance.
- By increasing the cost share within the plan design, employers receive better rates. When paired with an HRA, the employer assumes risk by agreeing to reimburse claims in order to bring the employee back to the original cost-share.
- The employees can pay for their claims at the point of service and submit for a reimbursement or use a debit card provided through a vendor for real-time adjudication.

Plan/Rate Example

Current Plan

- No Deductible
- 100% Coinsurance
- \$20 Office Visit Copay
- \$40 Specialist Visit Copay
- \$500 copay for Inpatient & Outpatient
- \$100 copay for ER
- \$10 / \$25 / \$50 Rx Tier Copays

- Single - \$504.29
- Emp/Child - \$928.78
- Emp/Spouse- \$1,260.29
- Family - \$1,683.90

New Plan

- \$1,000 / \$2,000 Deductible
- 80% Coinsurance
- \$25 Office Visit Copay
- \$50 Specialist Visit Copay
- 80% coinsurance after deductible for inpatient/outpatient
- 80% coinsurance for ER
- \$15 / \$35 / \$70 Rx Tier Copays

- Single - \$370.68
- Emp/Child - \$681.48
- Emp/Spouse- \$924.13
- Family - \$1,234.95

Vendor Example

Coverage Tiers	HRA Life Count	HRA Benefit Amount	Total HRA Liability
Single	27	\$3,500.00	\$94,500.00
H/Wife	52	\$7,000.00	\$364,000.00
P/C	17	\$7,000.00	\$119,000.00
Family	31	\$7,000.00	\$217,000.00
(A)Total	127		\$794,500.00
OCA Annual HRA Admin fee			\$250.00
HRA Utilization Breakdown	Current Annual Cost	Projected Annual Cost	Employer Annual Savings
15% of HRA Fund	\$2,349,614.00	\$1,699,435.48	\$650,178.52
25% of HRA Fund	\$2,349,614.00	\$1,778,885.48	\$570,728.52
50% of HRA Fund	\$2,349,614.00	\$1,977,510.48	\$372,103.52
75% of HRA Fund	\$2,349,614.00	\$2,176,135.48	\$173,478.52
100% of HRA Fund	\$2,349,614.00	\$2,374,760.48	-\$25,146.48

- See handout for sample analysis

- Analysis
 - Consultant should prepare analysis of cost impact with various utilization levels (ex. 25%, 50%, 75%, max)
- Employee Engagement
 - Continuing education is often necessary to ensure employees and dependents understand how the program works
- Compliance & Administrative
 - Form 720
 - Non-Discrimination
 - Vendor Fees

Pros

- Potential to save significantly depending on utilization
- Insight into claims activity
- Enables employer to assess appetite for risk
- Provides employees insight into employer costs

Cons

- Heavy employee education is often necessary
- Risk of costs increasing in a bad claims year
- Additional compliance concerns
- Additional vendor and administrative fees
- Carrier restrictions on HRA Amount (50%)

- Level Funding is a form of Self-Funding.
- Product where a fixed monthly “premium” amount is established.
- Potential for end-of-year rebate.
 - In most cases product provider is retaining a portion of surplus – Sometimes 50%!!!
 - When leaving a level-funded arrangement the employer forfeits the surplus from previous year.
- Additional claims data provided to employer.

Pros

- Good for employers with cash flow issues
- Provides opportunity for a surplus
- Provides insights into claims activity not provided in fully insured environment
- Can be paired with wellness programs for direct impact
- Avoids taxes fully insured plans have to pay

Cons

- Often have to share surplus
- May have drawbacks similar to fully insured (limited data, flexibility, and ability to change)
- Higher fees with less negotiating power

Captive

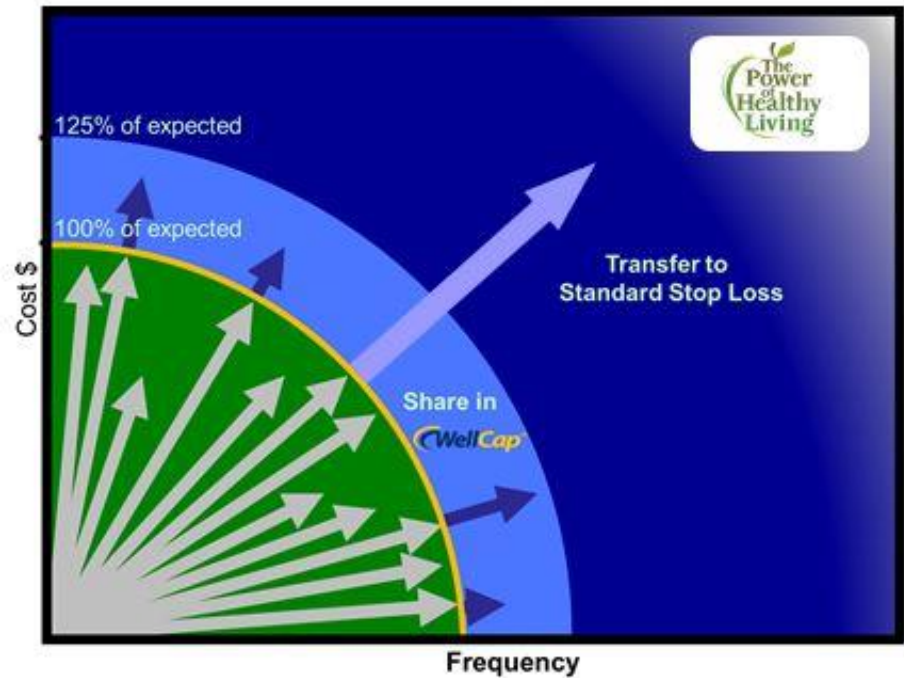
- Groups purchase stop-loss but also fund a “risk pool” which reimburses claims over pre-determined level.
- Based on how the “risk pool” runs throughout the year, groups can share in a dividend.
- Aggregating also allows for purchasing power similar to a consortium.

Consortium

- Groups aggregate together to obtain optimal pricing and contract provisions from vendors.
 - Stop-Loss, Administration, Wellness, etc.
- Groups are sharing risk with the “pool” since carriers underwrite the entire group’s experience when providing pricing.
- No cost share within plan year as the group runs on it’s own experience.

Captive

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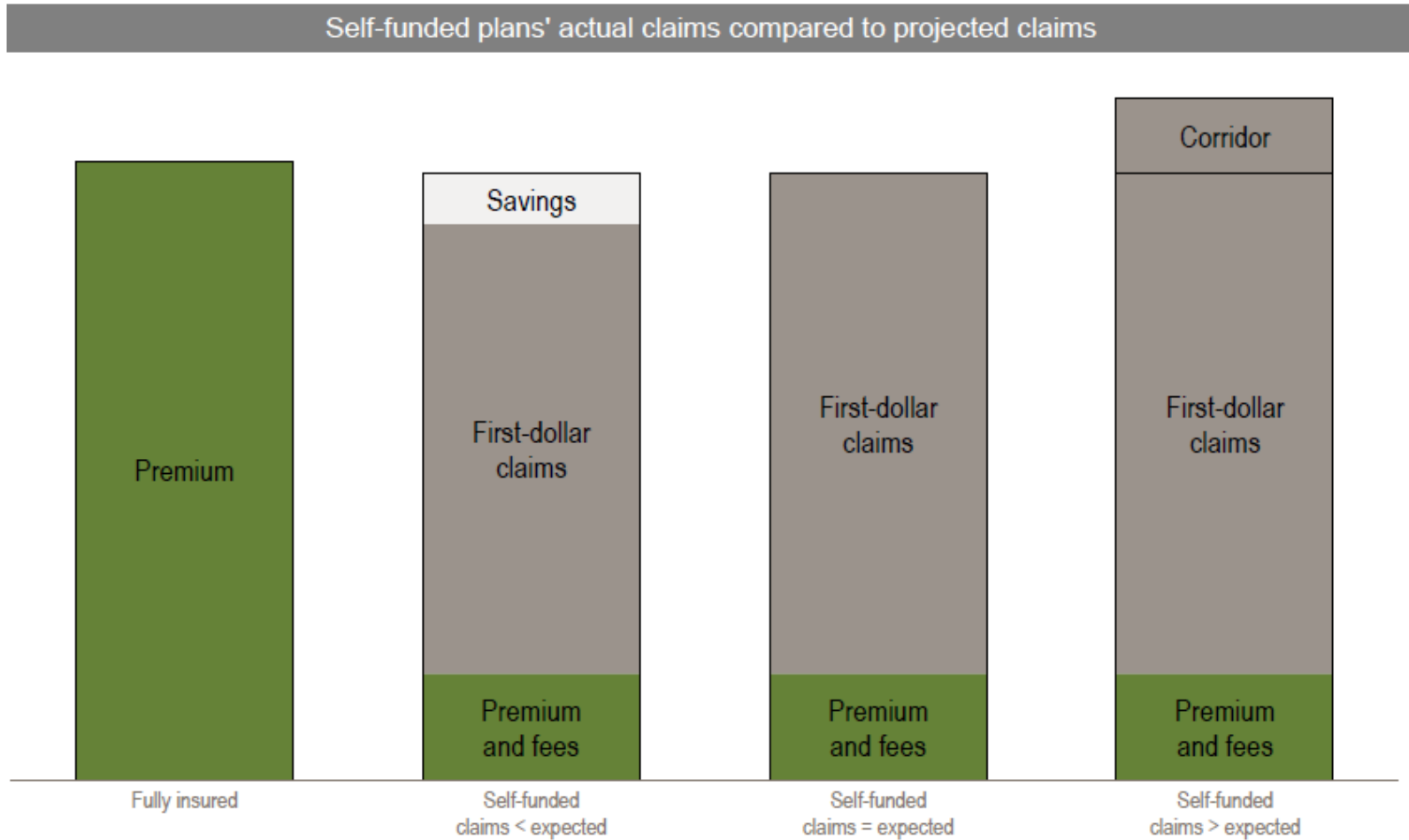
Captive/Consortium Considerations

- Groups are sharing in risk with other groups in both capacities
 - Understand underwriting guidelines
 - Rules to stay in the program (wellness, plan design, etc.)
- Cost/Fees
 - Management companies are paid to run the captive or consortium
 - Both strategies often need a large deposit
- Flexibility
 - The programs may not allow for certain strategies and decisions that a group would otherwise consider

- A self-funded plan is one in which the employer assumes partial financial risk for providing healthcare benefits to its employees.
- The employer decides on a plan of benefits and elects to fund the risk up to a certain level where a Reinsurance (or Stop-Loss) Carrier is brought in.
 - Specific & Aggregate
- The amount of risk to be insured is a function of the employers size, financial experience, and risk tolerance.
- Typically a Third Party Administrator is used to administer the plan.
 - Independent TPA vs. Carrier TPA

Self-Funding vs. Fully Insured

- Understand how self-funded plans can produce savings and cap risk.



Tax Implications

Potential 12-Month Tax Impact

Your current, estimated fully insured premium is \$7,603,641.

	FULLY INSURED	SELF-FUNDED
Health Insurance Tax	\$152,073	\$0
Transitional Reinsurance Program Fee	\$27,000	\$27,000
Patient-Centered Outcomes Research Institute Fee	\$2,170	\$2,170
Premium Tax	\$152,073	\$18,000
Total	\$333,316	\$47,170
Your self-funded plan tax savings could be:		\$286,146

Health Insurance Tax: An insurer tax on the cost of health care coverage, which is typically 2% of annual premium.

Transitional Reinsurance Program Fee: A fee required by the Affordable Care Act, which is \$2.25 per covered life per month for 2016.

Patient-Centered Outcomes Research Institute Fee: A annual fee required by the Affordable Care Act. The fee is \$2.17 per covered life for 2016.

Premium Tax: An employer tax on the cost of health insurance or stop-loss insurance. It varies by state and typically ranges from .4% of premium to 7.5% of premium.

Self-Funding: Expected vs. Maximum

Self-Funded Plan Options

	Fully-Insured Costs	Self-Insured Option 1
ASO Carrier/Third Party Administrator	Horizon	Horizon
Network		BCBS
Prescription Vendor		Prime
Reinsurance Features		
Stop Loss Carrier		HCC
Specific Deductible		\$75,000
Specific Contract Basis		12/12
Specific Includes		Medical/Rx
Specific Advance		Yes
Aggregate Contract Basis		12/12

N/A Current

Self-Funded

TOTAL Expected Annual Dollars (Fixed + Expected + Reserve)	\$1,404,608	\$1,224,259
Change in Annual Dollars		-\$180,349
Percentage Change		-13%
TOTAL Max Cash Liability (Fixed + Maximum + Reserve)	\$1,404,608	\$1,417,790
TOTAL MAX Percentage Increase		1%

Annual Aggregate Claims		
Maximum Aggregate Claims		\$967,656
Expected Aggregate Claims	N/A	\$774,125
Claims Reserve (2 Months)		\$129,021
TOTAL (Expected + Reserve)		\$903,146
TOTAL Expected Annual Dollars (Fixed + Expected + Reserve)	\$1,404,608	\$1,224,259
Change in Annual Dollars		-\$180,349
Percentage Change		-13%
TOTAL Max Cash Liability (Fixed + Maximum + Reserve)	\$1,404,608	\$1,417,790
TOTAL MAX Percentage Increase		1%

Self-Funding: Long Term View & Probability

Current: Fully Insured Carriers

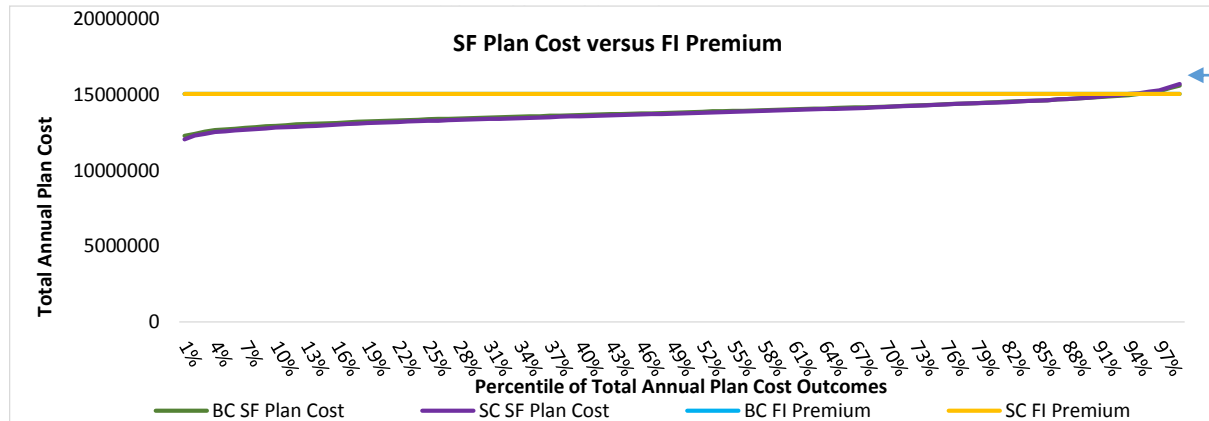
Year	Projected Fully-Insured Premium
2019	\$15,391,076
2020	\$16,738,393
2021	\$18,206,970
2022	\$19,807,718
2023	\$21,552,534

Scenario 1: Self-Funded - Self-fund BCBSGA & CareFirst w/ Rx-carveout, Kaiser remains fully-insured

Year	Expected Total
2019	\$14,241,338
2020	\$15,485,179
2021	\$16,840,967
2022	\$18,318,775
2023	\$19,425,299

Five Year Estimated Savings	\$6,880,847
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1. For illustrative purposes only.



5.8% SF > FI Cost

Likelihood of beating Fully Insured - 1 Year	94.2%
Likelihood of beating Fully Insured - 3 Year	99.5%
Likelihood of beating Fully Insured - 5 Year	100.0%

- **Risk Tolerance**
 - Understand risks within arrangement
 - Are you prepared to take steps to mitigate the risk?
- **Financials**
 - HR & Finance need to work together
 - Do not jump in without reserves!
 - Long-term strategy!
- **Compliance**
 - You are a fiduciary!
- **Administration**
 - Much more involved than fully-insured



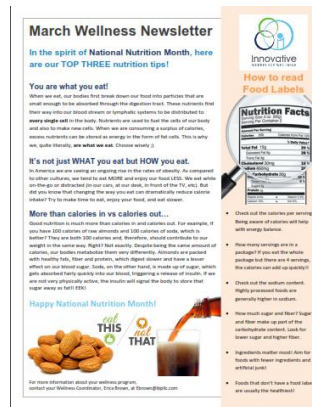
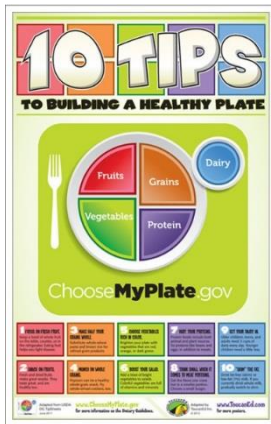
Cost Containment

Wellness Programs

Wellness Programs

Educational Programs:

- Designed to provide **general health information** to employee's and/or their family
- Make information available without requiring employees to engage in any activity
- Typically designed to promote healthy lifestyle choices.



Participatory Programs:

- Involves employee participation with a reward unrelated to results or a health factor. (Reward for participating in a challenge)

Bottom Line

- 10% to 50% Employee Participation
- Mostly Healthy Employees Participate with ROI difficult to measure
- Wellness data not used to assess population risk

Outcomes/Results Based Programs

- Require an individual to satisfy a standard related to a health factor to obtain a reward
- Often developed based on data

Bottom Line

- Introduced in 2001; Final in 2008
- Rules are stringent and onerous
- Premium contribution/benefit differentials
- 90% to 99.9% employee participation
- **Most often large employers and typically self-funded**



Drivers with fewer tickets and accidents pay less.

Non-smokers pay less for life insurance.

Homeowners with security alarms pay less.

How about a good driver discount for group healthcare?

Results-Based Programs

- **Goals**
 - *Provide employees an opportunity to know their overall health*
 - *Utilize data to determine most effective strategies for population health*
 - *Encourage a **culture** where employees take ownership of their health outcomes*
- **What happens with the data?**
 - *Combine the data with prior claims in order to “predict” future claims*
 - *Unknown claims risk is uncovered. Strategies are put in place*
 - *Targeted outreach to “at-risk” employees*

	No Information in 2017	Healthy User in 2017	Low Risk in 2017	Moderate Risk in 2017	High Risk in 2017	Very High Risk in 2017
No Information in 2016 (130)	106	6	5	6	4	3

54 % with no information carried significant risk

Cost Containment

Claims Analytics &
Predictive Modeling

- **Concurrent/Retrospective Claims**

- *Current and previous years claims can be analyzed to understand areas of weakness and exposure*
- *These claims can serve as a predictor of future claims (to a degree)*
- *These claims can help identify trends within your claims/population behavior*

- **Prospective Claims**

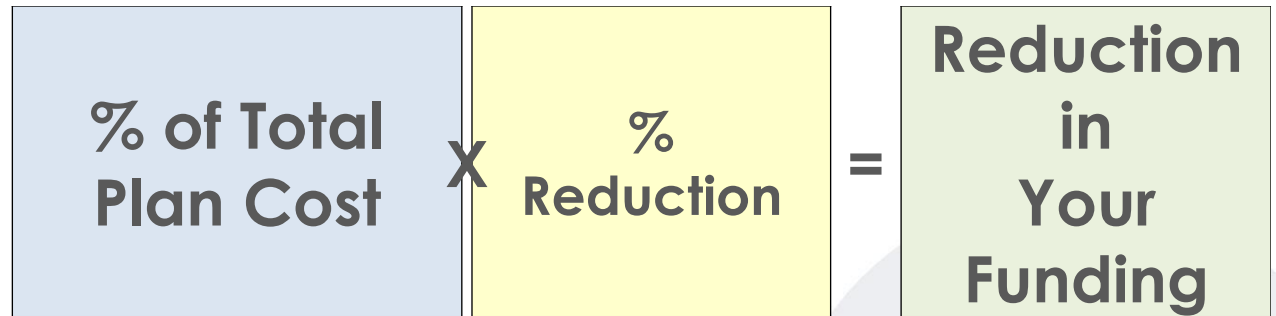
- *Uses data from previous year's claims and employee data to predict future claims*
- *Unknown claims risks are uncovered. Strategies are put in place at the employer and employee level*
- *Targeted outreach to “at-risk” employees*

Predictive Modeling

Combining various components (i.e. biometric screening results, health risk assessment data, claims data) increases accuracy more than just the medical and Rx claims



Claims Analytics



Reduce
Admin Costs
& Reinsurance

15%

20%

3%

Manage
Medical & Rx
Claims
Costs

85%

20%

17%

Cost Containment

Population Health Initiatives &
Targeted Health Coaching



Population Health

Wellness

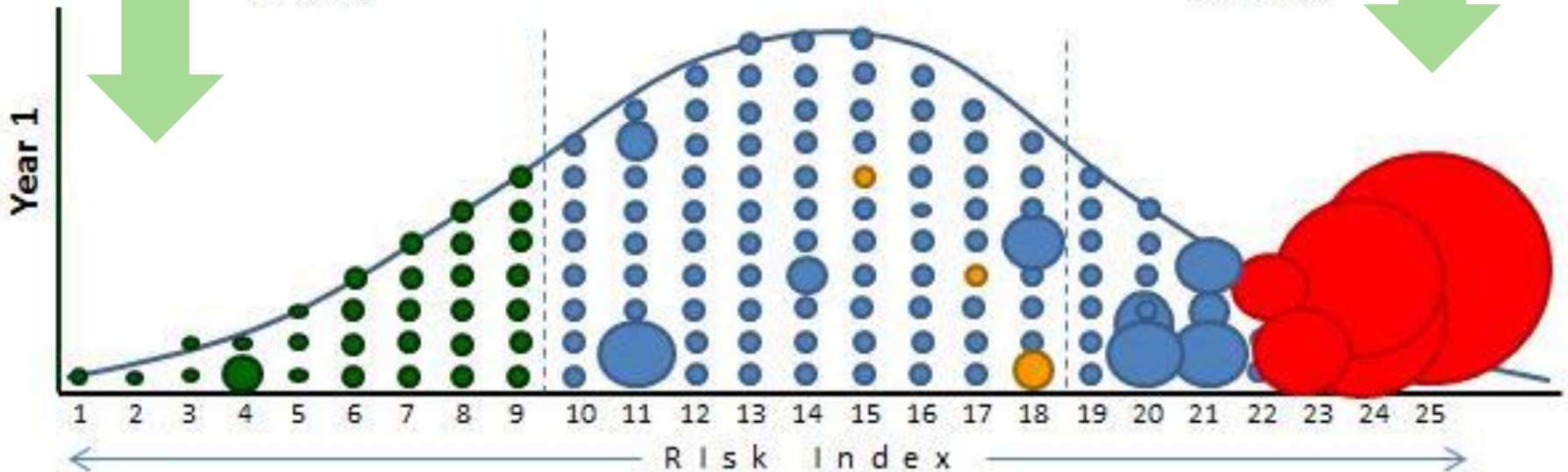
**Health Coaching
Disease
Management**

**Medical Case
Management**

20%/20%
Healthy

10%/60% Emerging "At Risk"

15%/20%
Chronic



Health Coaching

April 21, 2017

 **ABC**
company
1000 AAA Ave
Gainesville, FL 32610
Phone (352) 333-9333

 **Innovative**
1011 Keller Road
The Woodlands, TX 77380
Phone (281) 322-8880

Dear ABC Company Medical Participant,

We hope that this letter finds you well. As a spouse participating in ABC's medical plan, we wanted to make you aware of a special service that you are encouraged to take advantage of. ABC is proud to offer full-scale wellness program, which includes on-call Wellness Coaching with a professional Health Coach.

Your Health Coach is available to answer any of your health-related questions or discuss strategies that will help you work towards your health goals. The Health Coach will empower you to identify your own abilities and potential related to different aspects of wellness. This may include nutrition, physical activity, smoking cessation or stress management.

HEALTH COACH HOTLINE
Start Calling Today!

Reach out to a Health Coach with any questions related to your family's health and vitality!

Health coaching is available for any employee interested in making improvements with motivation and accountability provided by **Innovative's Health Coaches!** *You do not need to be on ABC's medical plan to take advantage of this coaching.*



Erica Brown
Nutritionist & Lifestyle Specialist
Innovative Workplace Wellness

For any questions related to the Health Coaching service, you can reach Innovative Workplace Wellness at (281) 322-8888 or EWWellness@abc.com.



“The most effective wellness programs include behavior-change support”

-ISCEBS – Making the Case: New Study Shows It Does, Indeed, Pay to Become a Health Enterprise

Screening Highlights from 3 Clients

Client #1

- 7 Critical Outreach Calls Made to Employees
- 4 of 7 Unaware of Critical Condition
- 6 Employees with Abnormal PSA's
- Top Risk Factors Could Cost Plan \$100,000+ if not Addressed

Client #2

- 13 Critical Outreach Calls Made to Employees
- 8 of 13 Unaware of Critical Condition
- 71.1% With Abnormal BMI – Average score 29.8
- Top Risk Factors Could Cost Plan \$175,000+ if not Addressed

Client #3

- 12 Critical Outreach Calls Made to Employees
- 5 of 12 Unaware of Critical Condition
- 49% With Abnormal Glucose Levels
- Top Risk Factors Could Cost Plan \$164,400 if not Addressed

- **Cardiovascular Disease**

- The annual mean payment for those with heart-related claims is **more than double** the average payment of claims for all other conditions.

- **Diabetes**

- Members with diagnosed diabetes incur average medical expenditures of about **\$13,700 per year**.

- **Smoking**

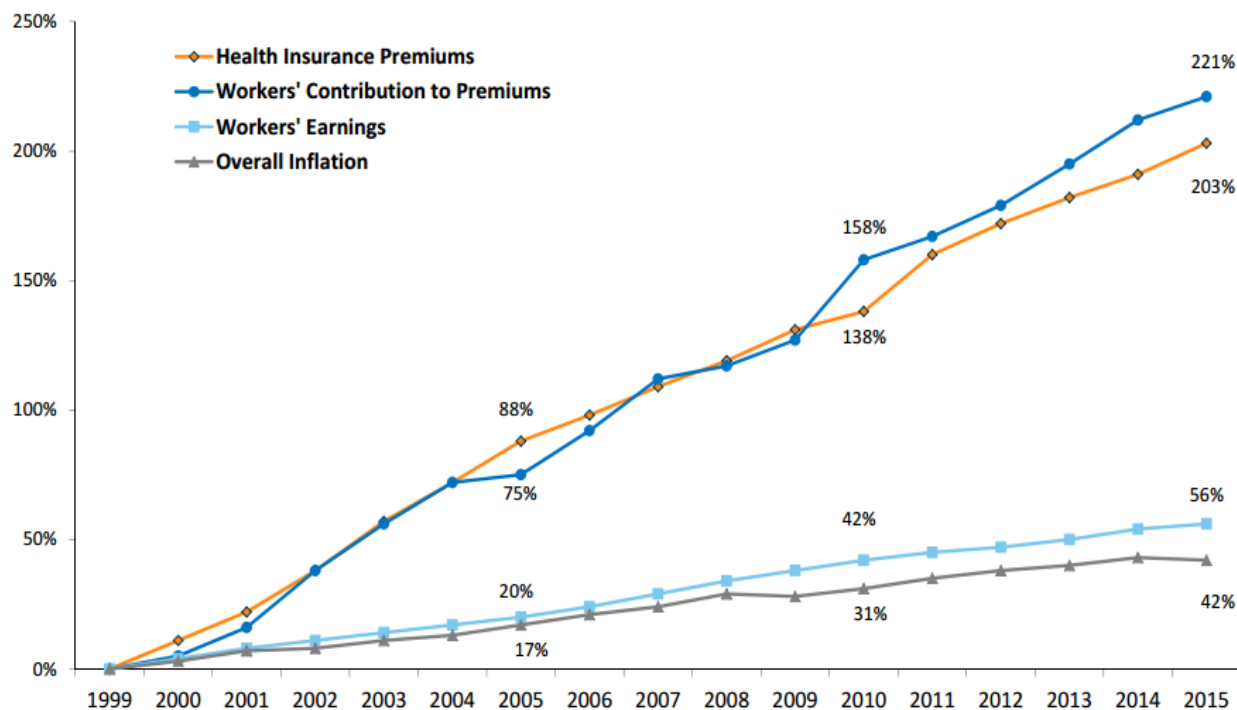
- A smoker costs a private employer in the US an extra **\$5,816 per year** compared to a non-smoker due to healthcare costs and absenteeism/productivity costs.

Cost Containment

Medical Bill Review & Reference Based Reimbursement

Healthcare Cost Trends for Employers and Employees

Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2015



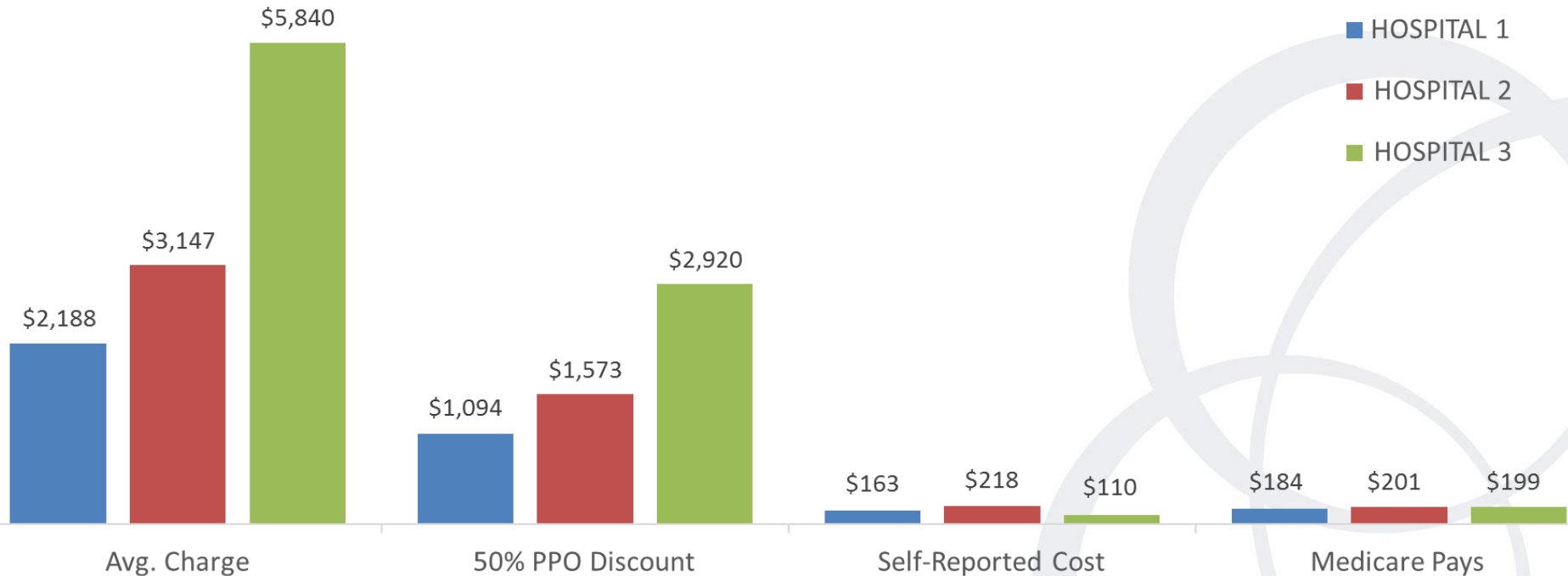
✓ Health costs for employees are rising at 4x the rate of earnings – a steady trend for 15+ years

✓ For employers – overall premiums are rising near 5x the rate of inflation over same period

✓ In 2015, average cost for family coverage (\$17,545) was 36% of average pre-tax wages (\$48,098)

*Data sources: 2016 Kaiser Health Study, 2015 DOL statistics

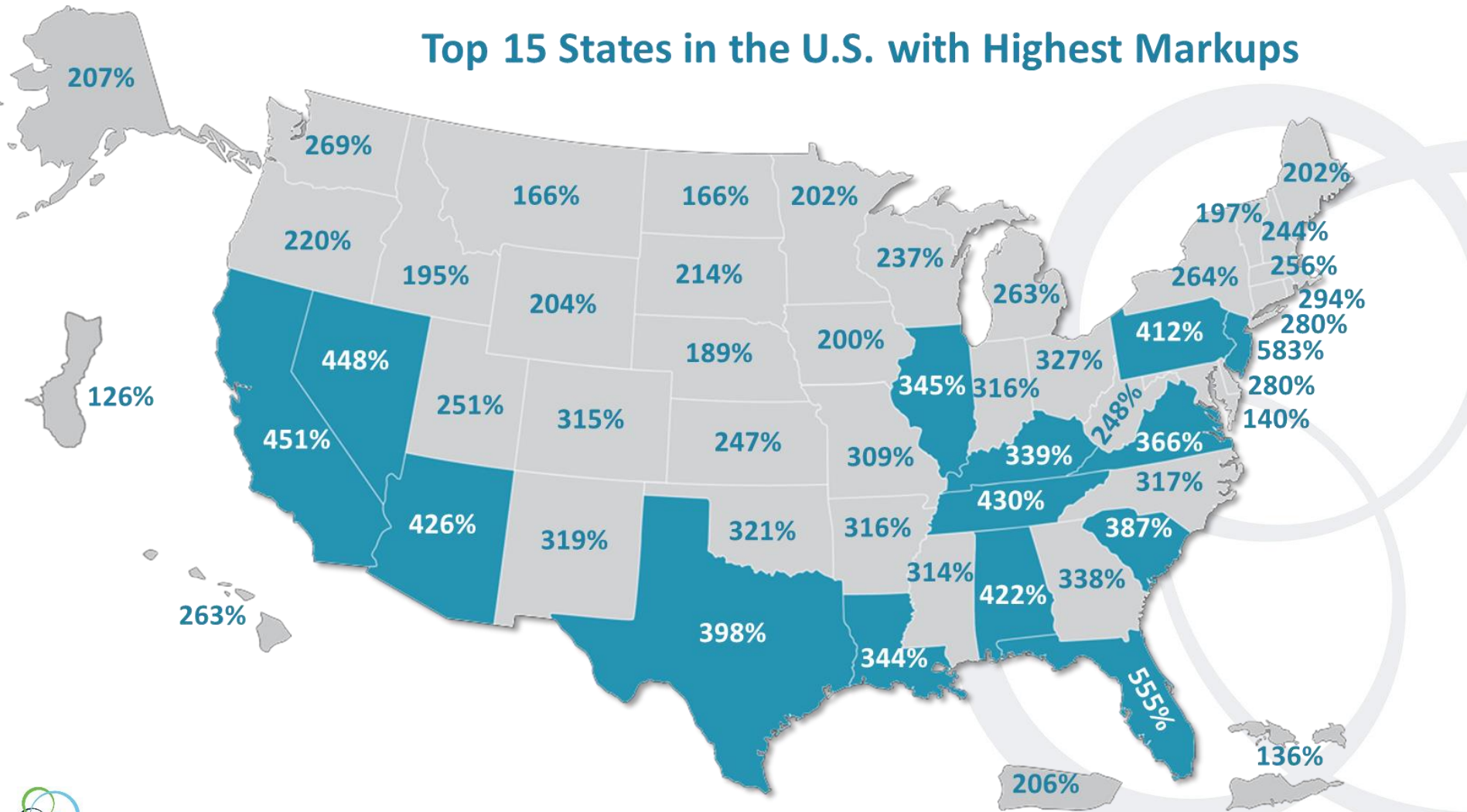
How Much Does Your Company Pay for a CT Scan?



Billed charges are arbitrary and can vary wildly, even for the same procedure in the same market, and have no relation to the actual cost to deliver service

Hospital Markups by State

Top 15 States in the U.S. with Highest Markups



The Root of the Problem: High Cost Hospital Bills

	Retail Price	Hospital Price
Acetaminophen (Tylenol)	Bottle of 100 for \$1.49 (\$0.015 Each)	\$1.50 Each Increase of 10,000%
Bacitracin (Neosporin equivalent)	Pack of 3 for \$12.33 (\$4.11 Each)	\$108.00 Each Increase of 2,628%
Diabetes Test Strip	Box of 50 for \$27.00 (\$1.85 Each)	\$18.00 Each Increase of 973%
Gauze Pads	Box of 50 for \$4.90	\$77.00 a Box of 50 Increase of 1,571%

• What is Reference Based Pricing?

- *“Reference Based Pricing” is the strategy of capping payment for a particular medical service.*
- *The reference price is determined by using quality and price information (can follow Medicare reimbursement schedule).*
- *The reference price is negotiated with providers upon billing.*
 - *Employees who utilize these providers will only be responsible for usual cost-sharing.*
 - *Employers pay negotiated reference price.*
 - *Example: Network Price = 250% of Medicare*
 - *Reference Price = 160% of Medicare*
- *A great first start to this is a Bill Review service*
 - *On average large claim bills have 8-10% of mistakes*

In effect, reference based pricing has been around for years as employees discounts exist through “network” providers.

The goal is for employers (rather than carriers) to have control and make educated decisions.



Reference Pricing can be achieved through certain vendors and coordinating with TPA's / stop-loss carriers.

Fooling us with Vocabulary?

Procedure...

Known as...

Unit Price

Oral cleansing device

Toothbrush

\$1050.00

Cranial Support System

Neck Pillow

\$450.00

Mucus Recovery System

Kleenex

\$75.00

Tuberculin Syringe

Diabetic Syringe

\$14.00

Acetaminophen Tablet

Tylenol

\$513.23

CBC

Complete Blood Count

\$280.00

Blood Glucose Monitoring

Diabetic Test Strip

\$20.90

How Did We Get Here?

PPO's Introduced 25 Years Ago

- Limited provider base
- Buying Wholesale VS Retail was initial value proposition
- PPO's are now exclusionary distribution channels that veil provider charges and increase the cost of healthcare for employers



Ineffective Discounts

- Prices post PPO “discount” still averages 250% to 450% of Medicare

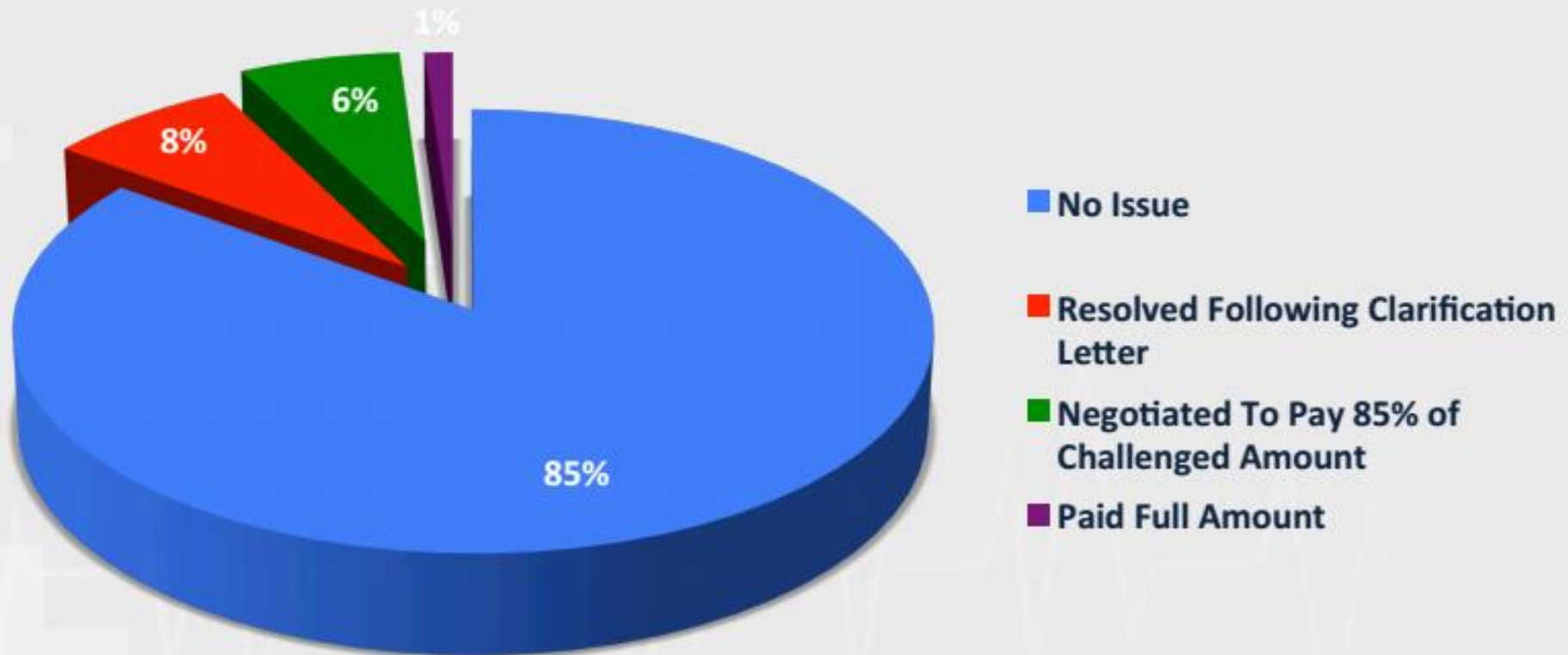
The New York Times

Beth Israel to Pay \$13 Million for Inflating Medicare Fees

“Beth Israel Medical Center has admitted that it fraudulently inflated its fees for services to Medicare patients, deliberately deceiving the federal government into paying many millions of dollars more than their treatment actually cost

The hospital’s admission, and it’s agreement to pay the United States government more than \$13 million in damages, came in a health care False Claims Act Lawsuit simultaneously filed and settled this week and announced Thursday by Preet Bharara, the United States attorney for the Southern District of New York” (NY Times, Nina Bernstein, 3/1/2012).

What to Expect



- **Assumptions**

- Avg. total healthcare costs approaching \$14,000 PEPY
- Hospital claims account for 38% of costs
- > 3% of net billed charges contain mistakes, duplicates, etc.
- Estimated current reimbursement = 260% of Medicare
- RBR average reimbursement = 160% of Medicare

- **Plan Sponsor – 1000 Employee Participants**

- $1000 \times \$14,000 \text{ PEPY} = \14 MM annual healthcare costs
- $.38 \times \$14 \text{ MM} = \5.32 MM in annual hospital/facility claims
- Errors, duplicate charges, etc = \$168,000
- Savings from 260% to 160% = \$1,995,000
- Total Savings = \$2,163,000

- 1. Consider positives/negatives of switching to TPA from ASO (carrier)**
- 2. Begin with Out-of-Network Claims Medical Bill Review service**
- 3. Consider Reference Based Reimbursement as replacement for network PPO plan**

Cost Containment

Employee Incentives

Medical Tourism

Circles of Excellence

Patients almost never question their doctors

- Second opinions & referrals to more costly providers, with equal or lesser results?

Review of State Reports (2008-2015), Freedman Healthcare confirms that “high prices do not directly correlate with high quality of care”.

Emergency Medical Outpatient Services – No co-pay for the use of urgent care facilities in lieu of a hospital's emergency room

Hospital Alternative Facilities - Whenever diagnostic services (lab work, CT Scans, X-Rays, or MRIs) can be obtained at any self-standing, non-Hospital facility - no co-pays for such usage

Generic Prescription Drugs and Supplies - In most cases, generic prescription drugs are no different than their branded counterparts, though branded cost many times the cost of generics - no co-pays

Claim Audit Review Program - Plan Participants who identify erroneous charges on medical bills receive 20% of the savings

Skin in the Game - Find alternative means to purchase supplies or care; get a percentage of savings

Ex. Nebulizer: \$300 (w/30% discount)... Or buy from Amazon for \$118

How Does it Typically Work?

- Employees utilize “Centers of Excellence” (COE) for planned procedures
 - COE’s are hospitals with superior outcomes for specific procedures
 - Employers have negotiated preferred pricing with the COE’s
- Employers waive copays, deductibles, coinsurance and pay for travel and lodging expenses for employees
- Mostly only the largest companies in the country

International or Domestic?

- International Medical Tourism Challenges
 - Inconvenient
 - Most procedures are geared towards services that are not covered by insurance; i.e. cosmetic surgery
 - Lengthy travel
 - Language barriers
- Domestic Medical Tourism Challenges
 - Inconvenient
 - Complications/Readmits

You Can do This!

Maternity: Start with a list of the safest facilities. Next, identify the ones that “deliver” the most bang for the buck. A pregnant member that uses one of these facilities gets \$300/month, for a year, to use on Diapers.com

Communication: Members that consult with HR regarding proposed (planned) medical procedures, to see what plan incentives exist, the most efficient options for them, etc., will receive \$100

Just Make Sure You Do It Correctly!!!

ER VISIT

In 2016, Matt Anderson cut his finger doing dishes. Since he had just cut raw meat, he thought he might get infected. He saw a nurse and doctor for 10 minutes in the ER and was billed \$2,782.

IMPLANTS

One facility charged for a bilateral cochlear implant, \$358,000; charging for the devices alone \$269,000. The average provider acquisition cost is \$14,000 – **MARKED UP 960%**.

AIR AMBULANCE

Air-ambulance flight from Alaska to Texas, despite passing multiple facilities capable of providing the care –Charged \$860,000

*Only justification for medical necessity was to continue treatment with his general doctor (in Texas) and to be with wife (who was with him in Alaska).

Cost Containment

Pharmacy

Bundled Contract

HEALTH PLAN

Medical Pharmacy
Dental Vision

Employer has a single
bundled contract for all
services



Employer

Carve-Out

HEALTH PLAN

Medical Dental
 Vision

PBM

Pharmacy

Employer maintains two separate
contracts/vendors each with specific and
unique expertise



Employer

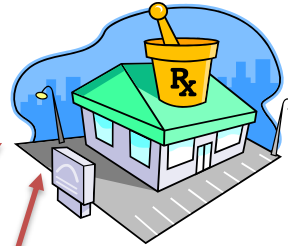
Follow the money... a \$240.00 drug

Plan Cost:
 $\$182 - \$18 = \$164$



Employer/
Health Plan

\$182
Invoice



Pharmacy

\$240 AWP Cost
-16.5 PBM Discount
\$201 Drug Cost



Sick Member

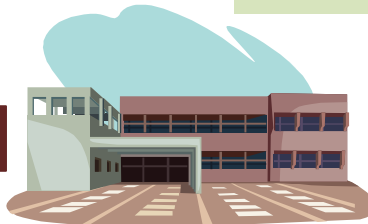
\$20
Copay



Drug Manufacturer

\$181
reimbursement

\$18 rebate



PBM

\$20 rebate

PBM Revenue:
 $(\$182 - \$181) + (\$20 - \$18) = \$3$

Behind The Scenes – Undisclosed Carrier Profits

	Incumbent Carrier		PBM Opt. 1		PBM Opt. 2		PBM Opt. 3		PBM Opt. 4	
	<u>Retail</u>	<u>Mail</u>	<u>Retail</u>	<u>Mail</u>	<u>Retail</u>	<u>Mail</u>	<u>Retail</u>	<u>Mail</u>	<u>Retail</u>	<u>Mail</u>
Brand Discount	14.57%	17.49%	16.25%	24.00%	17.25%	25.00%	17.00%	25.00%	17.25%	25.00%
Generic Discount	55.34%	54.25%	78.00%	80.50%	77.00%	81.00%	77.00%	79.00%	77.00%	80.00%
Dispensing Fee	\$1.58	\$0.01	\$0.95	\$0.00	\$0.90	\$0.00	\$1.10	\$0.00	\$0.90	\$0.00
Administration Fee	\$0.55	\$0.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Brand Rebate	\$0.00	\$0.00	\$45.55	\$130.96	\$47.21	\$132.18	\$55.29	\$164.65	\$35.20	\$109.85

- Key contract provisions you will never see:
 - AWP Discount Spread
 - Definitions
 - Brand
 - Generic
 - Specialty
 - Manufacture Rebates

Behind The Scenes – Undisclosed Carrier Profits

Total Employees	Total Members	Total Claims
191	401	6,198

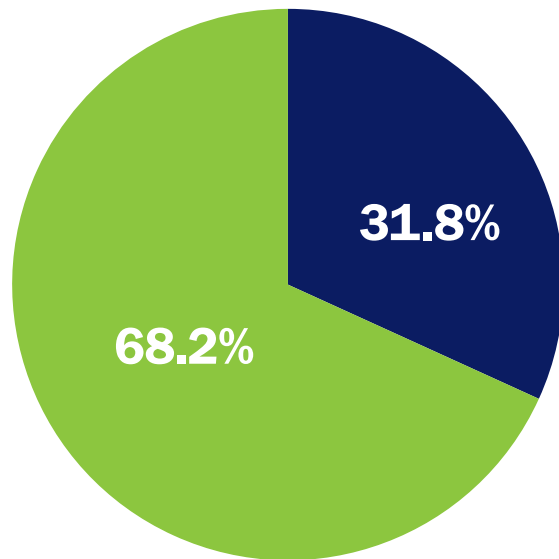
Financial Performance

	Incumbent Carrier	PBM Opt. 1	PBM Opt. 2	PBM Opt. 3	PBM Opt. 4
Ingredient Cost	\$1,509,513	\$1,371,366	\$1,368,239	\$1,371,468	\$1,369,181
Dispensing Fees	\$9,454	\$5,898	\$5,617	\$6,741	\$5,617
Member Contribution	-\$38,535	-\$38,535	-\$38,535	-\$38,535	-\$38,535
Administration Fees	\$3,438	\$0	\$0	\$0	\$0
Rebates	\$0	-\$90,410	-\$93,246	-\$110,476	-\$70,982
Net Plan Cost	\$1,483,869	\$1,248,319	\$1,242,074	\$1,229,198	\$1,265,281
Annual Savings		\$235,550	\$241,795	\$254,672	\$218,588
		15.9%	16.3%	17.2%	14.7%

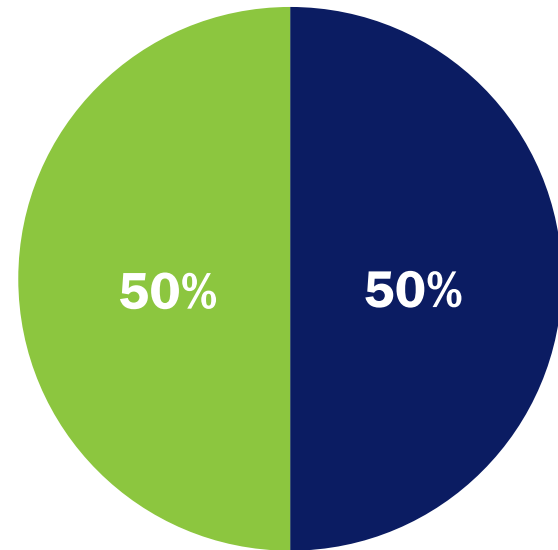
- Savings achieved through preferred contracts with Pharmacy Benefit Managers including:
 - Improved AWP Discount Terms
 - Improved Rebate Structure
 - Removal of Key Optic Provisions
 - Removal of Administration Fees
 - Reduction in Dispensing Fees

Overall Rx Cost Dynamic

2014 Actual



2020 Projected



■ Specialty Pharmacy Benefit ■ Traditional Pharmacy Benefit

Sources: Express Scripts Book of Business; Express Scripts analysis of Thomson Reuters MarketScan® Commercial Database.

Cost Containment

Miscellaneous

- ✓ Behavioral Health Management
- ✓ Second Opinions
- ✓ Surgical Transparency Resources

- Tiered/Narrow Networks
- Alternative Funding Mechanisms
- Wellness Programs / Results Based Plan Designs
- Population Health Initiatives / Health Coaching
- Reference Based Pricing
- Employee Incentives/Medical Tourism/Circles of Excellence
- Prescription Drug Carve-Outs
- Miscellaneous