

Cut Your Losses

Proactive Health Benefit Plan Designs

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The logo for Winstead Attorneys features a yellow square on the left and a white square on the right. The word "WINSTEAD" is written in bold black capital letters across the bottom of both squares. Below "WINSTEAD", the word "ATTORNEYS" is written in smaller black capital letters.

WINSTEAD
ATTORNEYS



Cost Trends in Health Plans

Per Mercer's National Survey of Employer-Sponsored Health Plans (2017)

Cost Trends in Health Plans

EMPLOYERS HOLD HEALTH BENEFIT COST GROWTH TO 2.6% IN 2017, FOR A SIXTH YEAR OF INCREASES AT OR BELOW 4%

Change in total health benefit cost per employee compared to CPI, workers' earnings



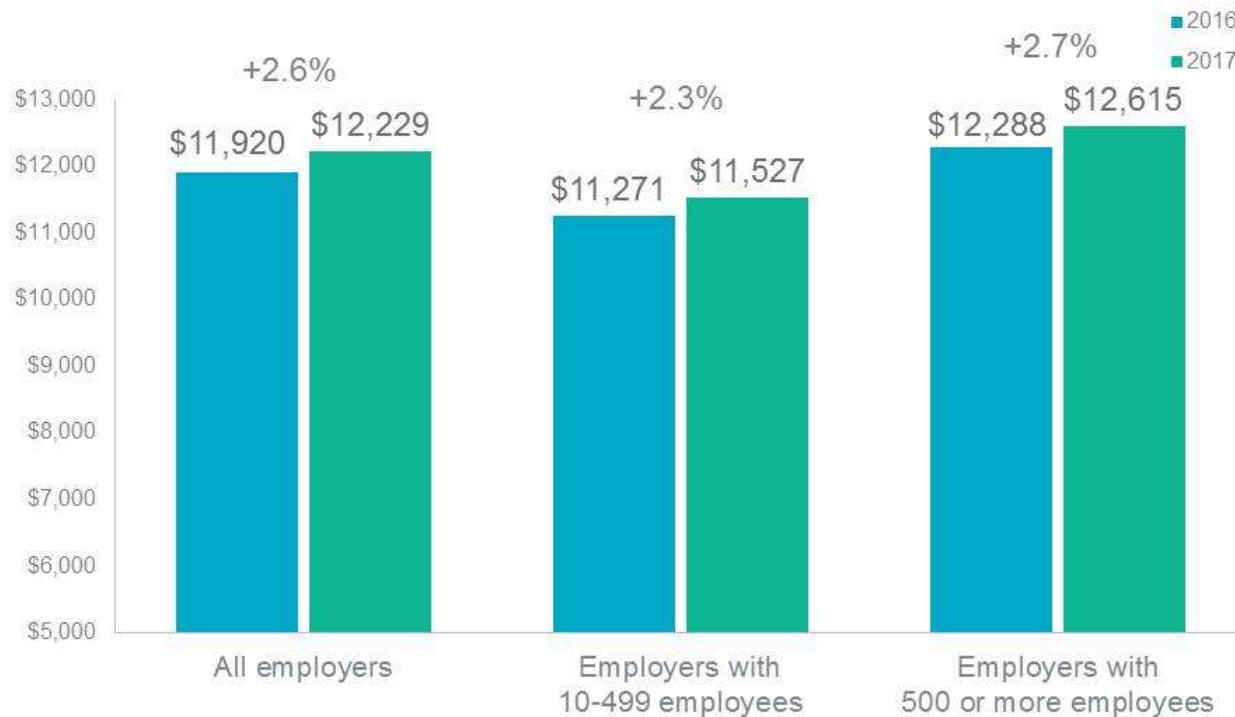
* Projected

Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2017; Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April) 1993-2017.

Cost Trends in Health Plans

AVERAGE PER-EMPLOYEE COST TOPS \$12,000

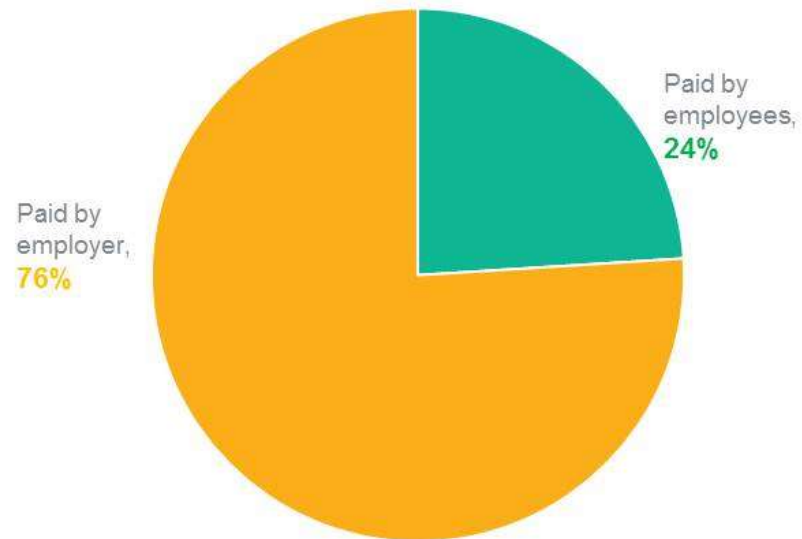
Average total health benefit cost per employee



SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Cost Trends in Health Plans

AVERAGE SHARE OF TOTAL PREMIUM COST PAID BY EMPLOYEES IN 2017

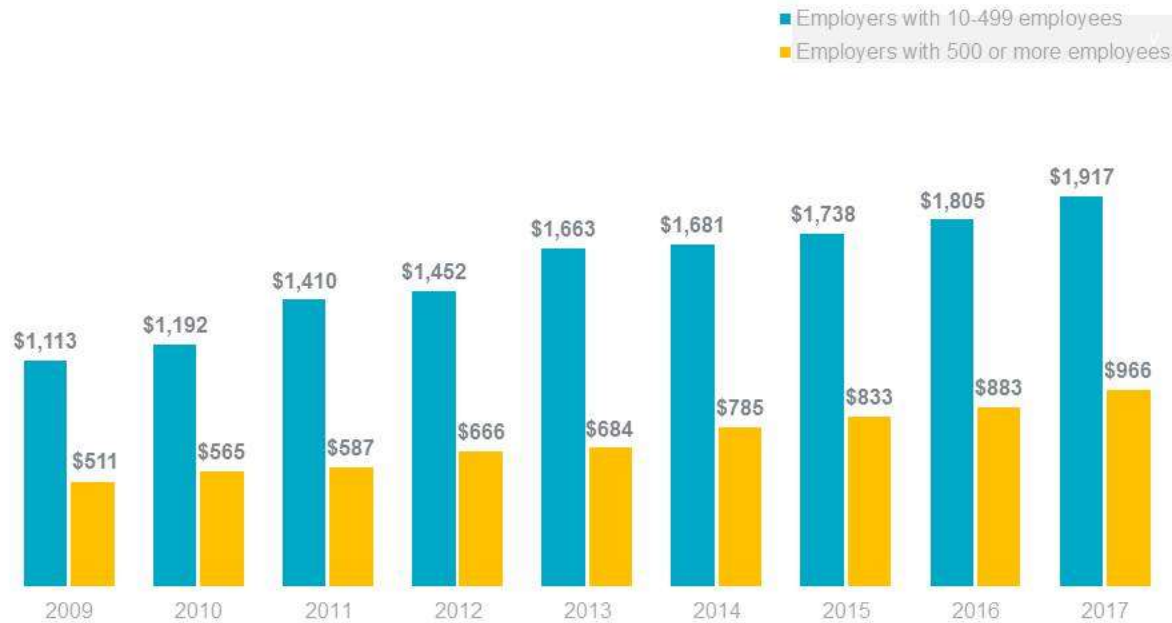


SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Cost Trends in Health Plans

DEDUCTIBLES HAVE OUT-PACED COST GROWTH AS EMPLOYERS SEEK TO MINIMIZE EXCISE TAX RISK

Average PPO deductible for individual, in-network coverage



SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans



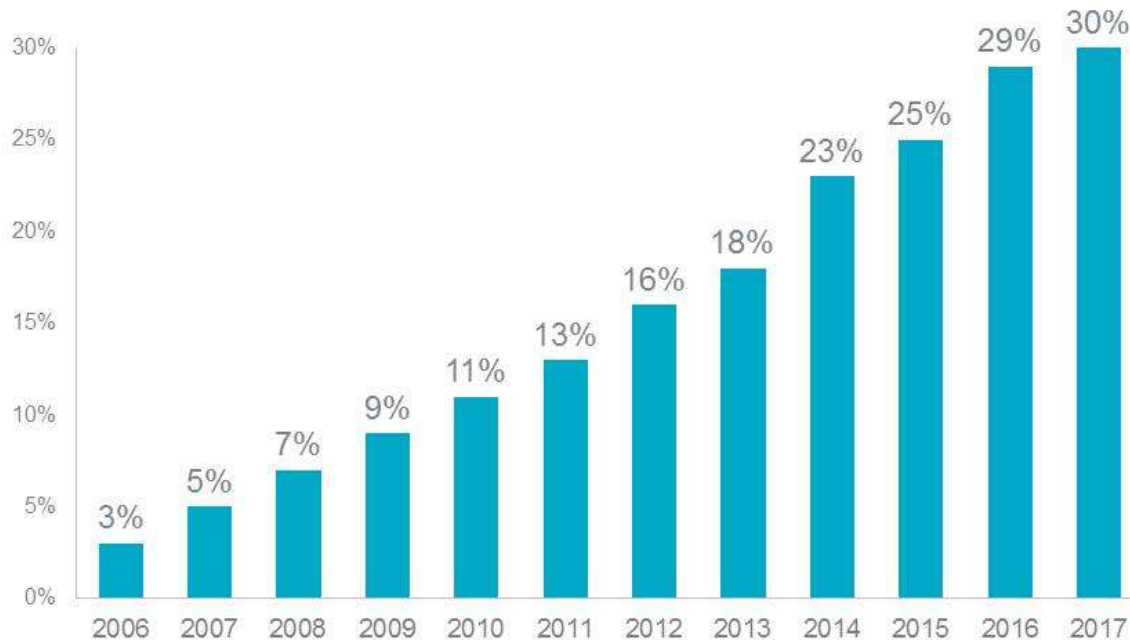
Design Trends in Health Plans

Per Mercer's National Survey of Employer-Sponsored Health Plans (2017)

Design Trends in Health Plans

ABOUT A THIRD OF COVERED EMPLOYEES ARE IN LOW-COST CDHP PLANS – BUT ENROLLMENT SLOWED IN 2017

Percentage of covered employees enrolled in account-based consumer-directed health plans

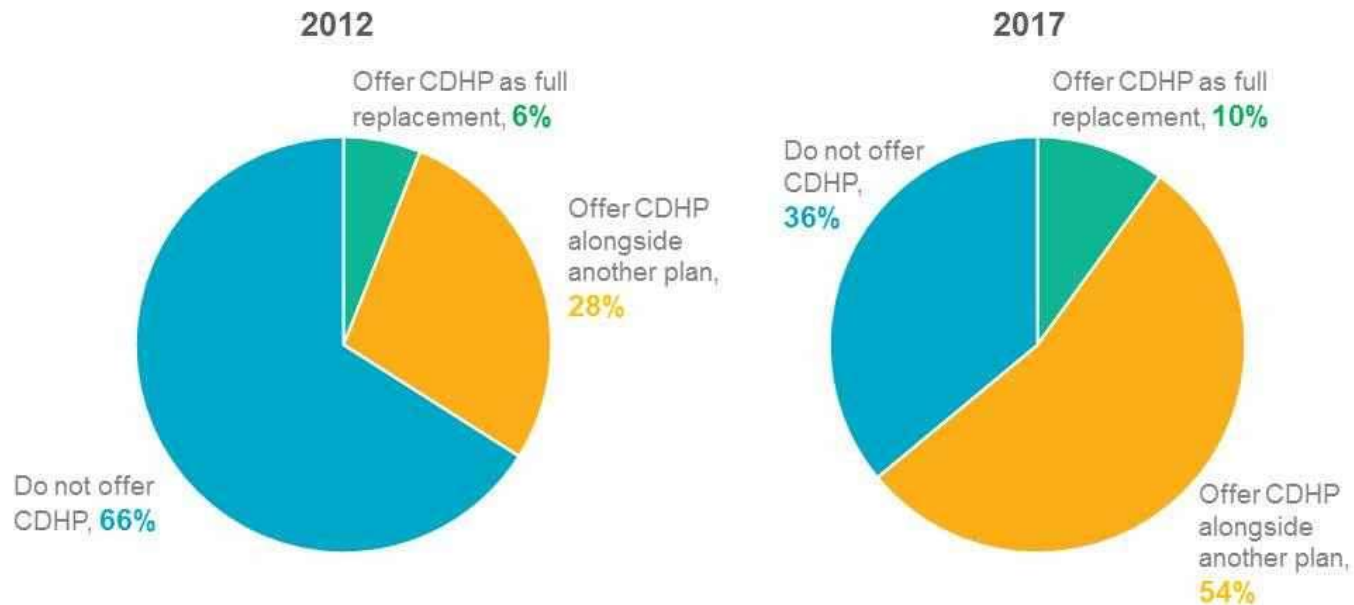


SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Design Trends in Health Plans

MOST EMPLOYERS WITH 500 OR MORE EMPLOYEES STILL OFFER A CDHP AS AN OPTION, RATHER THAN THE ONLY MEDICAL PLAN, AT THEIR LARGEST WORKSITE

Employers with 500 or more employees

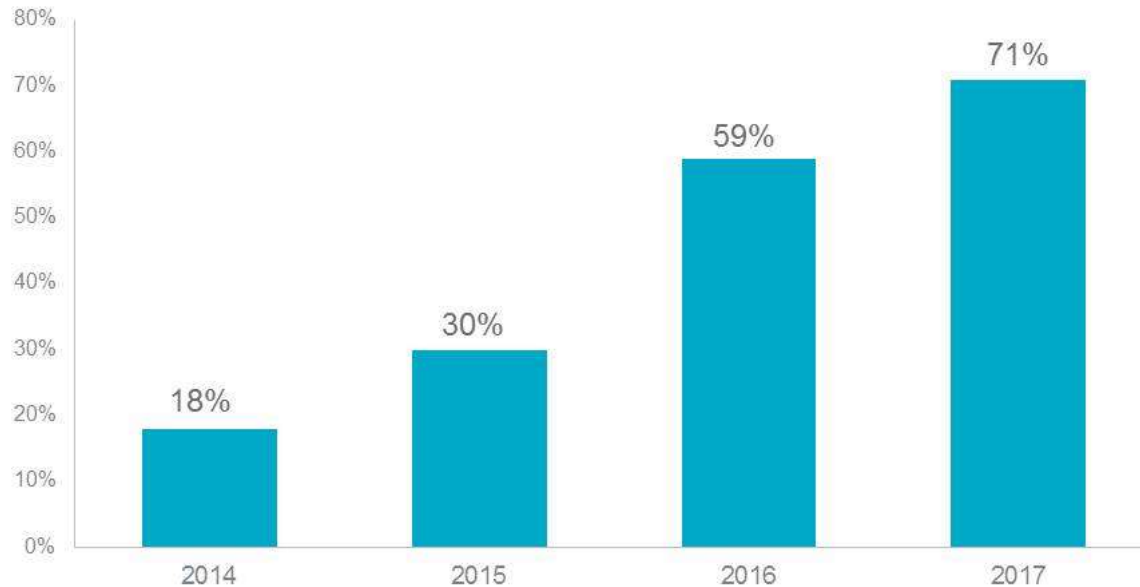


SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Design Trends in Health Plans

RAPID GROWTH IN OFFERINGS OF TELEMEDICINE SERVICES

Employers with 500 or more employees

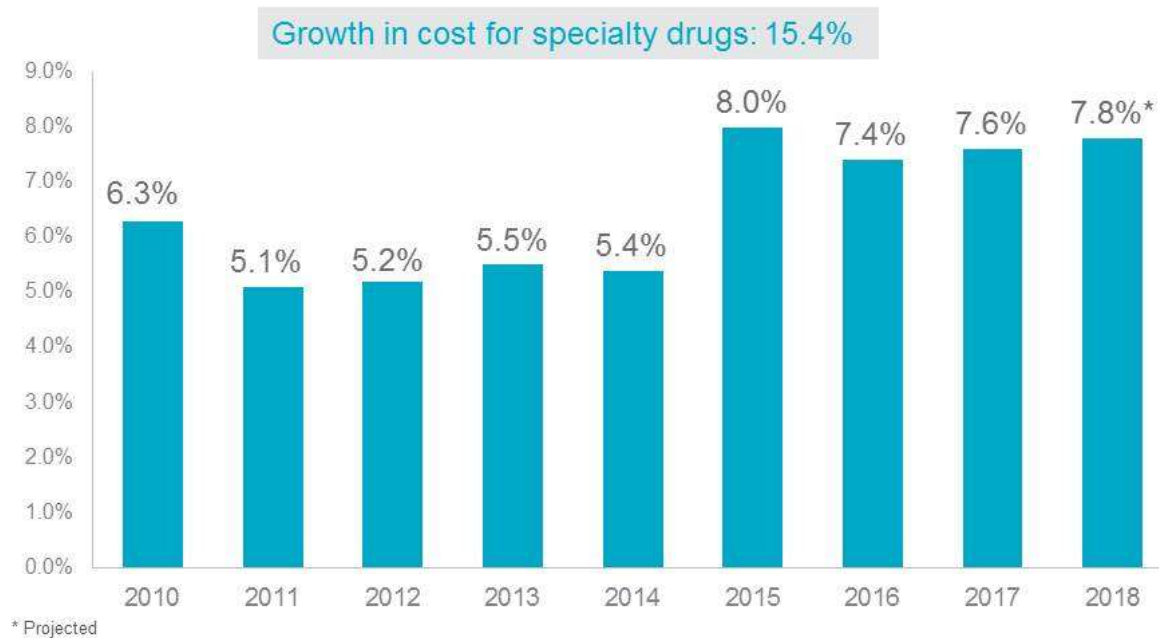


SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Design Trends in Health Plans

SPECIALTY DRUG COST IS DRIVING OVERALL PRESCRIPTION DRUG COST, WHICH IS DRIVING MEDICAL COST

Average annual change in prescription drug benefit cost, among employers with 500 or more employees

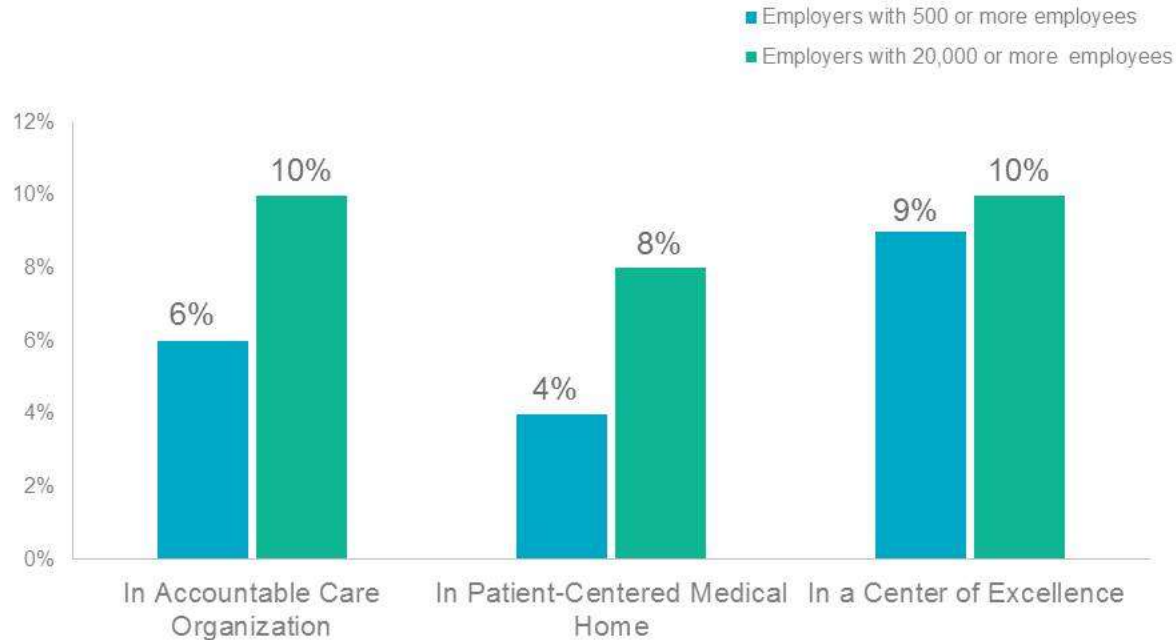


SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Design Trends in Health Plans

THE NEXT FRONTIER IN COST-MANAGEMENT? PROVIDING INCENTIVES FOR EMPLOYEES TO SEEK “VALUE-BASED CARE”

Percent of employers providing incentives



SOURCE: Mercer's National Survey of Employer-Sponsored Health Plans

Consumer Driven Health Plans

- Refers to health plan designs that encourage participants to become actively involved in managing health care costs
- Often includes high deductible health plan paired with employer contribution to health savings account, health reimbursement account, or health flexible spending account
- For HSA eligibility, the HDHP must satisfy certain cost sharing thresholds
- Significant compliance issues under IRC, ERISA, ACA and others
- Qualified small employer HRA (QSEHRA) available
- Requires increased education and clear disclosure with participants



Wellness Program/Disease Management

- Range of programs from participatory to outcomes-based
 - Periodic seminars or other delivery of relevant health information
 - Weight loss programs
 - Gym memberships
 - Flu shots/immunizations
 - Tobacco cessation
 - Health risk assessments
- Often bundled with health plan administration
- May result in financial rewards under the health plan or contributions to separate account (e.g., FSA, HRA, HSA).
- Significant compliance issues under IRC, ERISA, HIPAA, GINA, ADA and others



Additional Cost Cutting Measures

- Reducing subsidies for dependent coverage
- Implementing spousal surcharges
- Performing eligibility audits
- Paying employees to not take coverage



Value-Based Designs

- Refers to plan designs that focus on pay for performance (rather than pay for service)
- Incentivize participants to utilize high value services (evidence based analysis)
- Sample plan designs:
 - Establish centers of excellence
 - High performance network provider arrangements
 - Direct contracting
 - Reducing patient responsibility for high quality services/increasing patient responsibility for overused services
 - Requiring second opinions for certain medical procedures



Reference-Based Pricing

- Plan pays only a fixed dollar amount (the “reference price”) for a particular procedure within a specified geographic area
- Often applied to specific procedures with uniform care protocols but with variation in price (e.g. MRI, hip/knee replacement)
- Encourages competition among providers
- Pair with transparency tools for participant diligence
- Can also apply to network providers
- Can result in balance billing to participant (ACA limits)
- Requires increased education and clear disclosure with participants



Narrow Networks

- Design to limit choice of medical providers that participants can utilize
- Results in reduced premiums and costs to participants
- Focus on highly quality, low-cost providers
- Offered on Marketplace and by employers, although not generally the only option
- Studies reflect a reduction in higher cost care/emergency room visits
- Can be coupled with an employer-sponsored clinic
- Requires increased education and clear disclosure with participants



Prescription Drug Management



- Pharmacy benefit carve-outs (PBMs)
- Formulary changes
- Prior authorizations
- Promoting generic drugs
- Step therapy
- Negotiating specialty drug vendor contracts
- Purchasing cooperatives
- Wellness programs
- Consumer driven health plans
- Terminating retiree coverage

Telemedicine

- Practice of medicine using electronic communications, information technology or other means for remote communications (e.g., through Internet communications, telephone call, or video conference)
- Utilize as substitute for in-person physician visit, emergency/urgent care visit, or for monitoring ongoing conditions
- May provide convenient option for employees in various circumstances
- May be restricted by state medical licensing laws and other laws
- Can implicate compliance issues under HIPAA, ERISA, COBRA, as well as HSA eligibility



Limitations on Participant Rights

- Retain and enforce subrogation/reimbursement rights
- Prohibit assignment of rights to non-network providers
- Adopt procedures for appointment of authorized representative
- Exclude coverage for benefits where participant responsibility is not satisfied
- Impose contractual limitation periods for filing claims



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