

Why Cost Sharing is Not Working

Presenter:

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Pioneering Specialists in

Group Health Care

Post-Payment Administration

For Over 25 Years

Customer Philosophy

Respect for Existing Procedures

Emphasis on Customization

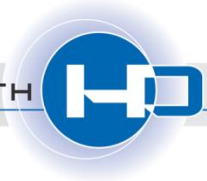
FOCUS on Solutions

Levels of Cost Sharing

Deductible			Co-insurance
0 Deductible	Plan Type	Deductible Max <\$200ee/>200ee	Amount (often %) due after deductible
70%	HMO	\$114/\$467	
23%	PPO	\$1,260/\$563	
40%	POS	\$1213/\$664	
0%	HDHP	\$2,386/\$1,881	
Co-pay triggered by service or event as demanded			
Out-of-Pocket (OOP) maximum where cost sharing ends			

Henry J. Kaiser Family Foundation
Employer Health Benefits 2012 Annual Survey

<http://ehbs.kff.org/?page=abstract&id=1>



Views on Cost Sharing

- Accepted as article of faith that cost sharing impacts behavior and reduces risk.
- Clearly true for insured premiums.
- More dubious relative to self-funded plans.
- Cost Sharing only works if it is enforced as designed.

What's Happening: Design Variations

Variation Breeds Problems

- Services exempt from deductibles vary
(physician visits, wellness, true ER)
- Separate cost sharing for various events
(inpatient stays, ER, specialty care, mental health, substance abuse, family planning)
- In and Out of Network variations
- Co-insurance levels vary on various dimensions
- Co-pays vary by type of service and amounts
- Out-of-Pocket limit accumulator calculations vary

- HDHP and “wrap” variations
- Spending accounts integration varies

What's Happening: Case Studies

- Administrators could not re-construct cost sharing calculations
 - Limited software license data access
 - Lack of understanding about systems processing
- Insurance “standard” changed without telling self-funded plans.
- Client-specific design administered like “standard”
- Deductible limits hit in error
 - too soon (plan loses)
 - too late (employee loses)
- Out-of-Pocket maximum not enforced (employee loses) or enforced inconsistently (plan loses)

What's Happening: Is Help On the Way?

Administrators sell first, work out details later.

You're **O**n **Y**our **O**wn

What's Happening: Is Help On the Way?

Impact of Affordable Care Act

- Calculation of out-of-pocket defined to include deductibles, co-insurance AND co-pays
- Electronic Eligibility Query and Response (270/271) “requires” data content report deductible, co-insurance and co-pay for both in and out of network

Why Cost Sharing is Not Working

1. Variations complicate administration.
2. Administration does not keep up.
3. Correct implementation and enforcement not confirmed by plan fiduciary.
4. Providers do not enforce consistent collection

What To Do?

Early Warning Tests

- **Zero Co-Pay Test:** Claims where co-pay = \$0 for 90%+
 - Services known to require co-pay should not be present
 - Services known to have \$0 co-pay should be present
- **Zero Deductible Test:** Claims where deductible = \$0 for 90%+
 - Services known to require deductible should not be present
 - Services known to have \$0 deductible should be present
- **Deductible Accumulator Calculation**
 - Deductibles stop before plan-defined limit (plan loses)
 - Deductibles continue after plan-defined limit (employee loses)

If tests fail, special designs, co-insurance enforcement and OOP maximum calculations all questionable. Custom review needed.

What To Do?

Three Criteria for Success

- Well-defined and commonly understood provisions.
- Administrative enforcement confirmed.
- Provider enforcement confirmed.

What To Do.

1. Consider ways to meet Three Criteria for Success.
2. Don't settle for standard plans.
3. Monitor via Early Warning Tests, etc.

My current favorite approach to cost-sharing.
\$0 deductible if provider accepts plan payment.
Any extra payment approved in advance and shared
50%/50% with employee up to out-of-pocket maximum.

Past Webinars Available

Recordings of past webinars are available upon request, including:

- February 2013 – Loss of Fiduciary Control
- January 2013 – Top 10 Do's and Don'ts of Data Warehousing
- December 2012 – Union Trusts: Health Reforms Most Overlooked Winner?
- November 2012 -- Year-end Renewal and Bidding: Opportunities for Control and Savings
- October 2012 – The 5 Most Important Things an Effective Dependent Audit Should Include
- September 2012 - Old Question, New Twist: Is Self-funding Right for Your Group Health Plan?
- August 2012 - Are You Ready to Manage Your Health Plan Costs?
- June 2012 - Group Health Brokers' Future: Disintermediation or Re-intermediation
- May 2012 – Five Levers of Management Control
- April 2012 – How the AMA Can Help You with Plan Oversight
- March 2012 – Health Data Control
- February 2012 – Health Reform: A Contrarian's Perspective
- January 2012 – The Road to 100% Transparency
- December 2011 – 2012: What Does it Hold for Self-funded Health Plans?

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