

High Deductible Health Plan Task Force

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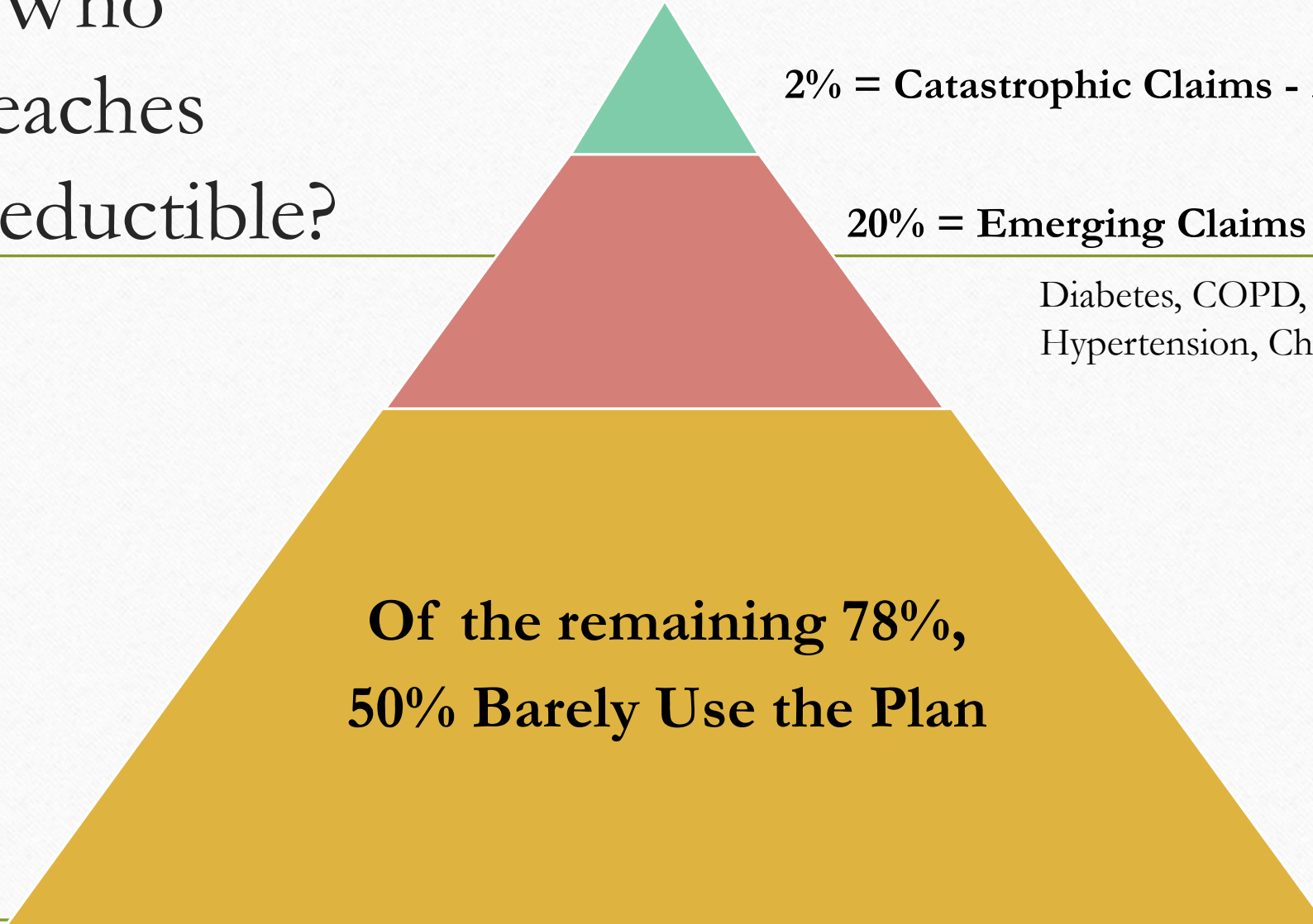
Stirling Benefits, Inc.

- A Connecticut S Corp
- Established in 1973
- Third Party Administrator (TPA) Designs and Administers ERISA Plans
 - Medical programs for groups with 20 to 400 employees, Health Savings Accounts, Health Reimbursement Arrangements, Flexible Spending Accounts, Retiree programs, COBRA and Billing, MEHIP and TRB
 - Active with employers and brokers in the mid market

Agenda

- What would the Task Force like to know today ?
- Who reaches the deductible?
- Insurer, Broker, Consumer, Employer
- Aligning incentives for productivity and lower cost
- What's working?
- What might work?

Who
reaches
the deductible?



2% = Catastrophic Claims - 50% of costs

20% = Emerging Claims - 25% of costs

Diabetes, COPD, Asthma,
Hypertension, Cholesterol

**Of the remaining 78%,
50% Barely Use the Plan**

Insurer- Carrier- BUCA

- **Pressured to lower premiums**
 - Short Term thinking
 - Easiest response is to raise deductible
- **Groups Change Carriers often**
 - BUCA considered s a Commodity
 - Less incentive to improve long term health
- **Status Quo reinforcers**
 - Lack of Claims Data
 - Difficult for new carrier to enter market
 - Carrier keeps best risks
- **Profits center = Specialty RX Rebates**
 - Not impacted by deductible level

ACA
—
Unintended
Consequences

- **Medical Loss Ratio (MLR) rules**
 - Limits administration and profit to a % of Premium
 - 15% for large group
 - 20% for large group
 - To increase profit = Increase Premiums
- **To escape MLR,**
 - Offer “Level Funded” plan to best risks
 - ERISA – Self Funded – Federally regulated
 - Level Funding = ERISA self-funding

Broker/ Consultant

- **Spreadsheet-based, one-year contracts**
 - Little long-term planning
 - Staff are often insurer trained
- **Commission Based**
 - 3% - 4.5% typical in medium sized business
 - Retention bonus if renew with current carrier
 - Financial incentive is to renew case - with increase
 - **15% premium increase = 15% broker raise**
- **Low incentive to change status quo**

Consumer

- **Previous presenters addressed consumer issues w/ High Deductibles**
 - **Unaffordable deductibles - discourages early care**
 - **Health Savings Accounts**
 - HSA's work well with family income above \$100,000
 - For most employees, no money to contribute, or
 - HSA funds consumed by expenses
 - Tax advantages decrease at lower tax rates
- **I'm paying \$5,000 per year and "I got no Insurance."**

Plan Sponsor / Employer

- Pays majority of cost of medical plan
- Almost universally dissatisfied with current market
- Natural ally to improve this situation
- Concerned about employee well-being

- Poor data => poor decisions
- Employers would benefit most from
 - Transparency
 - Healthier employees
 - More efficient health care system

What works

- **Reduce or Eliminate the High Deductible**
- **Move primary care ahead of deductible - with some conditions**
 - If you get your A1C every three months, your office visit are 100% paid
 - If you get your prescription from a lower cost source, it's 100% paid
 - If you get the biometric screening, your payroll contribution is lower
 - If you don't smoke, your contribution is lower
- **Narrow networks – VBID**
 - CT cost calculator on our website






What also Works

- **Discriminate in favor of those with Adverse Health Conditions**
 - Lower costs for treatment of Chronic conditions
 - Asthma, Diabetes, Elevated Cholesterol, Hypertension, Heart Disease and Chronic pain
 - If you take the “healthy living” class your contributions go down
- **Federally Qualified Health Clinics**
 - Lower copayment to \$20 in front of the deductible
- **Align financial interests**
 - Member saves when plan saves
 - 20% of \$800 or \$3,000 MRI – member chooses

What also Works

- **Sunshine is the best disinfectant**
 - Require **disclosure** of vendor fees
 - Require **disclosure** of RX rebates
 - Require **disclosure** of group claim experience
 - Require **disclosure** of provider accepted fees
- **With these tools, Employers can make improvements to their plan**
 - **Redirect funds to Employee health, salary and investments in productivity**



	Who benefits when Prices:		Solution
	Increase	Decrease	
Consumer			Lower out-of-pocket costs when member strives for health! Provide pricing data to help choose correct provider
Plan Sponsor			<ul style="list-style-type: none"> • Build plans that reward preventative care • Provide claims data to group before renewal • Provide “median accepted fee” data to group and member
Insurer			180-degree change: Link increased profit to improved population health
Broker			180-degree change: Create transparency for compensation Create incentives when plan costs <u>decline</u>
Provider			180-degree change: Publish median fee accepted and quality metrics

What might work?



Improve health
education in
public schools?



Explore
employer tax
credit
to encourage low
deductible plans



DOI Action
Encourage longer term
contracts
Require disclosures !!!
Create carrier incentive to
lower deductibles?



**Beware -
Insurance
regulation does
not apply to
ERISA plans**



**Other Task
Force
Ideas?**

StirlingBenefits™
Evolving the Business of BenefitsSM

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