



# TRANSPARENCY

## The Future of Healthcare Risk Financing

Opportunities and Challenges

June 15, 2023



## About Me

### Daniel Meylan

Senior Vice President, Broker Relations

- 5 Decades 1973-2023
- P&C and Benefits Broker
- Company Senior Executive
- Business Owner
- Business Consultant and Coach
- Specialized in Self Insurance and Risk Finance
- Husband, Father, Grandfather



## Topics for today!

01

Healthcare in American Today

02

Changes are here! CAA, Compliance, Fiduciary Liability

03

Transparency: The Power of Data!

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Transparency: Driving Cost Savings!

05

Transparency: Shopping for Healthcare!

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The Future of Healthcare Risk Financing

## Healthcare in American Today

## Three Elements of Our Healthcare

What	How	WHO (You And Me)
<b>Healthcare – Medical</b>	<b>Clinical</b>	<b>The Patient</b>
Doctors, Nurses, Specialists	Medical treatments for illnesses, injuries, wellness	The individual receiving treatment
<b>Healthcare – Business</b>	<b>Administrative</b>	<b>The Consumer</b>
Hospitals, Clinics	Organization structures, Sales and Marketing	Buyer of services
<b>Healthcare – Finance</b>	<b>Health Risk Financing</b>	<b>The Bank</b>
Healthcare – Finance	Insurance premiums, self-funding, Medicare, Medicaid, taxes, and cash (Deductibles and Co-Pays)	Source of funding

**Healthcare is Not Broken.....**

**The “Business” of Healthcare is Broken**



## Projected Healthcare Costs\* in 2030

\*Source: Kaiser Family Foundation

<b>Estimated Per Person Healthcare Costs Increases next 10 Years</b>		
	<b>2021</b>	<b>2030</b>
USA Population	332,000,000	359,000,000
Per Person Healthcare Costs*	\$ 13,037	\$ 19,294
Total Costs	\$ 4,328,284,000,000	\$ 6,926,546,000,000
USA Gross Domestic Product	23,200,000,000,000	33,996,000,000,000
<b>% of GDP</b>	<b>18.7%</b>	<b>20.4%</b>
<b>Annual Cost* Per 4 person household</b>	<b>\$ 52,148</b>	<b>\$ 77,176</b>
* Costs include premiums, deductibles, copays, cash payments and taxes		

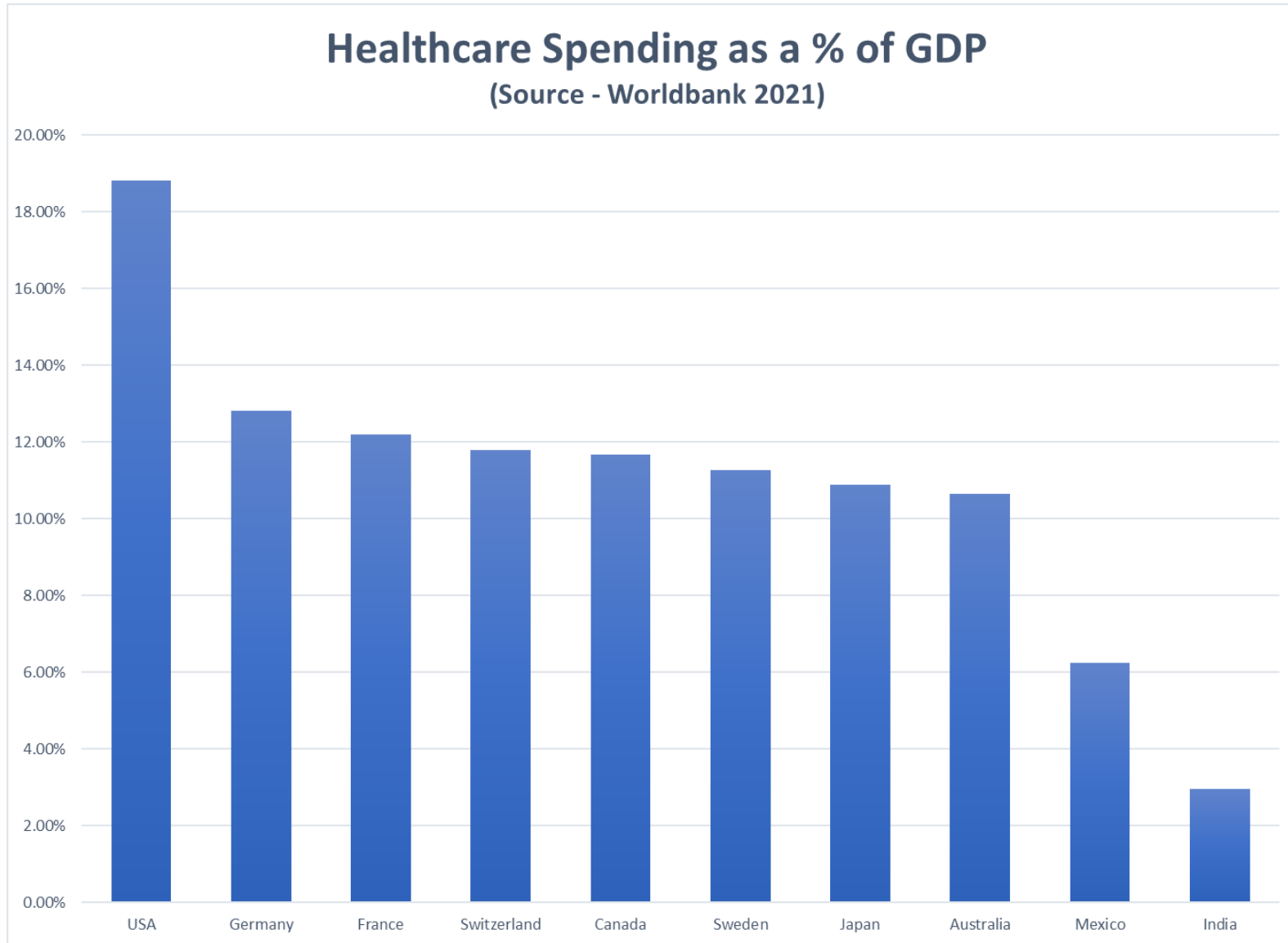
## Federal Healthcare Spending - 2023 Budget\*

\* Source: US Federal Budget for Health and Human Services

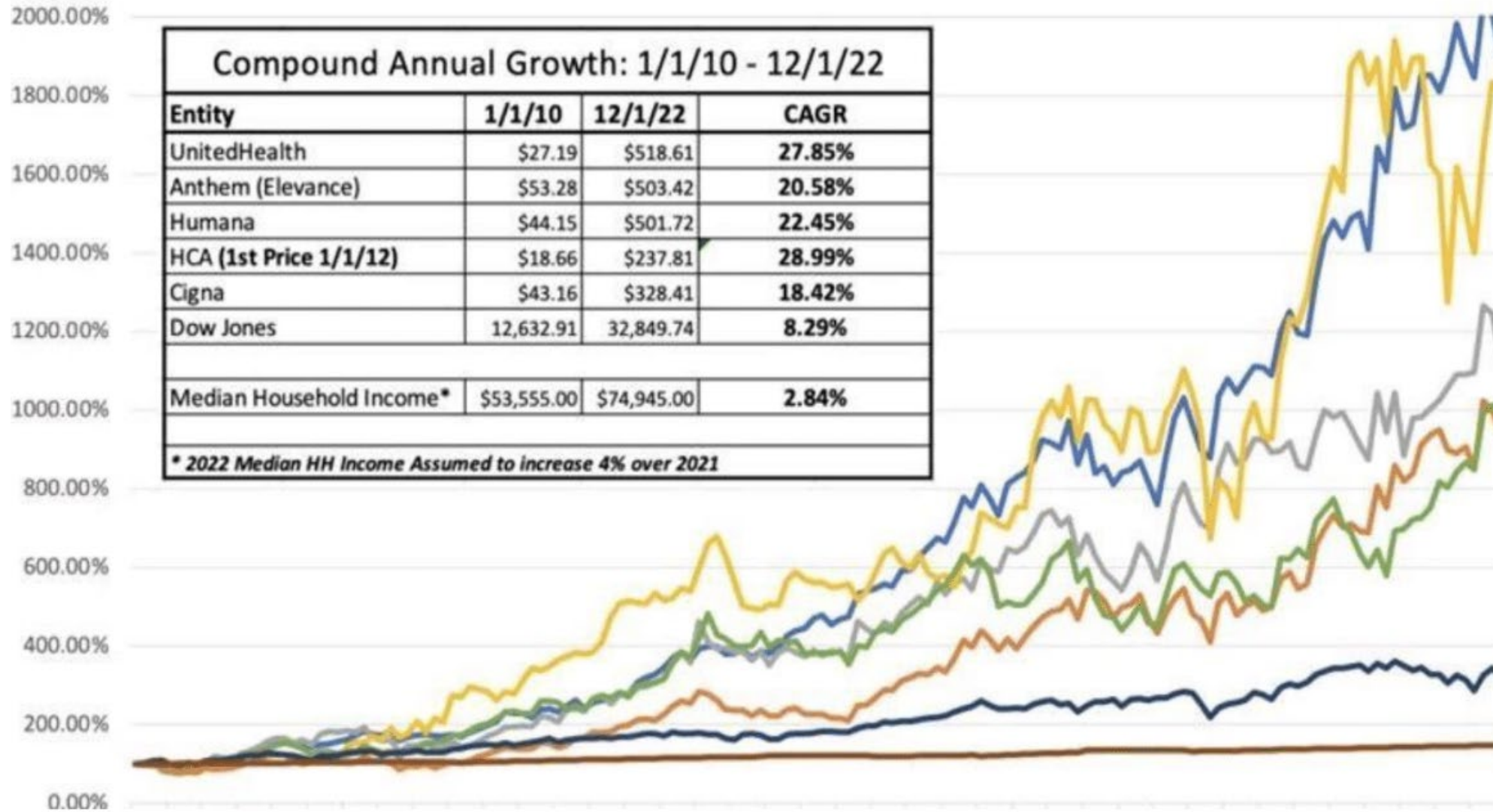
Year	2021	2023	Increase
Medicare Medicaid Federal Budget	1,240,623,000,000	1,421,716,000,000	<b>181,093,000,000</b>
US Population	332,000,000	334,200,000	<b>2,200,000</b>
Cost Per Person	\$ 3,737	\$ 4,254	<b>14%</b>
Cost Per 4 Person Household	\$ 14,947	\$ 17,016	<b>\$ 2,069</b>



## Is healthcare a right or a privilege?



## Healthcare Stock Prices



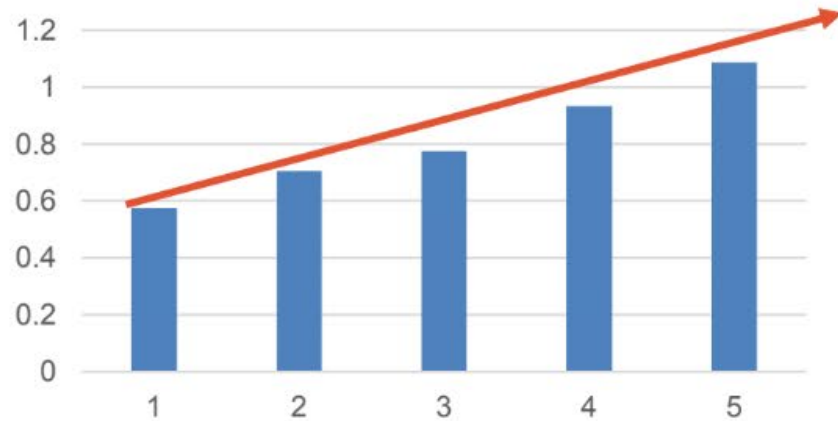
## The Business of Healthcare is Broken - 12 Healthcare Cost Drivers

The enemies of affordable, quality, accessible healthcare

- **Marginal Business Practices**-Of government, insurance companies, providers and medical vendors and suppliers
- **Mercenary Drug Costs**-1000%+ markup on many generic and specialty medications
- **Lack of Transparency** - With actual costs and appropriate profit margins
- **Litigation**-Drives costs through redundant “defensive” medical practices and malpractice insurance costs
- **Wellness**-Unhealthy lifestyles choices°
- **Media Distortions**-“Free” is not “Free” Is Healthcare a right or a privilege?
- **Consumer Education**-Lack of informed medical consumers
- **Technology**-State-of-the-art medical technology prolongs life
- **Aging Population**-Baby boomer generation experiencing deteriorating health°
- **Government**-Cost of Compliance ACA, EHR and additional taxes
- **Politics**-Marketplace volatility driven by political uncertainty
- **Catastrophic Claims**-Unlimited lifetime benefits driving cost increases

## The Business of Healthcare is Broken - Increasing Cost of Catastrophic Claims

In 2010, The Affordable Care Act imposed unlimited lifetime maximum as part of all health plans complying with the ACA

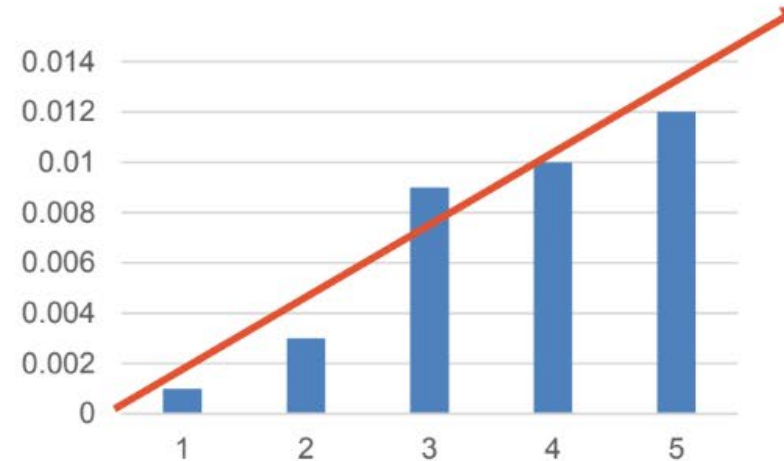


Increase of claims in excess of **\$1,000,000**

2012 – 1 per 17,422 people

2020 – 1 per 7,500

**Increase = 132%**



Increase of claims in excess of **\$5,000,000**

2012 – 1 per 10,000,000 people

2020 – 1 per 450,000

**Increase = 2,200%**

\* Various reinsurance and stop loss carriers

## The Business of Healthcare is Broken

**"THE U.S. FEDERAL GOVERNMENT IS ON AN UNSUSTAINABLE FISCAL PATH...  
THE SINGLE THING THAT DRIVES OUR UNSUSTAINABILITY IS HEALTHCARE SPENDING  
"IT'S NOT THAT BENEFITS THEMSELVES ARE TOO GENEROUS.  
WE DELIVER THEM IN INEFFICIENT WAYS."**



Jerome Powell, Federal Reserve  
Chairman

February 26, 2019

Speaking to Senate Banking Committee

**TRANSPARENCY - Changes are here!**  
**CAA, Compliance, Transparent Pricing, Fiduciary Liability**

## New Transparency Laws and Regulations

Provider Transparency (MRFs)

Price Transparency (Shoppable Codes)

Expanded Fiduciary Liability (CAA)

Compensation Transparency (CAA)

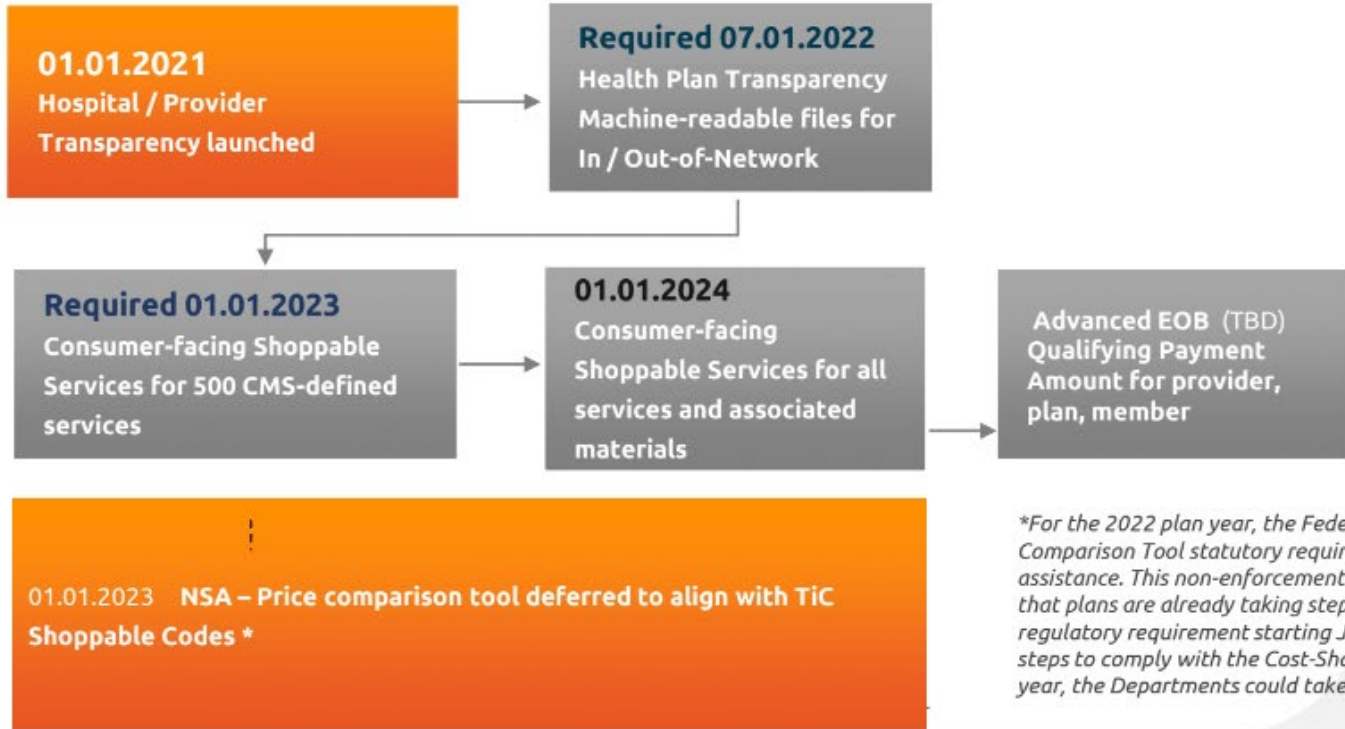


## New Transparency Regulations, Challenges, Timelines

# New Transparency Regulations, Challenges, Timelines

### The No Surprises Act and Transparency In Coverage Rule

Health Plans and Hospitals are required to comply. **How will you respond?**



*\*For the 2022 plan year, the Federal Departments will NOT enforce the Price Comparison Tool statutory requirement and will instead focus on compliance assistance. This non-enforcement period is grounded in the Departments' recognition that plans are already taking steps to comply with the Cost-Sharing Liability Tool regulatory requirement starting January 1, 2023, meaning if plans are NOT taking steps to comply with the Cost-Sharing Liability Tool requirement during the 2022 plan year, the Departments could take potential action against the plan.*



Solution  
Development

Education

Ongoing Support



## Transparency Laws and Regulations

### Machine Readable-Files 07.01.22

The Departments of Health and Human Services, Labor, and the Treasury finalized the **Transparency in Coverage Rule** requiring health insurers and employer self-insured health plans to create a member-facing price comparison tool and post publicly-available machine-readable files. These files must include in-network negotiated payment rates and historical out-of-network charges for covered items and services, including prescription drugs. The data in these files are required to be updated monthly

## Transparency Laws and Regulations

### Machine Readable-Files 07.01.22

Each file needs to include specific information around covered items, services, and prescription drugs for in-and out-of-network provider rates.

Files should be made available to the public without restrictions that may impede information re-use. Search engine discoverability and accessibility to internet-based and mobile application developers must be ensured to support development of innovative consumer-facing tools, as well as to other entities (e.g., researchers, regulators, etc.)

## Transparency Laws and Regulations

### Shoppable Codes - 01.01.23

Shoppable service code: A service that can be scheduled by a healthcare consumer in advance. They can schedule a service at a time that is convenient for them. Examples of common shoppable services include imaging and laboratory services, medical and surgical procedures, and outpatient clinic visits.

#### **Sample CMS Shoppable Services**

- Psychotherapy
- Consultations
- Preventive Medicine Services
- Routine Labs
- CT/MRI services
- Mammography Services
- Obstetrical Care
- Surgical Services
- Hospital Room Rates

## New Transparency Laws and Regulations

### Expanded Fiduciary Liability - Requirements

#### As a fiduciary, plan sponsors must:

- Prove they have a process that is working in the best interest of the participant and beneficiary
- Carry out duties prudently
- Follow the terms of the plan documents consistent with ERISA
- Hold any plan assets in a trust
- **Pay only reasonable plan expenses**

## Enhanced Plan Sponsor Fiduciary Liability

### **Consolidated Appropriations Act (Sec 201)**

- The plan sponsor (employer) now has greater fiduciary responsibility. They may be personally liable.
- The plan sponsor may only pay reasonable plan expenses.
- Must require disclosure of direct and indirect compensation from all service providers.
- Fiduciary requirements and enforcement to mirror DOL pension plan guidance.

## Consolidated Appropriations Act (CAA)

### Expanded Fiduciary Liability of the Plan Sponsor

Under the CAA government agencies like the Department of Labor, the Department of Health and Human Services and the Treasury are going to **hold the group health plan sponsor (aka, the employer) responsible as the fiduciary of the plan.**

Fiduciaries who don't meet the basic standards of conduct as outlined in CAA **may be personally liable** to restore any losses to the plan, or to restore any profits made through improper use of the plan's assets.

In addition, fiduciaries may **be subject to class action lawsuits**

## New Compensation Transparency

### Laws and Regulations

The CAA established specific requirements for plan sponsors to comply with as a fiduciary. These four areas include:

- Removes gag clauses from service provider contracts on price and quality information
- Establishes reporting requirements for prescription
- Requires the disclosure of direct and indirect compensation from all service providers
- Requires parity in substance abuse and mental health benefits

## New Transparency Laws and Regulations

### Expanded Fiduciary Liability - Claims Data - **Gag Order Rule**

**Section 201 of the CAA amends ERISA, PHSA and the Internal Revenue Code to make sure employer-sponsored health plans have access to certain claims and quality care data held by service providers.**

**Gag clauses in TPA and ASO contracts are to be eliminated.**

Service providers are defined health care providers, TPAs, ASOs, networks or associations of providers, and others. Historically, these gag orders have been outlined in insurance company contracts and have restricted the claims data that a plan sponsor receives and how they could use the data



## Compensation Transparency

### **Consolidated Appropriations Act (CAA)**

#### **For all brokers, agencies, vendors and consultants:**

- Must disclose expected direct and indirect compensation of \$1,000 or more.
- Applies to all brokerage and consulting services.
- Compensation to be expressed as a monetary amount, formula, or a per capita charge for each enrollee or by any other reasonable method.
- Disclosure should occur in advance of date of contract or arrangement is entered into, extended, or renewed

**Transparency!**  
**The power of data**  
**New tools and resources**

# Transparency

*Information vs Data!*

A 3D rendered image of a broken metal chain. The chain is composed of several interlocking links, but a significant portion in the center is broken and scattered into small pieces, symbolizing a lack of continuity or integrity.



Cost Data  
not  
Claims Information!

## Transparency

### **“Transparency - claims data aggregation” Data Sources**

Cash Pricing  
Referenced Based  
Pricing Direct Primary Care  
Bundled Provider Paid Amounts  
Networks  
Direct Contracts  
Medicare  
Medicaid  
Prisons  
Tribes  
Veterans Administration  
Machine Readable Files

# Claims Data Aggregation

Zelis acquires  PayerCompass Sept 2022

2,400 EMPLOYEES

\$100,000,000,000 CLAIMS PAID

\$200,000,000,000 CLAIMS PROCESSED

*\$200,000,000,000 CLAIMS DATA!*



## Zelis Highlights

**2400**

Employees

**1M**

Providers

**100M+**

Consumers

**\$100B**

Claims Paid

**\$1.2B**

Annual Revenue

**\$200B**

Claims Processed

**Acquired**



**Payer Compass**

**Sept 2022**



**Transparency!**  
**Driving Healthcare Competition!**



# Transparency Drives Market Competition

## Open Access Pricing!

Reference Based Pricing

Repricing to CMS Standards

Customized Repricing

Direct Contracting

Member Advocacy

Balance Bill Resolution

Provider Price Transparency

Benchmarking and Analytics

Better Stop Loss Terms

## Reference Based Pricing Data

### Missouri

Payer Compass RBP Repricing Results 2019-2021				
State				
Missouri				
		Facilities	Professional	Combined
Billed		\$ 100,193,615	\$ 23,571,830	\$ 123,765,445
Repriced		\$ 37,674,291	\$ 11,120,523	\$ 48,794,814
Discount		62%	53%	61%
% of Medicare Billed		489%	301%	395%
% of Medicare Repriced		144%	140%	142%

## Reference Based Pricing Data

### Texas

State				
Texas				
		Facilities	Professional	Combined
Billed		\$ 270,763,642	\$ 97,485,894	\$ 368,249,536
Repriced		\$ 55,052,781	\$ 30,326,607	\$ 85,299,388
Discount		80%	69%	77%
% of Medicare Billed		704%	395%	548%
% of Medicare Repriced		147%	136%	142%

## Reference Based Pricing Data

### Kansas City Hospital Billings (2019\*)

<b>Primary Kansas City Hospitals*</b>	<b>Avg billed charge as % of Medicare *(2020 CMS)</b>
<b>Children's Mercy (Mo)</b>	1915%
<b>Research Medical (Mo)</b>	837%
<b>Belton Regional (Mo)</b>	824%
<b>Overland Park Regional (Ks)</b>	792%
<b>Menorah Medical (Ks)</b>	655%
<b>St Lukes South (Ks)</b>	617%
<b>Advent Shawnee Mission Medical (Ks)</b>	613%
<b>St Josephs (Mo)</b>	581%
<b>University of Kansas (Ks)</b>	544%
<b>Olathe Medical Center (Ks)</b>	392%
<b>Truman Medical Center (Mo)</b>	167%

\* Source - CMS

## Reference Based Pricing Data

### St. Louis Hospital Cost Data (2019\*)

Hospital	Avg billed charge as % of Medicare	CMS Quality Score (1-5)
Des Peres Hospital	544%	3
Sisters of St Marys St Louis U	384%	1
Mercy	373%	4
St Alexius	371%	2
Missouri Baptist	361%	4
St Lukes	350%	5
Barnes Jewish	331%	3
Sisters of St Marys Health	301%	2

\* Source - CMS

## Reference Based Pricing Data

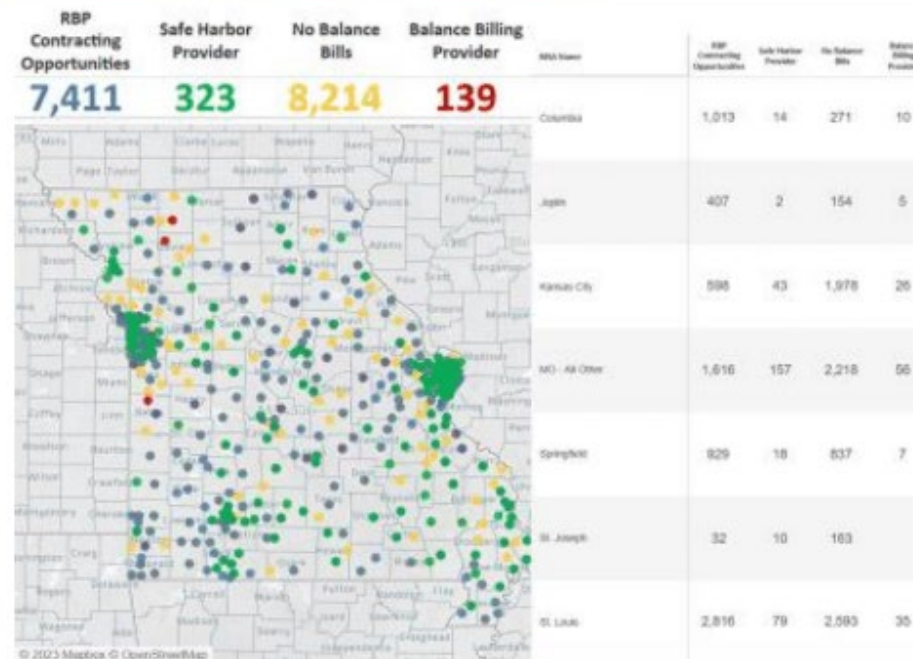
### Central Missouri Hospital Cost Data (2019\*)

Hospital	Avg billed charge as % of Medicare	CMS Quality Score (1-5)
Moberly Regional	673%	3
Kirksville Regional	516%	4
University of Missouri	432%	2
Sisters St Mary's Jeff City	356%	4
Boone Hospital Center	354%	5
Barnes Jewish	331%	3
Capitol - Jeff City	304%	3
Sisters of St Mary's - Mexico	263%	3

\* Source - CMS

# Missouri Provider Heat Map

## An Overview of RBP Friendliness in Missouri



**16,087 Provider 15,948 Accepting 99%**

- Status Definition
- Confident provider engagement, uses direct contracting
  - Positive provider engagement, confirmed RBP acceptance
  - Potential provider engagement, no balance bill history
  - Negative provider engagement, confirmed balance billing

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**Transparency!**  
**Consumer Facing Tools**  
**Shopping for Healthcare**



## Consumer Facing Transparency Tools

# Consumer Facing Transparency Tools

**Dashboard** | Provider Search | Cost Research | My Cases | Support | Account | Log out

**Welcome**  
4 updates on your current cases  
[Show all](#)

- Under Review**  
Balance Bill  
**NewYork-Presbyterian Lower Manhattan Hospital**  
Member Charges: **\$3,467**  
Updated 5h ago
- Completed**  
Appointment  
**Appointment request with Dr. Johnson**  
Updated 5h ago

**Balance Bill Help**  
If you were sent a balance bill for medical services covered under...

**Find a service**  
Doctor Name, Medical center, Speciality, Procedure etc | Location

**Speciality** | Procedure

- Dentist
- Dermatologist
- Endocrinologist
- Gastroenterologist
- Neurologist
- Primary Care

**Dashboard** | Provider Search | **Cost Research** | My Cases | Support | Account | Log out

Cataract surgery | Dallas, TX | [Search](#)

Cataract surgery | Price: \$3,000 - \$5,000 | Coverage | Rating | Distance: 10 20 40 50+

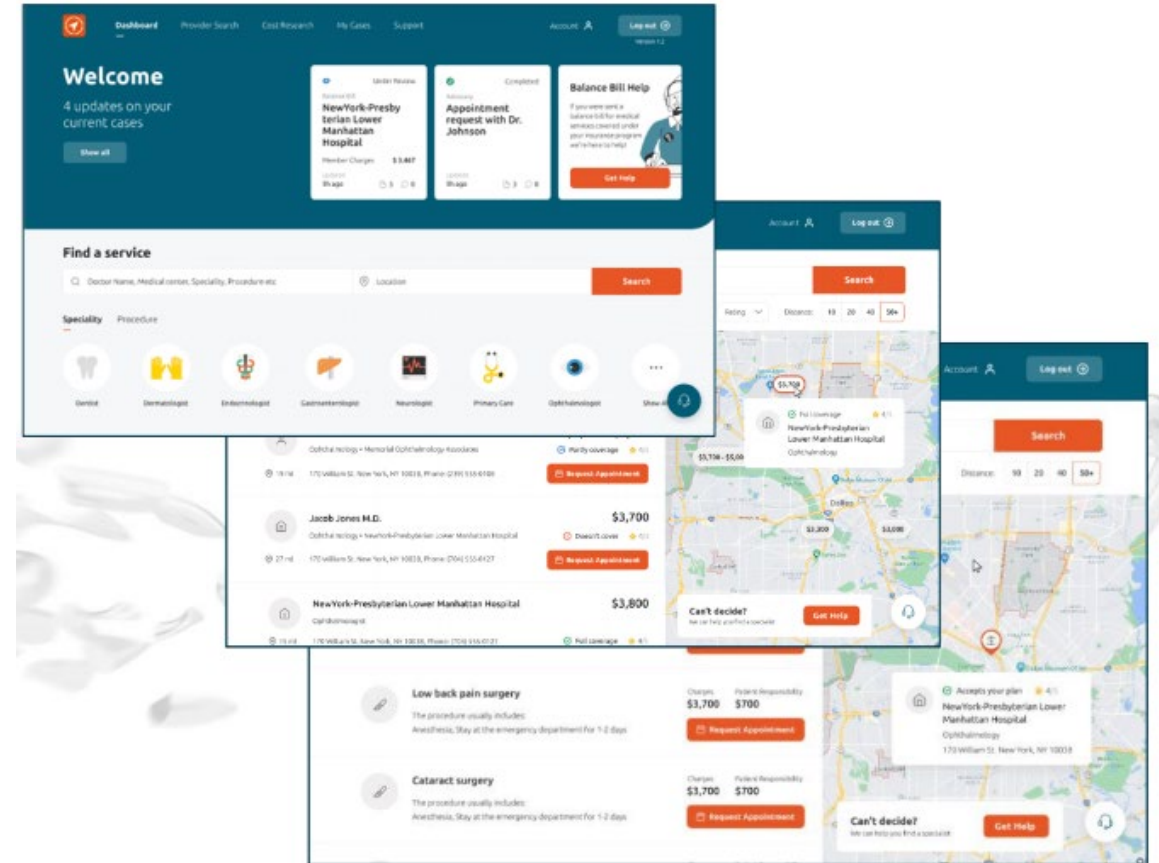
<b>NewYork-Presbyterian Lower Manhattan Hospital</b> Ophthalmologist 15 mi   170 William St. New York, NY 10038, Phone: (704) 555-0127 Full coverage   4.5	<b>\$3,700</b>
<b>Arlene McCoy M.D.</b> Ophthalmology • Memorial Ophthalmology Associates 19 mi   170 William St. New York, NY 10038, Phone: (212) 555-0108 Partly coverage   4.5 <a href="#">Request Appointment</a>	<b>\$3,700 - \$5,000</b>
<b>Jacob Jones M.D.</b> Ophthalmology • NewYork-Presbyterian Lower Manhattan Hospital 27 mi   170 William St. New York, NY 10038, Phone: (704) 555-0127 Doesn't cover   4.5 <a href="#">Request Appointment</a>	<b>\$3,700</b>
<b>NewYork-Presbyterian Lower Manhattan Hospital</b> Ophthalmologist 15 mi   170 William St. New York, NY 10038, Phone: (704) 555-0127 Full coverage   4.5	<b>\$3,800</b>

**Can't decide?**  
We can help you find a specialist | [Get Help](#)

**Price & Quality**

## Consumer Facing Transparency Tools

- Allows members/TPA users to search for specific services in a geographic location
- Presents prospective providers including.
  - Potential pricing
  - Quality rating
  - Geocoding/mapping of location
  - Interactive assistance to request assistance or perform a live chat
- Search by procedure and locale or CPT codes
- Advanced users can 'shop' for services by selecting CPT codes and putting them in a shopping cart



## HOSPITALS: THE POWER OF DATA AND DIRECT CONTRACTING

Comparison of actual costs					
<b>Regional</b> 165% of Medicare		165%			
<b>University</b> 55% PPO Discount off Billed Charges		-55%			
DRG's Selected	Procedure	Regional 165% of Medicare	University PPO 55% off billed charge	Final Cost Difference	
DRG-216	CARDIAC VALVE & OTH MAJ CARDIOTHORACIC PROC W CARD CATH W MCC	\$ 93,949.86	\$ 142,940.69	\$ (48,990.83)	-34.3%
DRG-454	COMBINED ANTERIOR/POSTERIOR SPINAL FUSION W CC	\$ 57,301.33	\$ 88,331.43	\$ (31,030.10)	-35.1%
DRG-470	MAJOR JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY W/O MCC	\$ 18,415.01	\$ 30,387.67	\$ (11,972.67)	-39.4%

## Transparency Reducing HealthCare Costs

<b>Sample School District</b>						
<b>Reference Based Pricing Estimated Savings Model</b>						
	<b>PPO</b>	<b>100% of Medicare</b>	<b>125% Physicians 150% Facilities</b>	<b>140% Physicians 170% Facilities</b>	<b>150% Physicians 200% Facilities</b>	
2021 Billed Claims	\$21,801,471	\$21,801,471	\$21,801,471	\$21,801,471	\$21,801,471	\$21,801,471
PPO or RBP Discounts	(\$12,012,611)	(\$16,462,534)	(\$14,761,741)	(\$14,007,736)	(\$12,939,363)	
PPO or RBP Paid Claims	\$9,788,861	\$5,338,937	\$7,039,730	\$7,793,735	\$8,862,108	
PPO or RBP Discount	-55.10%	-75.51%	-67.71%	-64.25%	-59.35%	
FTEs Enrolled	760	760	760	760	760	760
<b>PEPM Claims Costs</b>	<b>\$1,073</b>	<b>\$ 585</b>	<b>\$ 772</b>	<b>\$ 855</b>	<b>\$ 972</b>	
<b>Estimated PEPM Savings</b>		<b>\$ (488)</b>	<b>\$ (301)</b>	<b>\$ (219)</b>	<b>\$ (102)</b>	
% Savings		-45%	-28%	-20%	-9%	
Students	11,500	11,500	11,500	11,500	11,500	11,500
Annual savings/student		\$ (387)	\$ (239)	\$ (173)	\$ (81)	
Estimated Total Savings		\$ (4,449,924)	\$ (2,749,131)	\$ (1,995,125)	\$ (926,752)	

**Transparency Now!**  
**Direct Primary Care**  
**Stop Loss Cost Reductions**

# Direct Primary Care *Transparent Prices*

Lower Costs

Easier Access

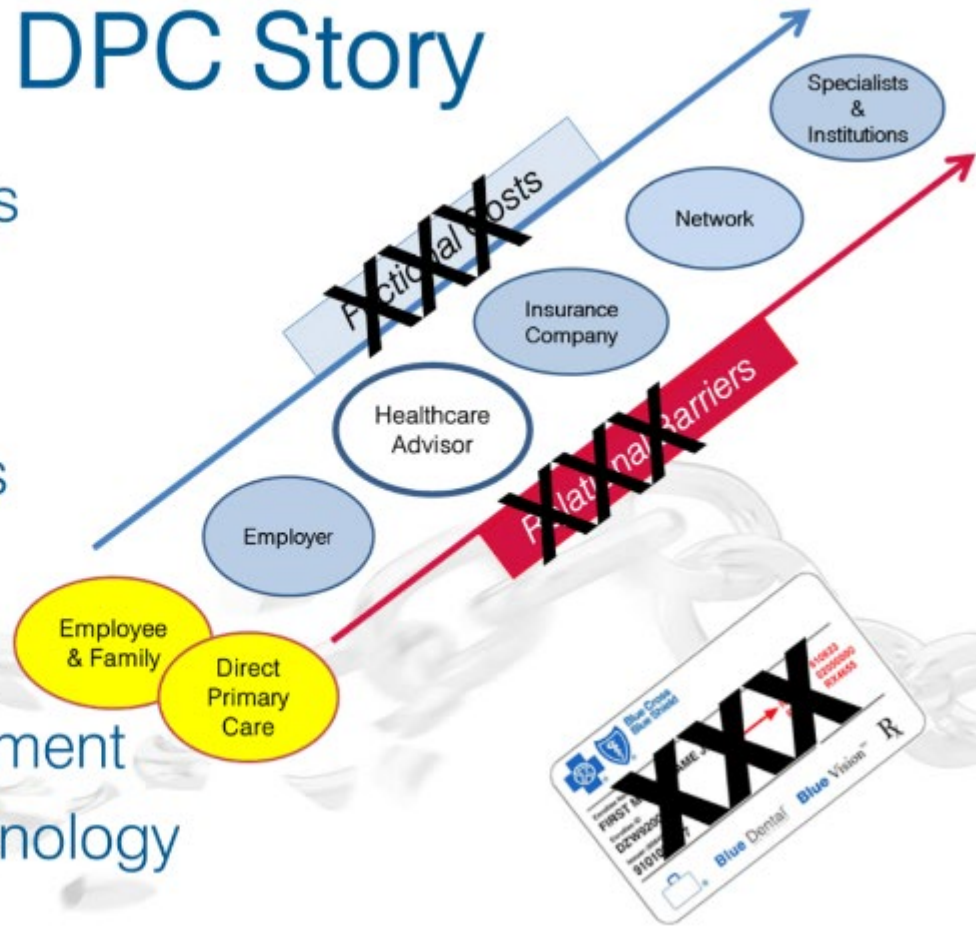
Higher Quality

Better Healthcare Outcomes!



# The Compelling DPC Story

- 100% Transparent Costs
- Saves money
- Saves time
- More immediate access
- Personal relationships
- Proactive health care
- Active disease management
- Communicate with technology
- Catastrophic coverage



## TRANSPARENCY = BETTER STOP LOSS TERMS & PRICING

### RBP vs BUCA PPO

570 employee group

#### Current PPO (\$200k Spec)

- Annual Spec Prem: \$429,590
- Attach Point: \$9,366,722

#### RBP Terms

- Annual Spec Prem: \$294,238
- Attach Point: \$8,293,408

#### Savings to Current

- -31% on the Spec rates
- -12% on the Attachment

### RBP vs Regional PPO

176 employee group

#### Current PPO (\$100k Spec)

- Annual Spec Prem: \$347,784
- Attach Point: \$2,912,558

#### RBP Terms

- Annual Spec Prem: \$204,470
- Attach Point: \$2,178,594

#### Savings to Current

- -41% on the Spec rates
- -25% on the Attachment



**Transparency: Historical Perspective**  
**The Future of Healthcare Risk Financing**  
**CHANGE!**

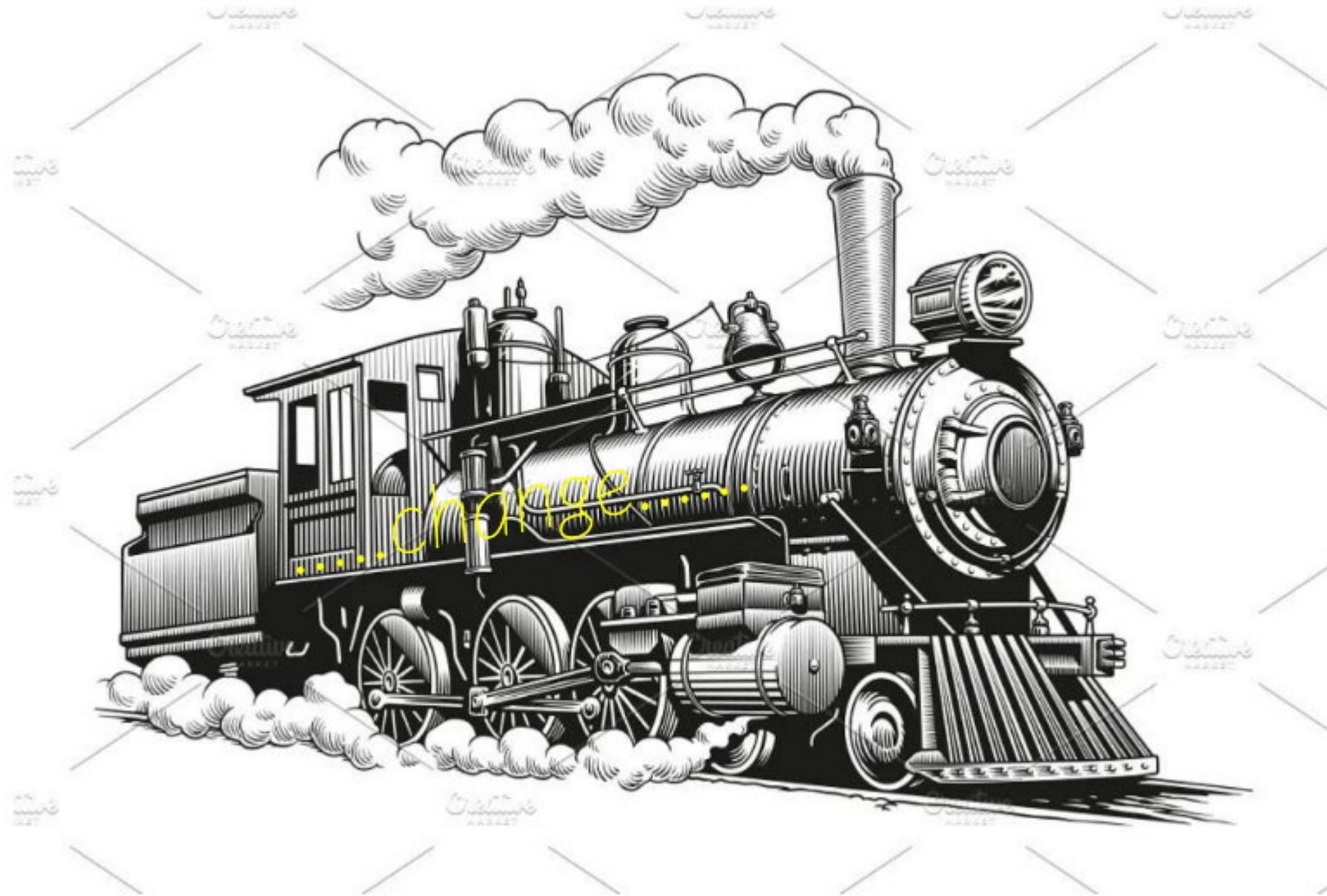
Change- Learn from History

**Last Decade - Next Decade**

**2012 - 2022 - ACA!**

**2023 - 2033 - Transparency!**

# Change

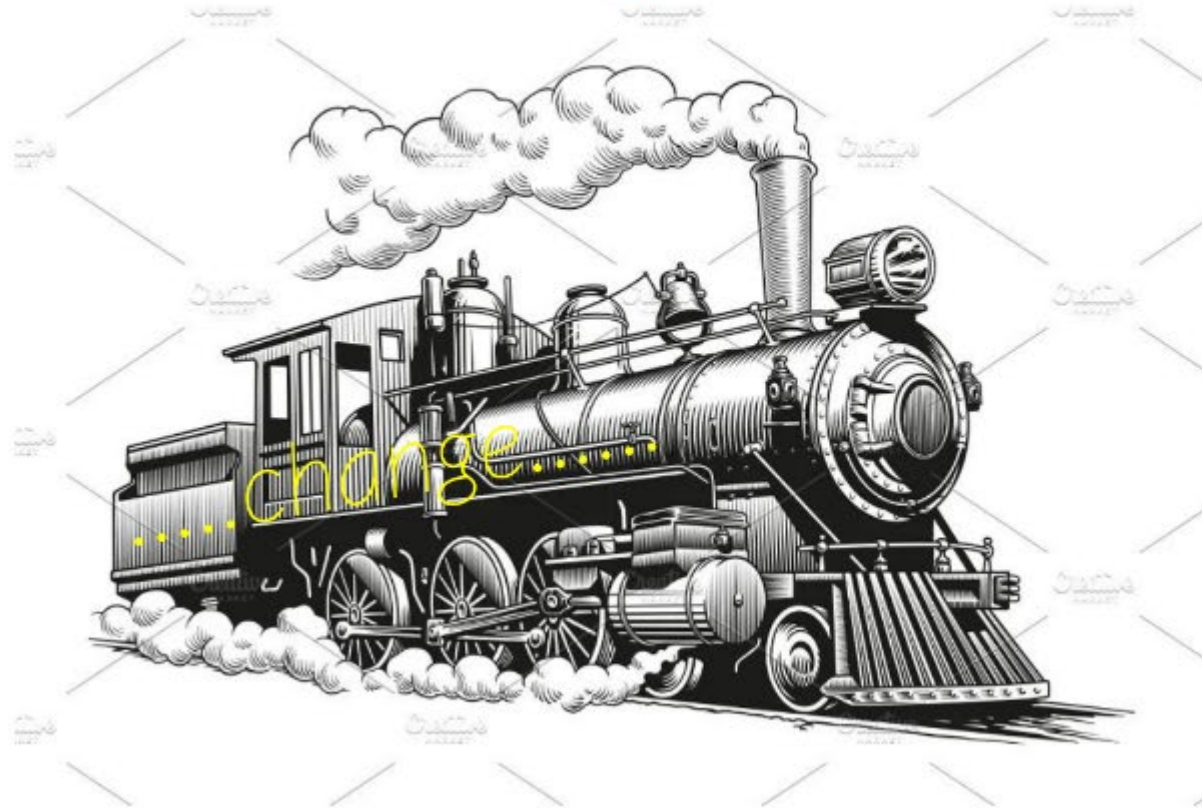


# My choices to change?

*Resist it.....*

*Watch it.....*

*Drive it.....*



## Transparency

What will it take to support TRANSPARENCY and Fix the “Business” of Healthcare?

**Courage**

**Creativity**

**Cooperation**

**Communication**

**Perseverance**

**Leadership!**

## **Contact**

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