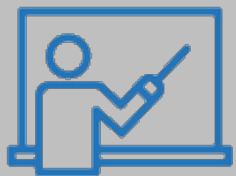


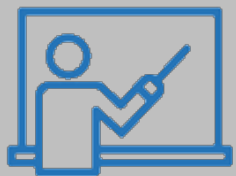


THE
PHIA
GROUP

EMPOWERING PLANS



Self-Funding, A Deep Dive Into Innovative Solutions



Today's Speaker



Tim Callender, Esq.
Vice President, Sales & Marketing

Healthcare Costs – Out of Control

- Lack of transparency
- Convoluted and confusing system
- The wrong incentives
- Payer, provider, and plan sponsor tolerance
 - We've made this mess together – we can fix it through self-funding

Healthcare Costs – Out of Control – Lack of Transparency

- \$57 for a FRED (Fog Reduction Elimination Device: a 2 inch square gauze strip used to wipe moisture from lenses in the operating room)
- \$200 for a bag of IV solution
- \$985 pair of scissors
- \$1,028 for a 1 oz container of contrast solution
- \$11 for a mucous recovery system (a box of tissues)
- \$350 for an IV kit

Healthcare Costs – Out of Control – Worst Offenders

- Air Ambulance
- Implantable Devices
 - Devices typically marked up between 500% and 1,000% of cost
 - Some providers get gouged on the procurement side as well
- Dialysis
 - Dialysis facilities routinely charge 1,000% to 2,000% of Medicare allowable rates

Healthcare Costs – Out of Control

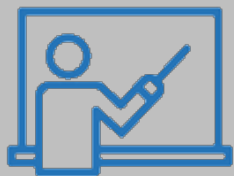
- Payer and Plan Sponsor Tolerance
- If you feed a dog a steak when you bring him home, he'll expect steak for every meal
- We have to work together and eat tofu sometimes...



What Can We Do?

- Get groups working with best in class partners (that's you) to innovate and contain costs through self-funding
- Self-funding is the vehicle we can use to create and maintain savings while delivering healthcare and providing fair reimbursement to providers
- Educate, educate, educate – this is where you differentiate
- Or stick it out & enjoy those discounts off of billed charges
 - Discounts based on..... ?
 - Oftentimes higher than the market rate – if there were such a thing

Solutions To Stay Relevant



Health Plan Trends – Stay Relevant

Plan Designs & Services Needed to Remain Relevant in 2019 & Beyond

1. Subrogation & Overpayment Recovery Platforms
2. Reference-Based Pricing (out-of-network platform alongside your PPO)
3. Promoting Plan Member (patient) Consumerism - Incentives
 - % of Savings; Diapers & Wipes; Medical Tourism
 - Waive Patient Responsibility for Select Facilities (Directing Care)
 - Outpatient & Hospital Alternatives – No Co-Pays for Urgent Care or Free Standing Imaging
 - Generic Rx and Supplies – No Co-Pays
 - HR Consultations (the stick & carrot)

Plan Designs & Services Needed to Remain Relevant in 2019

4. Member (patient) Digital Experience
5. High Dollar Claim Carveouts & Negotiation - Pre and Post Treatment
 - Dialysis, Specialty Rx, Air Ambulance
6. Rx (Pharmaceutical) & Specialty Rx Plans
7. Captives / AHPs / MEWAs
8. Direct Primary Care

Ninjas Are Innovative

The Vested Benefits Committee / Health Plan Ninja

- HR Benefits Specialist

Educate The Member (Patient) Population

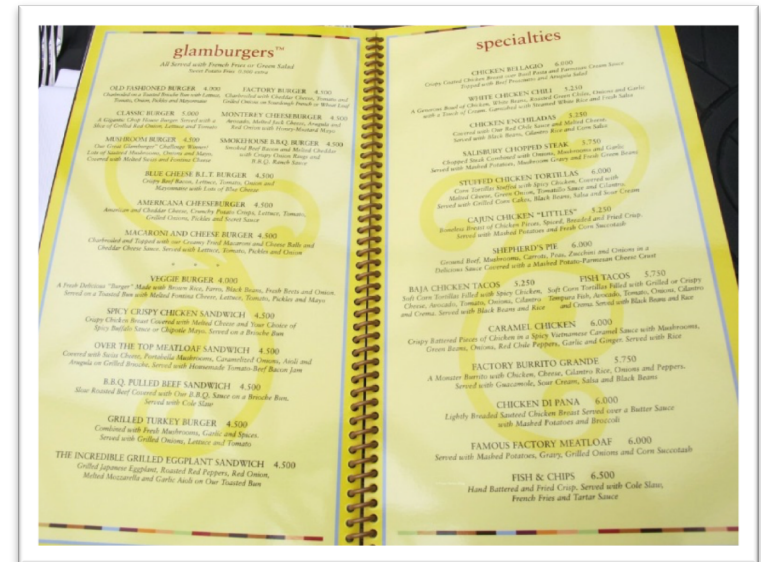
- Get Buy In
- Bolsters The Consumerism Spoken of Earlier



The Menu of Documents

Welcome to self-funding, enjoy some documents!

- Governing Plan Document
- Summary Plan Description
- Summary of Benefits & Coverage
- Wrap Document
- Administrative Services Agreement
- PBM Agreement
- Stop-Loss Policy
- Employee Handbook
- Network Contract(s)
- Vendor Agreement(s)
- Plan Amendments



New Trends = New Challenges

What Has Been Added To An Already Complicated Platform

- Direct Provider Contracting & Direct Primary Care
- Captive Arrangements
- Specialty Rx Solutions / Pharmacies
- Medical Tourism
- Other Incentives (sticks & carrots)
 - Schwag – people love stuff
 - HR Penalties
 - % of Savings and Independently Owned Facilities

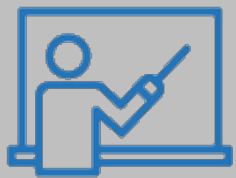
The Governing Plan Document

Why do I wake up screaming?

- Does the plan document contain carve outs that fly in the face of a network contract? (dialysis; reference-based pricing; max allowable)
- Was the plan document compared to the relevant stop-loss policy to look for coverage / reimbursement gaps? What about EE handbook?
- Does the SBC align w/ the plan document?
- Administrative Services Agreement? Scopes of duties properly aligned – legal obligations & roles?

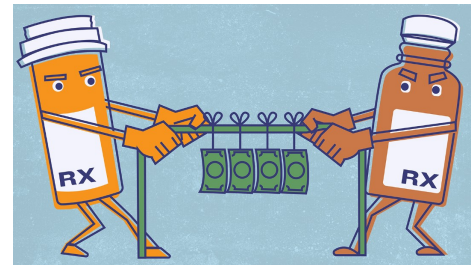
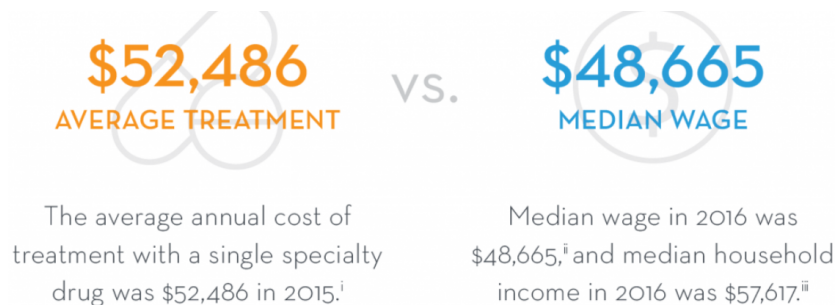


Drugs!



Specialty Rx Price Trends

- Specialty Rx Expected to Account for 50% of Total U.S. Drug Spend by 2020
 - Only 1-2% of Americans Use Specialty Rx
- 61% of Employers Report Managing Specialty Rx Costs is Their #1 Priority
- The Average Annual Cost of A Single Specialty Drug Exceeds Wages



Specialty Rx Price Trends

- Excluding Drugs From The Plan
 - Risks:
 - Preventive Drug Coverage Requirement
 - Discrimination Concerns (Treatment v. Disease)
 - Timing of The Exclusion
- Importing Rx (Medical Tourism)
 - FDA's Enforcement Discretion Policy
 - Concerns With Provider Liability Laws & No Medical Malpractice Enforcement
- Carve Outs; Specialty Tiers; Step Therapy

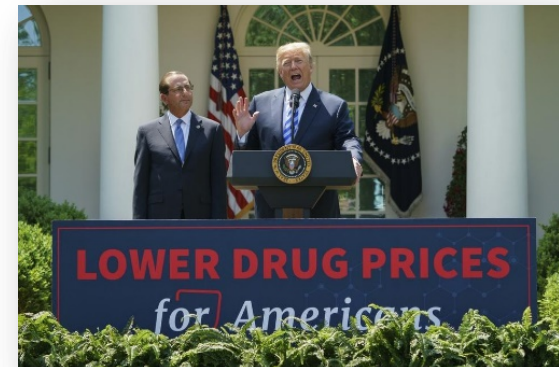
Brand-name Drugs & OOP

- Proposed rule for 2020: Non-generic drugs and drug manufacturer coupons could be excluded from the OOP limit in some cases
- OOP could have costs excepted if:
 - Member elects a non-generic drug when a medically appropriate generic is available, or
 - Member uses a drug manufacturer coupon for specific non-generic drugs that have an appropriate generic equivalent
- HHS: proposed rule is “designed to encourage enrollees’ use of lower-cost drugs”
- Health plans will need to make this abundantly clear in the SPD!

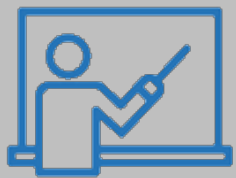
The Coming Pharmaceutical Pricing War

Pharmaceutical Industry Is Preparing For All-Out War

- Drug makers celebrated the New Year by raising prices on more than 250 prescription drugs according to RX Savings Solutions
 - Trump, *"Pfizer & others should be ashamed that they have raised drug prices for no reason. They are merely taking advantage of the poor & others unable to defend themselves... We will respond!"*
- Big Pharma facing increasing pressure from Trump administration → American Patients First plan (May 2018)
 - Considered fiduciary status for PBMs, crackdown on co-pay discount cards, repealed gag law
- Administration plans to tie drug costs to international index
- HHS Sec'y Azar met with powerful Chairman Elijah Cummings (D-MD)
- Considering Fiduciary Status for PBMs



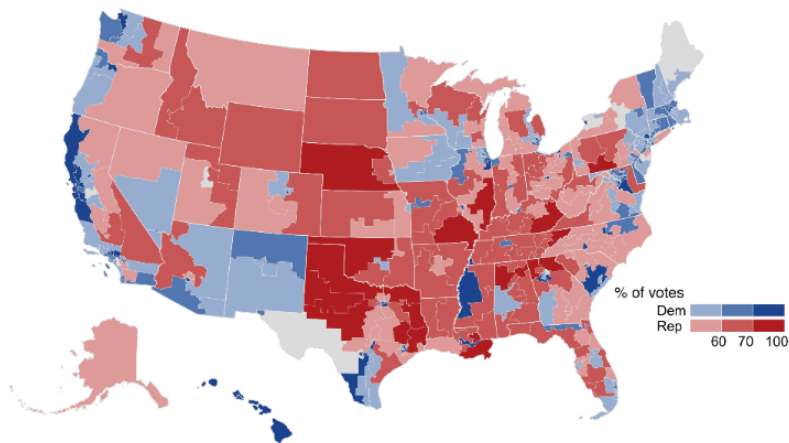
It Wouldn't Be Phia Unless...



The Balance of Power

The Democrats take control of the House

Dem 227 218 to win Rep 198



Source: AP, 12/11/2018. Grey districts are undeclared

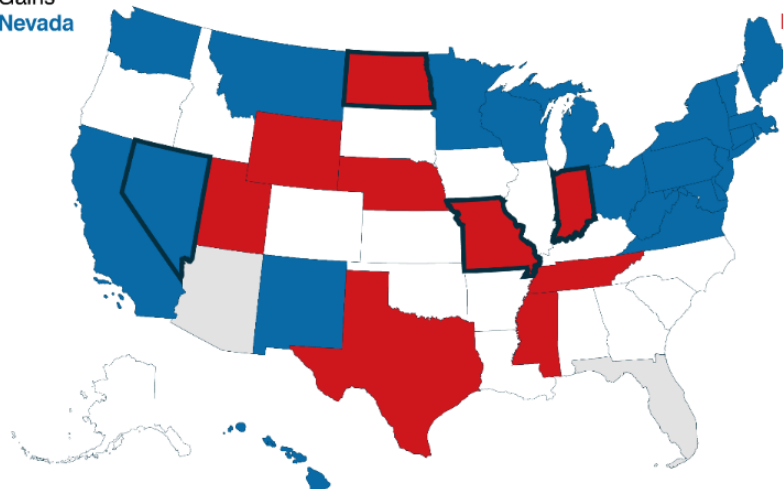
BBC

Republicans hold the Senate

Dem 46 50 Rep 51

Gains
Nevada

Gains
North Dakota
Indiana
Missouri



Source: AP. White areas have no senate election, grey areas are undeclared

BBC

Key Takeaways for Healthcare Post Mid Terms

- Healthcare Was the Single Biggest Issue for Voters
- Voters Protected Pre-Existing Conditions
- “Repeal & Replace” Is Likely Dead
- Drug Pricing Reform is A Likely Bi-Partisan Win
- Medicaid Expansion: Idaho, Nebraska, and Utah Endorsed Ballot Initiatives

State of the ACA

- The Patient Protection and Affordable Care Act (PPACA) was the largest overhaul of the healthcare system since the 1960s
- It extended health insurance coverage to ~15% of Americans who lacked it
- Some Key Provisions
 - Individual Mandate
 - Employer Mandate (businesses with more than 50 full-time employees must offer health insurance)
 - Children can stay on parent's plan until age 26
 - No one who is sick or has a medical condition can be denied insurance
 - Companies can no longer charge women more than men

State of the ACA

- **What Do People Like About the ACA?**
 - Extension of dependent coverage up to age 26
 - Guaranteed issue for pre-existing conditions
 - Tax credits for small business who buy insurance
 - Subsidies for exchange enrollees
 - Minimum essential coverage requirement
 - Free preventative services
 - Limits on deductibles and OOP maximums
 - No annual or lifetime dollar limits
 - Medicaid expansion
 - SCHIP program (covers ~9 million children)
- **What Do People Dislike About the ACA?**
 - Individual & employer mandates
 - Burdensome regulations
 - Increase in Medicare payroll tax
 - Higher premiums and fewer choices of insurers
 - Up 145% in Arizona (from \$207 to \$507 per month), 71% in Alabama, 67% in Indiana
 - 57% of exchange enrollees have choice of 3 or more insurers in 2017, down from 85%
 - 1/3 of counties will have 1 exchange insurers in 2017, up from 7%
 - Big insurers are leaving (Aetna is pulling out of the exchanges in 2018)
 - Employers dislike the high-cost of implementation

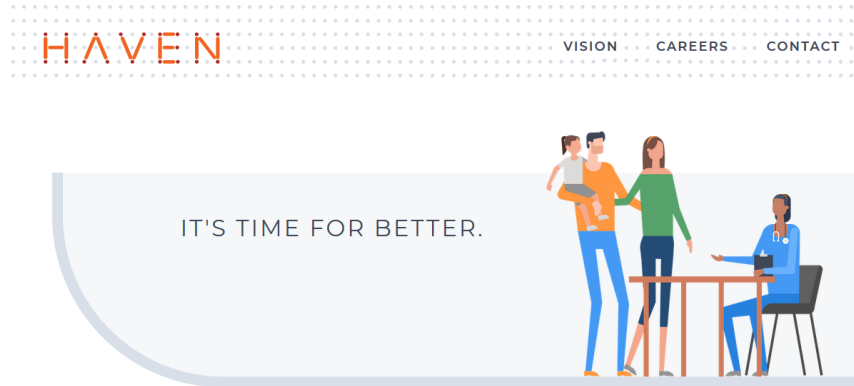
A Texas Federal Judge Declares ACA Unconstitutional

- *Texas v. United States*
 - Case Brought by 20 States in February 2018
 - ACA has Faced Constitutional Challenges Before
 - *NFIB v. Sebelius* (2012) & *King v. Burwell* (2015)
 - Decision in That Case – Legal Exercise of Congressional Tax Power
 - Everyone Pays a Tax (Unless They Buy Insurance)
 - New Challenge – No Mandate, No Payment... No Payment, No Tax!
 - Most Serious Threat to ACA Since 2017 Repeal Efforts Failed in the Senate
 - Court's Decision? No Longer a Tax, So Invalid
 - No Severability, So If One Part is Illegal – It's All Illegal

Post-Texas Ruling: What's Next?

- No Injunction (for now)
 - All Existing ACA Provisions that Apply to Employers, Fully Insured Policies, and Self-funded Plans are Still in Effect
 - No Effect (for now) on Plan Design, Cost Containment, Employee Incentives, or Regulatory Compliance
 - No Effect on Enrollment in the Exchanges
- Defendants Have Appealed to the 5th Cir. Court of Appeals in New Orleans
 - Legal Experts Expect Ruling to be Overturned
 - TX Decision Ignores Congressional Intent
 - Appeal Will be Heard in 2019
 - Supreme Court Review is Possible

All Bark – No Bite



- **“Haven”**

- Name of the Amazon, Berkshire Hathaway, and JPMorgan Startup
- Haven is “Interested in Working With Clinicians and Insurance Companies to Improve the Overall Health Care System.”

- **Their Goal**

- Focus Will be on Better Primary Care Access, Simpler Insurance Benefits, and More Affordable Prescription Drugs for **Their** Employees
- Tasked with Improving Healthcare for **the Three Companies’ 1.2 Million EEs & Family Members in the U.S.**

Half-Way There

- **Transparency**
 - What You Hear
- **CMS to the Rescue!**
 - New (1/1/19) CMS Rule Requires Hospitals to Publicly Post Charges Online in a Machine-readable Format on an Annual Basis
- **Just Like...**

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						BLND			CERT	CERT	CERT	TRD	TRAMP	BU	
<div></div> <div>Go Further</div> <div>ford.com</div>		<div>VEHICLE DESCRIPTION</div> <div>MUSTANG</div> <div>2015 I4 COUPE 4-PASSENGER SPORTS CAR 2.3L TI-VCT I4 6-SPEED MANUAL TRANS MT82</div>					<div>EXTERIOR BLACK</div> <div>INTERIOR EBONY CLOTH SPORTS BUCKET</div>								
STANDARD EQUIPMENT INCLUDED AT NO EXTRA CHARGE															
<div>EXTERIOR</div> <ul style="list-style-type: none">• 17" PAINTED ALUMINUM WHLS• HID PROJECTOR HEADLAMPS• AUTO HEADLAMPS• LED FOG LAMPS• LED TAILLAMPS• SEQUENTIAL REAR TURN SIGNALS• REAR WINDOW DEFROSTER• DUAL EXHAUST SYSTEM - BRIGHT TIPS• REAR SPOILER• VARIABLE INTERVAL WIPERS• INTEGRATED SPOTTER MIRRORS				<div>INTERIOR</div> <ul style="list-style-type: none">• CLOTH FRONT BUCKET SEATS• POWER DRIV AND PASS SEATS - 6-WAY• CENTER CONSOLE W/ARMREST• AIR CONDITIONING• AM/FM CD/MP3/SAT CAPABL W/ AUD INPUT JACK• TILT/TELESCOPE STR COLUMN• CRUISE CONTROL• SPLIT FOLD REAR SEAT• FRONT FLOOR MATS - BLACK• INTERIOR TRUNK RELEASE• DUAL ILLUM VANITY MIRRORS				<div>FUNCTIONAL</div> <ul style="list-style-type: none">• SYNC• INTELLIGENT ACCESS W/PUSH BUTTON START• TRACK APPS• REAR VIEW CAMERA• PWR WIN, LOCKS, MIRRORS, REMOTE KEYLESS ENTRY• ELEC PWR ASSIST STEERING• POWER POINTS (2)• LIMITED SLIP REAR AXLE• AUTO DIM REARVIEW MIRROR• EASY FUEL CAPLESS FILLER				<div>SAFETY/SECURITY</div> <ul style="list-style-type: none">• ADVANCE TRAC W/ ESC• DUAL FRONT & SIDE AIRBAGS• AIRBAG - DRIVER KNEE• AIRBAGS - SIDE AIR CURTAIN• SOS POST CRASH ALERT SYS• SECURILOCK PASS ANTI THEFT• PERIMETER ALARM• TIRE PRESSURE MONITOR SYS• LATCH CHILD SAFETY SYSTEM• MYKEY			
								<div>WARRANTY</div> <ul style="list-style-type: none">• 3YR/36000 BUMPER TO BUMPER• 5YR/60,000 POWERTRAIN• 5YR/60,000 ROADSIDE ASSIST							
INCLUDED ON THIS VEHICLE				(MSRP)				(MSRP)							
EQUIPMENT GROUP 100A															
OPTIONAL EQUIPMENT								PRICE INFORMATION							
P235/50R18 W- RATED TIRE				NO CHARGE				BASE PRICE \$25,170.00							
FRONT LICENSE PLATE BRACKET				NO CHARGE				TOTAL OPTIONS 450.00							
18" FOUNDRY BLK PTD ALUM WHL				155.00				TOTAL VEHICLE & OPTIONS 25,620.00							
REVERSE PARK ASSIST				295.00										DESTINATION & DELIVERY 825.00	

Right to Try Legislation

- Allows Terminally Ill Patients With Physician Approval to Request Access to E&I Drugs Past Phase I Clinical Trials
- Allows Manufacturers to Bill Patients For The Drugs
- Law DOES NOT Require The Coverage of A Drug or Side Effect

California's Prop 8: On Dialysis

- Prop 8: Limits on Dialysis Clinics' Revenue and Required Refunds Initiative
- Initiative Would Have Capped Revenues Reaped by Dialysis Centers (Fresenius & DaVita)
- Various Patient Advocates, Medical Associations, DaVita, and Fresenius Successfully Squashed Prop 9 in Nov 2018

Unrelated to Washington – But Interesting

- Payors Issuing Benefit Payments to Patients, Directly
- Sparking Provider Lawsuits
- \$375,000.00 in Payments to Patient Seeking Rehabilitation in California
- \$130,000.00 in Payments to Patient Seeking Substance Abuse Treatment

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