



Focused Networks and Direct Contracting

Purchase Healthcare like an Employer with 50,000 Employees... the Fortune 500



Call Agenda

- I. What is a Network
- II. “*Advantages*” and Disadvantages
- III. How are these Networks/Carriers doing?
- IV. What is a Provider Sponsored Health Plan?
- V. How do we access this type of plan?
- VI. Questions



What a network offers

Access to physician and hospital services

Attractive pricing
(biggest discount = biggest fallacy)

Brand recognition



Networks and Large Managed Care Companies (BUCAs)

- The BUCAs: Blues, United, Cigna, Aetna/Anthem
- Convinced employers they were needed for physician access
- Convinced providers they were needed for patient access
- The publicly traded BUCAs doing everything possible to maximize shareholder value

What a network takes away

Claims review and adjudication

Control of pharmacy*

Case/disease management

*with most major carriers



How are the BUCAs doing?

| Closing Stock Prices: Pre Affordable Care Act and Now | | | | | | |
|---|---------------|--------------|--------------|---------------|---------------|-----------------------------|
| Date | <u>United</u> | <u>Cigna</u> | <u>Aetna</u> | <u>Humana</u> | <u>Anthem</u> | <u>Dow Jones Industrial</u> |
| 3/4/2010 | \$33.74 | \$34.77 | \$31.38 | \$48.14 | \$62.25 | \$10,444.14 |
| 3/9/2018 | \$225.43 | \$173.36 | \$177.38 | \$272.50 | \$232.8 | \$25,355.74 |
| Increase | 568% | 399% | 465% | 466% | 274% | 143% |

- In 2009, last full year before the ACA took effect, United reported annual sales of \$87.2 billion and a net profit of \$3.8 billion. Last year, United's revenue hit \$184.9 billion and it earned \$7 billion.
- Aetna's revenues have nearly doubled since 2009 -- from \$34.9 billion to \$63.2 billion last year. Profits have grown from \$1.3 billion to \$2.3 billion.
- Humana's sales have increased from \$31 billion to more than \$54.3 billion.





Can it be replicated in a direct relationship?

Yes



When...



What does a Provider Sponsored Plan Look Like?

- A group captive formed by Employers geographically located near one health system... *Buy Local*
- Employers are considered as one large entity to provider system therefore they receive best pricing available
- Employers self-fund and underwritten individually (not a MEWA)
- Employers pool their stop loss premiums to spread risk and receive underwriting profits

What does Buying Direct/Local get you?

- This collaboration generates increased revenues and provider utilization while reducing medical expense trend in your community
- Employers and providers in a community working together in a direct relationship
- Health plans can return the cost savings directly to the employers/employees
- Your health plan can be delivered for less than half of the current BUCA expense load

Provider Systems are saying..."Bring it On!"

- Doesn't matter if it's 5k or 500k EEs as long as it's 100% of what you have
- Other provider direct contracts are % of Medicare and we will offer same terms to the private Employers
- Confident most reasonably priced provider system in the market
- We'll share own employee experience to back it up



What do the Employers rates look like?

| | Expected Rate Comparison | | | |
|------------------------|--------------------------------|-----------|-----------------------------|-------------------------|
| | Current/Renewal Composite Rate | BUCA Rate | Reference Base Pricing Rate | Provider Sponsored Rate |
| Group 1 | \$408.93 | 477.22 | 432.65 | 384.39 |
| Group 2 | \$679.24 | 709.81 | 618.11 | 584.83 |
| Group 3 | \$484.61 | 513.20 | 458.44 | 431.30 |
| Group 4 | \$479.86 | 447.71 | 414.12 | 384.37 |
| Group 5 | \$525.58 | 547.65 | 502.98 | 502.98 |
| Group 6 | \$957.83 | 1097.67 | 891.74 | 820.86 |
| Group 7 | \$471.33 | 476.99 | 415.24 | 401.10 |
| Group 8 | \$599.27 | 649.61 | 560.32 | 508.78 |
| Average | \$575.83 | 614.98 | 538.40 | 504.43 |
| %age Increase/Decrease | | 106.10% | 93.50% | 87.60% |



What needs to happen to make this work?

1. Provider System offers services at price more attractive than other BUCAs/payors
2. Employer offers benefit plan that directs employee care choices to Provider System
3. Employee population is predominately in Provider System footprint
4. Adequate care and pricing can be accessed for those services the Provider System does not offer
5. Advisor assists with plan design and data collection necessary for underwriting to price correctly



Questions

