



HOLMES MURPHY®

THINKING AHEAD

INTRIGUING COST CONTAINMENT STRATEGIES

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Presented by:

Nataliya Boychenko, MBA, CEBS
Employee Benefits Consultant, Shareholder

nboychenko@holmesmurphy.com

515-223-6904



**NATALIYA BOYCHENKO, MBA, CEBS
EMPLOYEE BENEFIT CONSULTANT/SHAREHOLDER
HOLMES MURPHY & ASSOCIATES**

As a shareholder and key player in Holmes Murphy's Employee Benefits Division, Boychenko is dedicated to providing creative solutions and tools her clients need to design their employee benefit plans. A native of Ukraine and fluent in three languages, she has the skills necessary to communicate and implement employer sponsored benefits and initiatives to diverse organizations.

Boychenko specializes in national accounts healthcare data analysis, healthcare reform and legal compliance, cutting edge wellness programs as well as a full suite of employer sponsored benefit programs. Boychenko is also a Holmes Murphy shareholder.

Boychenko joined the Employee Benefits Division of Holmes Murphy in 2006. Prior to joining Holmes Murphy, she worked for Wells Fargo in Consumer and Business account management where she held a variety of advisory capacities involving life and health, investments and business financial services.

Boychenko is a frequent speaker on Health Care Reform topics at the national & regional industry events. She also enjoys teaching Employee Benefits to the graduate students at Drake University as an Adjunct Professor. Boychenko earned her bachelor's degree in Finance and her Master's in Business Administration at Drake University. In addition, she holds her Certified Employee Benefit Specialist (CEBS), Group Benefits Associate (GBA), and Retirement Plan Associate (RPA) designations.

***WE MAKE A
DIFFERENCE BY:***



DISCLAIMER

Holmes Murphy does not engage in the practice of law, meaning we provide neither legal advice nor legal opinions.

While Holmes Murphy strives to help our clients maintain compliance with all laws relating to employee benefits, the information contained in this presentation is not and should not be construed to constitute legal advice.



AGENDA

- Legislative Update
- Employee Benefit Trends
- Healthcare Cost Strategies
- Price * Use = COST
- Alternate Funding Methods
- Emerging Pharmacy Issues



NEW HEALTH REIMBURSEMENT ARRANGEMENT (HRA) RULES

Two new types of permissive HRAs:

1. Individual Coverage HRA (ICHRA)

- a. Must be enrolled in individual coverage
- b. May be used to reimburse individual premiums and qualified medical expenses

2. Excepted Benefit HRA (EBHRA)

- a. New excepted benefit category - excepted benefits are exceptions from HIPAA portability requirements (some FSAs, limited-scope dental, limited-scope vision, LTC, fixed indemnity, etc.)
- b. Must be offered major medical coverage
- c. Used to reimburse premiums for COBRA, STLDI or excepted benefit coverage
- d. Employees may use these EBHRAs even if they don't enroll in traditional group health plans or other type of coverage



DO YOU REMEMBER?

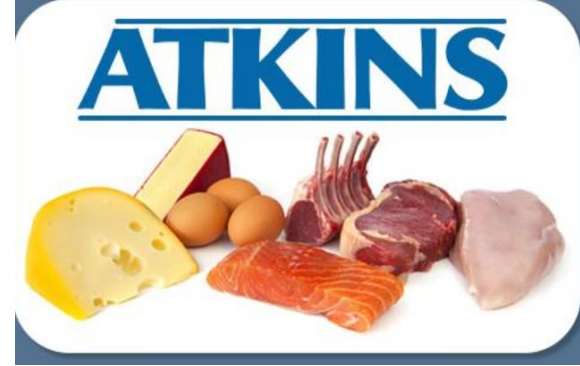


EXHIBIT 3
Average Monthly Contribution And Percentage Of Premiums Paid By Covered Workers, By Single And Family Coverage, And Average Deductible, By Plan Type, Selected Years, 1988–2002

	1988	1993	1996	1999	2000	2001	2002
Monthly employee contribution							
Single coverage	\$ 8	\$ 34	\$ 37	\$ 35	\$ 28	\$ 30	\$ 38*
Family coverage	52	124	122	145*	138	150	174*
Percent of premium paid by workers							
Single coverage	11%	20%	21%	16%	14%	15%	16%
Family coverage	29	32	28	32	27	27	27
Deductible							
Conventional, individual	\$163	\$222	\$267	\$245	\$239	\$195	\$270*
Conventional, family	375	495	600	605	545	528	665
PPD, in-network	106	170	181	190	187	201	276*
PPD, out-of-network	177	289	313	315	361*	407*	488
POS, in-network	→	→	71	41	79*	84	59
POS, out-of-network	→	→	324	359	367	406	413

SOURCE: Kaiser Family Foundation/Health Research and Educational Trust (HRET) Survey of Employer-Sponsored Health Benefits, 2002.
 * Estimate is statistically different from the previous year for 1996–1999, 1999–2000, 2000–2001, and 2001–2002 at alpha = .05.
 → Not available.



WHAT'S HAPPENING IN MARKETPLACE

- Fully Insured market softened
- ACA uncertainty
- Health status of Americans continues to decline
- Rise of utilization and costs in behavioral health
- Hardening of the stop loss market due to continued increase of high cost claimants
- Increased recognition of cost and quality variability of providers
- System complexity
- Big data – pushing into the “shopping” experience
- Tightening labor market
- Impact of Millennials

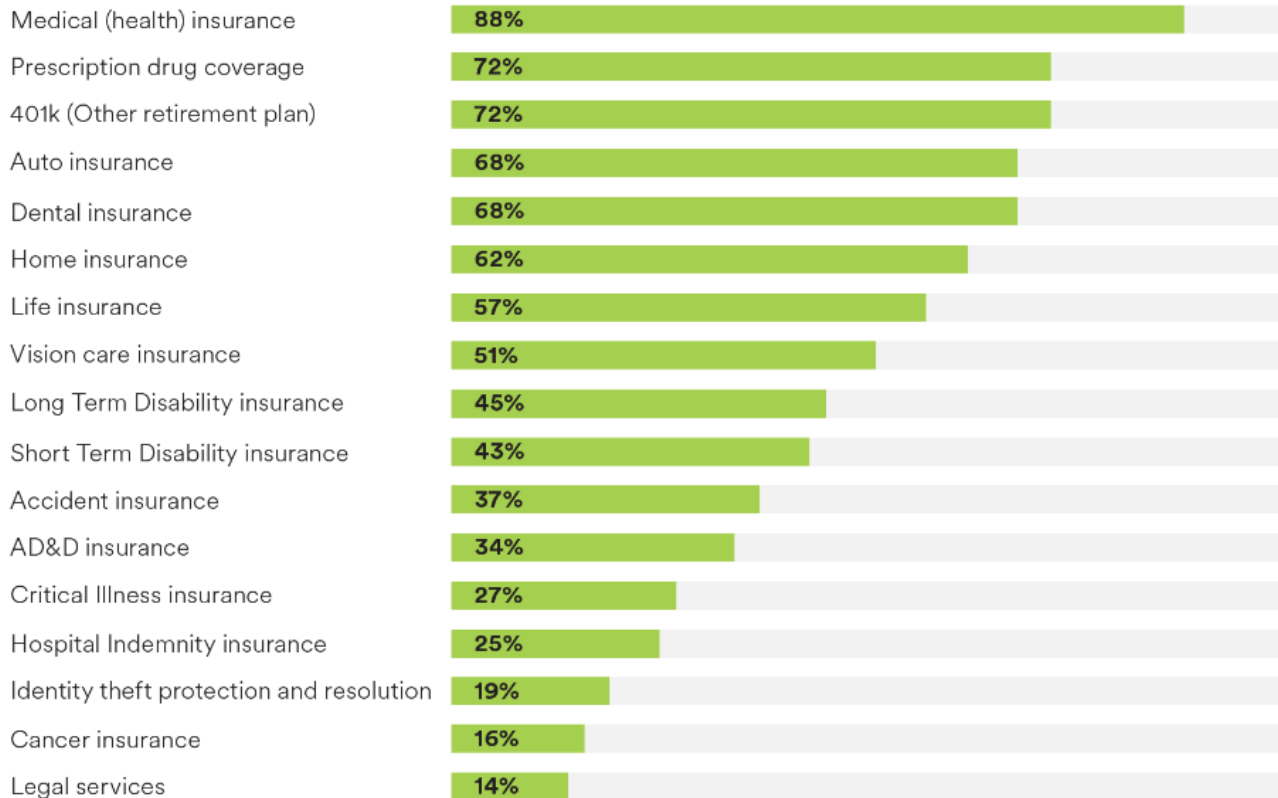


EMERGING MARKET REACTION

- **Alternative Health Plans**
- **Direct contracting**
- **Value-based Rx formularies**
- **Alternate care sites**
- **“One stop shop” for participants**
- **Life event specific support**
- **Decision making support – administrative & clinical**
- **Disease specific strategies**
- **Expanding definition of well-being to include social, emotional, financial, and physical**
- **AI machine learning**



EMPLOYEES MUST HAVE BENEFITS



EMPLOYEE BENEFIT TRENDS UPDATE

Mortality Risk (Life Insurance)	Morbidity Risk (Disability)	Medical/RX/ADL Impairment Risk	Miscellaneous	Work/Life Balance & Wellness
Basic Employee / Dependent Term Life Insurance	Short Term Disability	Health Insurance	Section 125 Plans	Wellness (Biometric Screenings)
Voluntary Employee / Dependent Life Insurance	Long Term Disability	Dental Insurance	FMLA / COBRA Administration	Identity Theft/ Fraud
Permanent Life Insurance	Individual Long Term Disability	Vision Insurance	Regenexx Coverage*	Clinical Improvement Programs
Key Person Insurance	Executive LTD	Worksite Benefits (Critical Illness, Accident, & Cancer)	Second Opinion	Employee Assistance Program
	Long Term Care	Telemedicine	One-on-One Enrollment	Transparency
		International Travel		Student Loan
				Pet Insurance

*For Self-funded groups



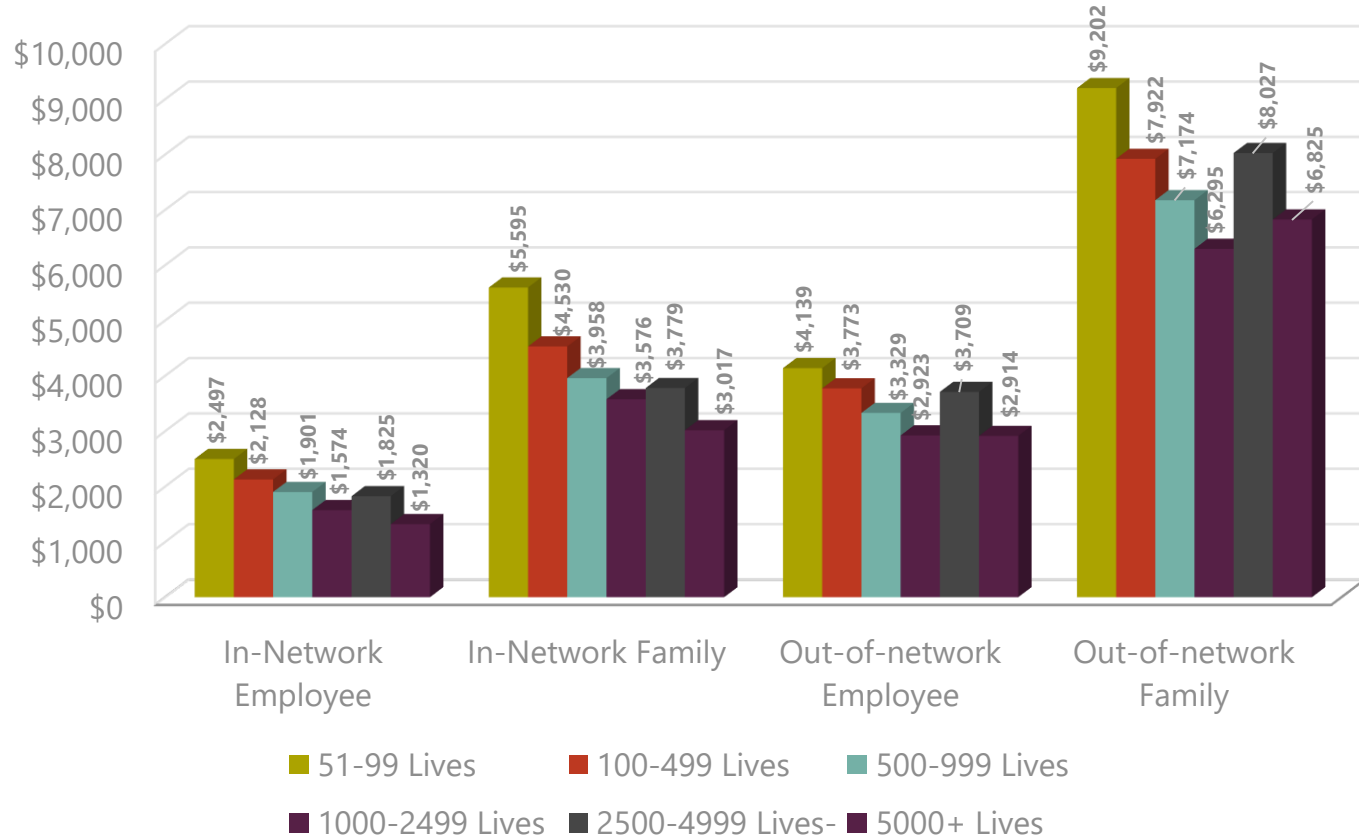
PHARMACY CLINICAL MANAGEMENT & PLAN REVIEW



- **Formulary Review**
- **Prior Authorization**
- **Step Therapy**
- **Quantity Limits**
- **Exclusions**
- **Fraud Waste and Abuse**
- **Member Adherence**
- **Opioid Review**



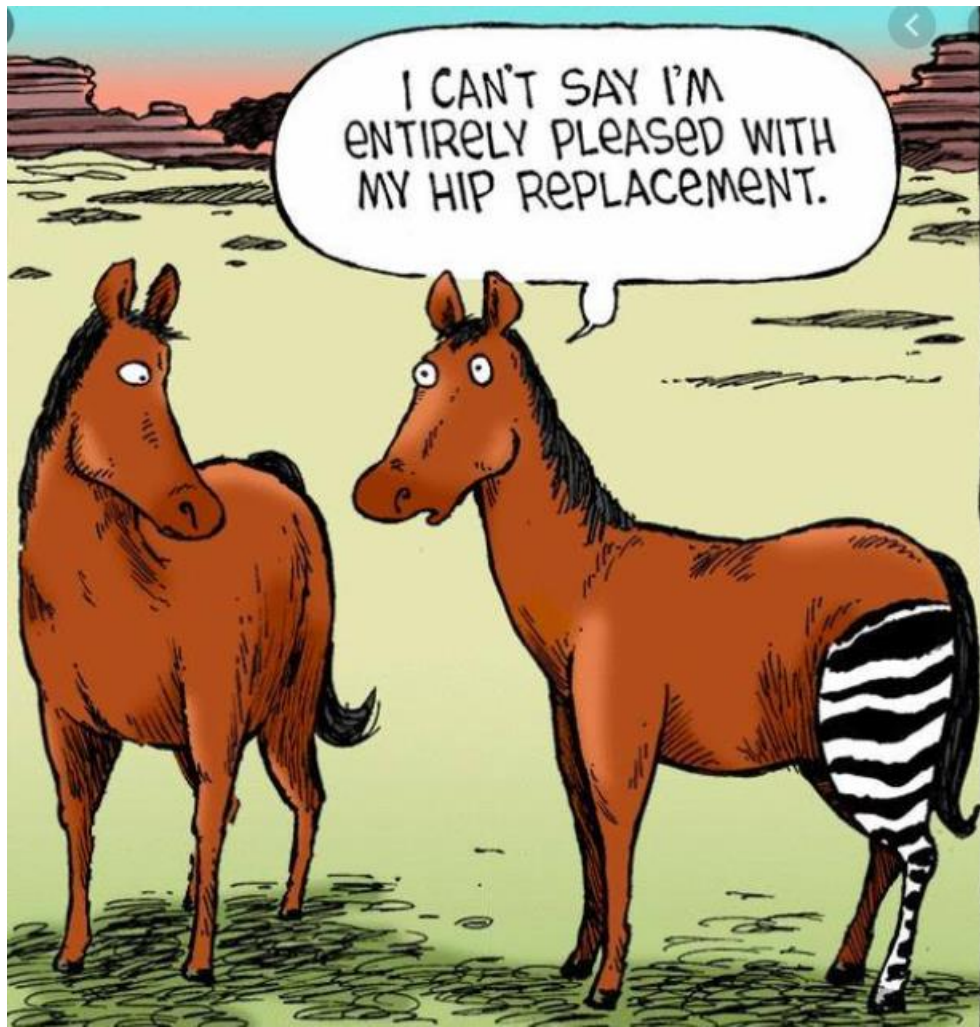
AVERAGE ANNUAL DEDUCTIBLE



PRICE X USE =

① COST

~~WASTED COST~~





Financial

CLAIM SPEND

BUDGET

YEAR/YEAR SPEND CHANGES

HIGH COST CLAIMANT SPEND



Utilization

INPATIENT

OUTPATIENT

PROFESSIONAL

RX



Clinical

CANCER

CARDIOMETABOLIC

MSK

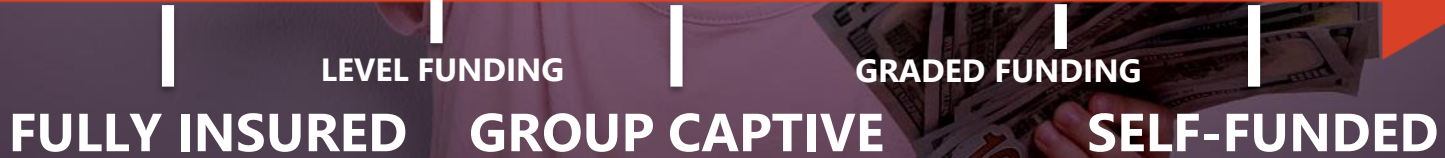
GI



LESS RISK
LESS CONTROL

MORE RISK
MORE CONTROL

FUNDING OPTIONS



FULLY INSURED

Advantages

GOOD FOR POOR
PERFORMING COMPANIES
KNOWN FIXED PAYMENT
NO "RISK" (IN CURRENT YEAR)

Disadvantages

LACK OF TRANSPARENCY
LIMITED CLAIMS DATA
LITTLE CONTROL
NO OPPORTUNITY
RISK OF "BAD RENEWAL"
IN CARRIER POOL



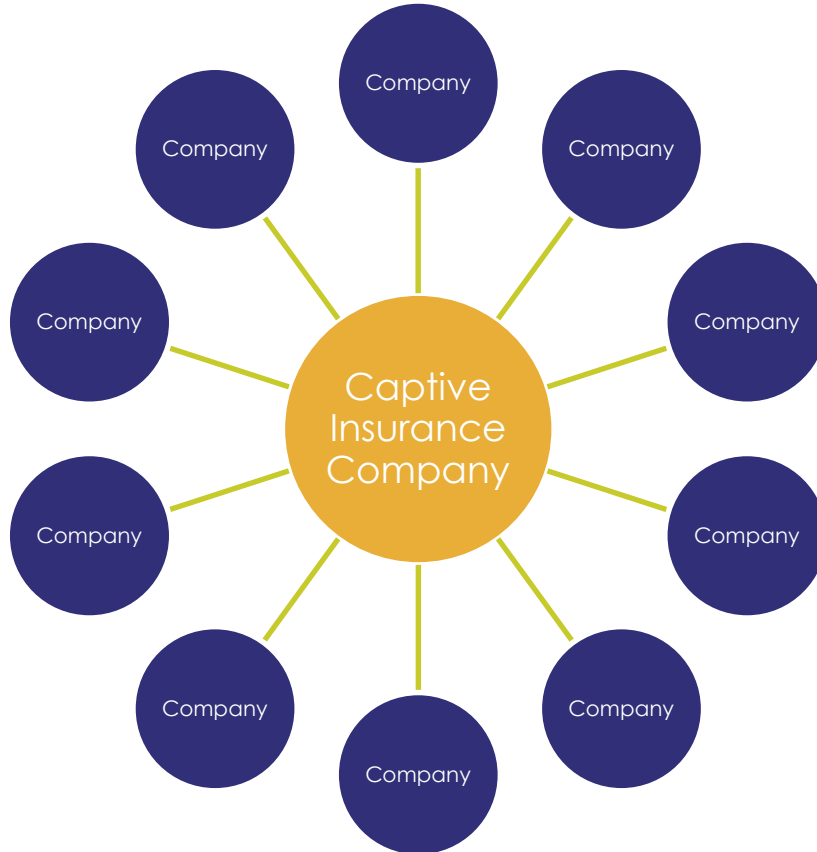
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LEVEL FUNDING

- Usually is good for groups 50-250 employees
- Allows groups to pay premium similar to fully-insured at maximum liability rates
- If the group performs under a certain claims to premiums loss ratio, the group has an opportunity to get back some of the premium paid in



EMPLOYEE BENEFITS CAPTIVE



A group of companies that come together to form their own insurance company.

Sample Captive Structure



GROUP CAPTIVE

Advantages

Disadvantages

GREATER STABILITY

RISK OF EXCEEDING EXPECTED CLAIMS

CASH FLOW (IF GOOD PERFORMANCE)

MEMBER ENGAGEMENT (CALLS & MEETINGS)

LOWER FIXED EXPENSES

MEMBER REQUIREMENTS
(CLINICAL RISK/WELLNESS)

OPPORTUNITY IN SELF-FUNDED LAYER

PEER GROUP SUPPORT

SWIM IN A CLEANER POOL
(CLINICAL RISK REQUIREMENTS)



PLAN NAME	A	B	C	PLAN D
	POS	PP	DHP	CALL 888-555-3333
Co-INSURANCE	70/30	80/20 (in-network) 50/50 (out-of-network)	90/10 (Narrow)	Limited FS
Co Pay	\$40 Copay	\$		FLEXIBLE SPENDING ACCOUNT
DEDUCTIBLE	\$1,000 / \$3,000			with Health Savings Account
MAX Out-of-Pocket	\$3,000	\$5,000	\$4,000	deductible
Customer Service:	"Pho"			pm CS



COST PLUS ARRANGEMENTS

- Self-funded with TPA
- No Network
- Reimbursement is set based on Medicare + a percentage
- Employees work with the TPA and their attorneys on any balance bills



VALUE BASED PROGRAMS

- What if you had an easy way to find a provider based on quality and outcomes?
- What if you just had a set copayment for services, with no balance bill?



SUMMARY

- Legislation – what to expect?
- Trends
- Cost Containment Strategies

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“You’ll get a paycheck every Friday, a place to stay dry when it rains, free music in the elevators, heat in the winter, air conditioning in the summer. All part of our generous employee benefits program!”

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Thank You