



**THE  
PHIA  
GROUP**

EMPOWERING PLANS

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**Keeping it Under Wraps:  
What the Networks Don't Advertise**

**February 22, 2018**

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## Today's Speakers



**Adam V. Russo, Esq.**  
Chief Executive Officer & Principal



**Jennifer M. McCormick, Esq.**  
Vice President, Consulting



**Jon A. Jablon, Esq.**  
Director, Provider Relations



**Brady Bizarro, Esq.**  
Staff Attorney

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## Last Month's PGC FAQs

- What should we do if we think the terms of a stop-loss policy are unreasonable?
- Do we need to restate a Plan Document after effecting a certain number of amendments?
- We're interested in adding coverage for stem cell therapy. What issues should we be concerned about?

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## New Service: FMLA Paid Leave Policy

- New Tax Law (§26 USC 45S) Created a New Tax Credit Opportunity
- Recoup a Portion of Wages Paid to Those on FMLA Leave
- To Qualify the Employer Must Have an Approved, Written Program and Satisfy Numerous Parameters
- The Phia Group Handles for Employers

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## Upcoming MassAHU Webinar

“Evolve or Dissolve – Responding to Today’s Tax Law to Save the Health Benefit Plan Industry Tomorrow”

*Presented by Adam Russo, Ron Peck, and Brady Bizarro*

Tuesday, February 27, 2018 at 1pm EST

Register at [www.goo.gl/1KDV7u](http://www.goo.gl/1KDV7u)

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## Overview

- Problem, Purpose, Process
- Political Update
- Pros and Cons of Wrap Networks
- OON Claims: What Are the Options?
- Wrap Networks
- RBP
- General Best Practices

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## Problem, Purpose, Process

**The Problem – Health Care Costs Too Much and The Price is Increasing; Employers are Forced to Offset Costs Through Higher Co-Pays and Deductibles**

**Our Purpose – To Make Health Benefits Affordable for Employers and Employees**

**Why? – Because Hard Working Americans Deserve Access to High Quality, Affordable Healthcare**

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## Problem, Purpose, Process

**How Do We Achieve this Purpose? – By Empowering Plans**

**What Does it Mean to “Empower Plans”? – Create, Manage, Customize and Take Control of Your Plan Through Cost-Containment, Maximizing Benefits While Minimizing Costs**

**How Do We Empower Plans? –Start by Promoting and Educating About Self-Funding, Implement Cost Containment Services, and Deliver Custom Solutions**

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## Healthcare In Transition



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## The Trends

- Policy Changes
  - Executive Orders
  - Tax Cuts and Jobs Act
- Integration
  - Mergers & Acquisitions
    - Albertsons – Rite Aid
    - CVS – Aetna
    - UnitedHealth Group – DaVita
- New Technologies
  - Use of Tech
  - Data Analytics
  - Pharmacogenetics
  - Wearables



## The Challenges

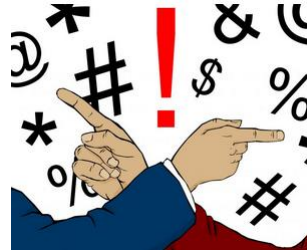
- Spending Projected to Rise 5.3% In 2018
  - 5.5% Annually for the Next Decade
- Rx Spending Projected to Rise 6.3% Per Year
- Growing & Aging Population
- Exploding State Budgets
- Shrinking Tax Revenues
- Outrageous Billing Practices
- Unnecessary Medical Services





## What the Politics Tells Us

- Non-Obamacare Insurance Plans Will Proliferate
- Association Health Plans Will Become A Big Deal
- Federal Subsidies Will Cause Controversy
- States Will Tighten Their Belts On Medicaid
- States May Enact Insurance Mandates
- Employer Plans Shielded from Tax
  - Until 2022
- More Mergers Will Be Approved
- Providers Will Face Increased Scrutiny
- The Disrupters & Innovators Will Act Faster than D.C.



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## OON Claims: What are the Options?

- “Traditional” U&C
- Wrap Networks
- RBP
- Carve-outs (i.e. dialysis)

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## Pros and Cons of Wrap Networks

### Pros:

- Simplicity for members
- Protection against member balance-billing
- Simplicity in receiving and repricing claims
- There *is* a discount (usually)

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## Pros and Cons of Wrap Networks

### Cons:

- Discounts are off arbitrary and inflated billed charges
- Unequal bargaining power; payors have no choice
- “Insurance company” mentality: the Plan has unlimited money and will blindly pay any network rate
- Network loyalty to providers, not to payors

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## Wrap Networks

- “Client shall adjudicate contracted Claims according to the terms of its Benefit Plan Document.”

(But that’s not the whole story...)

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## Wrap Networks

- “Client shall not use any other savings or cost-containment arrangement that otherwise might be available to Client, including but not limited to, Client’s own usual, and/or reasonable, and customary criteria.”
- “Payor may not apply any bundling, clinical editing logic or “reasonable and customary” limitations to Participating Provider claims.”

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## Wrap Networks

- Talk about mutually exclusive...
- Plan forfeits its right to use “savings or cost-containment”
- SPD becomes no more than just a list of services

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## Wrap Networks

- “A ‘Clean Claim’ means a UB92 or UB04 or HCFA or any other form containing information sufficient to pay a Claim.”
- “A ‘Clean Claim’ does not include itemized bills, invoices or cost data.”
- “Company must pay claim within 30 days of receipt of Clean Claim but in no event may Company pay any claim more than 45 days from its submission to Company.”

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## Wrap Networks

- Clean claim: essentially, *any* claim submitted by a provider

30 days to pay a *Clean* Claim – but 45 days to pay *all* claims

After 44 days, it doesn't matter whether a claim is Clean!

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## Wrap Networks

- ““Covered Services”” means health care benefits and services which a Member is eligible to receive under the terms of the Benefit Plan...”
- “...Client shall, when accessing such Networks, compensate Network Providers in accordance with Network Provider Agreements and using only Contract Rates.”

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## Wrap Networks

- SPD governs Covered services...and yet...
- Plans never see the Network Provider Agreements
- No different than primary networks

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## Wrap Networks

- “Client will eliminate all current wrap and/or out-of-area relationships and will utilize [this program] exclusively.”

Fees ranging from 20% to 35% of savings

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## Wrap Networks

- Exorbitant fees and unknown discounts – wrap provider discounts as low as 2%
- Exclusivity: their way or the highway
- For an arrangement that's designed to help the plan save money...yikes.

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## Wrap Networks

### Temple U. Children's case (2006)

- Payor had the “right to access” the network on a “non-exclusive” basis
- Check your contracts. If you can pull claims away from the wrap, **do it!**

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## OON RBP

- Keep the primary network – but ditch the wraps
  - **(Or, keep the wrap but flag larger claims)**
- Reduces cost to the plan (and therefore to the member)
- Utilizes accepted and understood rates as benchmarks
- Claims flow looks and feels like a PPO

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## OON RBP: Examples

### Gallbladder surgery in Oklahoma: Billed at \$41,500

- With wrap network, it *would have been*:
  - Paid with 15% wrap discount: \$35,275
  - TOTAL savings after fees: \$4,357
- With Phia Unwrapped, it *was*:
  - Paid at 150% of Medicare, with settlement: 26,720
  - TOTAL savings after fees: \$12,563
  - **Beats wrap by \$8,205**

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## OON RBP: Examples

### Heart valve replacement in Texas: Billed at \$338,300

- With wrap network, it *would have been*:
  - Paid with 10% wrap discount: \$304,470
  - TOTAL savings after fees: \$25,375
- With Phia Unwrapped, it *was*:
  - Paid at 160% of Medicare, with settlement: \$211,000
  - TOTAL savings after fees: \$108,205
  - **Beats wrap by \$82,832**

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## OON RBP: Examples

### Premature birth in North Carolina: Billed at \$2,229,150

- With wrap network, it *would have been*:
  - Paid with 13% wrap discount: \$1,939,360
  - TOTAL savings after fees: \$217,342
- With Phia Unwrapped, it *was*:
  - Paid at 150% of Medicare, with settlement: \$980,750
  - TOTAL savings after fees: \$1,061,140
  - **Beats wrap by \$843,797**

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## OON RBP: Overall Savings

**The average 1,000-life group can realize 74% savings over the average wrap network by paying 140% of Medicare, totaling an average of \$2.8 million in savings compared to traditional solutions.**

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## General Best Practices

- Choose the right scope: do you need “full” RBP?
- Education is key!
- SPD language, EOB language, ID card language
- Repricer must be accurate and accountable
- “Ground-level” patient advocacy and escalation
- Back-end support: balance-billing & fiduciaries?

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**Thank You!**

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