Positioning your Practice:

Direct-to-Employer Contracting

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01 **Direct to Employer Contracting**

What is it?

02 **Why Now?**

Why the time is right to go directly to employers.

03 **Positioning Your Practice**

How to negotiate beneficial contracts.

04 **Protecting Your Practice**

Looking ahead to minimize challenges and risk.

What is Direct-to-Employer Contracting?

Direct-to-Employer Contracting

- Goes right to the source
  - Your practice works directly with an company who is a self-funded employer.
  - A self-funded (or self-insured) employer operates their own health plan as opposed to purchasing a fully-insured plan from an insurance carrier. This is more common in companies that have at least 50 or more employees.
  - Self-insured employers pay for each claim as they are incurred instead of paying a fixed premium to an insurance carrier (which is known as a fully-insured plan).

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Direct-to-Employer Contracting

- Enables the practice to customize the offering
    - The practice and the company work together to determine the greatest need for their employees. This gives the practice the opportunity for flexibility in what gets covered and how it gets covered. You may choose to stress well care and medical management, while still offering more unique or complex services, such as asthma and weight loss management.
- Offers the opportunity for Employers to access quality
    - It will be in the employers best financial interests to encourage its employees and their families to seek care through your arrangement whenever possible, ensuring quality care and better outcomes.

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Direct-to-Employer Contracting

- Decreases the administrative workload of your practice
  - The contracts in direct-to-employer arrangements are specific to what is covered and what is not—meaning less staff time in chasing down vague payer policies, solving mysterious denials and obtaining prior-authorizations. In most cases, your practice will work with a Third Party Administrator (TPA) who will handle processing of the fee-for-service arrangements you have constructed.
- Allows the practice and the employer to set care
  - The practice and the employer will agree on specific procedures and excluded offerings, including only those that make medical or financial sense for inclusion.

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Direct-to-Employer Contracting

- Direct-to-Employer Contracting is not:
  - Direct Primary Care (DPC): *Perhaps the defining characteristic of DPC practices is that they offer patients the full range of comprehensive primary services, including routine care, regular checkups, preventive care, and care coordination in exchange for a flat, recurring retainer fee that is typically billed to patients on a monthly basis- American Academy of Family Practitioners*
  - Concierge Care: Patients pay a membership fee directly to the practice to have access to an individualized, highly attentive care provider who may be accessible to their concierge patients at all times. Concierge practices have limited numbers of patients in order to provide the attention and accessibility.

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Direct-to-Employer Contracting is About Cutting out the Middleman

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Why Now is the Time for Direct-to-Employer Contracting

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Why Now?

- Nearly 1 in 2 Americans—that's 151 million—receive healthcare coverage through an employer-sponsored health benefit plan.
- Of those, 3 out of 4, or about 108 million, receive health coverage through a **self-insured employer plan**.
- In contrast, 68 million Americans are covered by Medicaid and 58 million are covered by Medicare.
- American employers spend nearly $1.2 trillion annually on healthcare for their employees and their families, equaling the $1.2 trillion spent annually by the federal government on Medicare and Medicaid combined. . .

. . . **Self-Funded Employer Plans are big business!**

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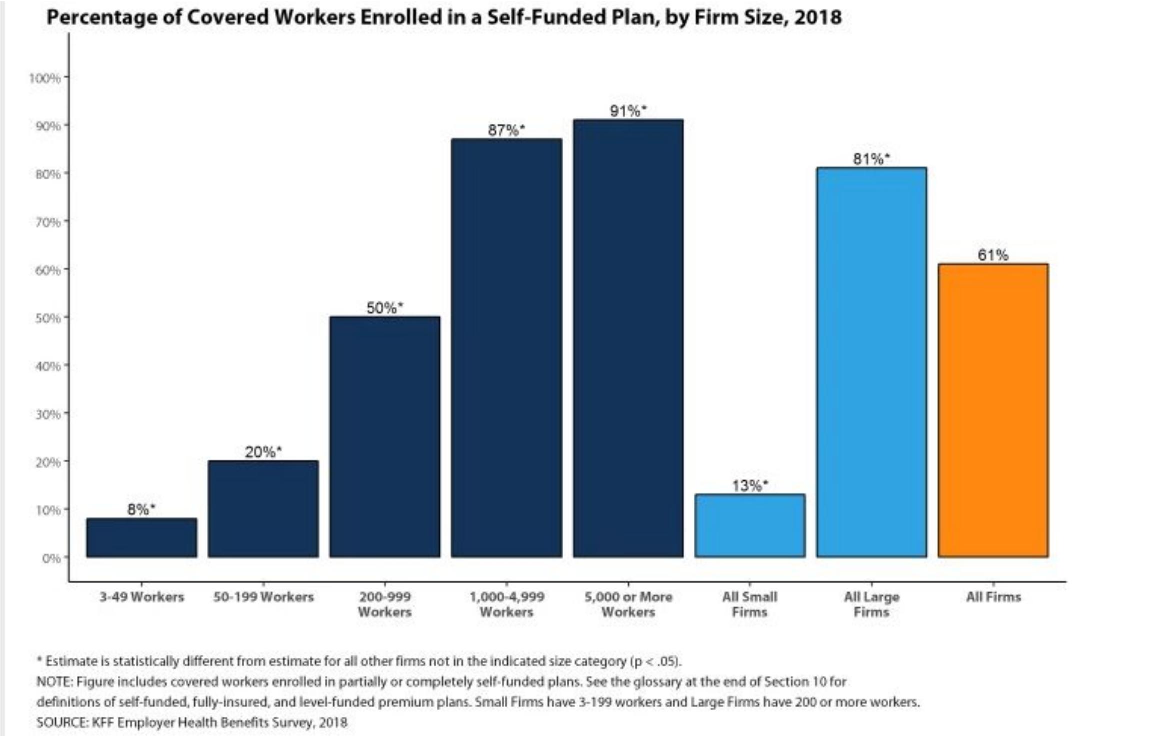
https://chiefexecutive.net/small-mid-sized-employers-now-contracting-directly-healthcare-providers/
http://www.aetna.com/employer-plans/document-library/forms/White-paper-self-funding-Meritain.pd

Why Now?



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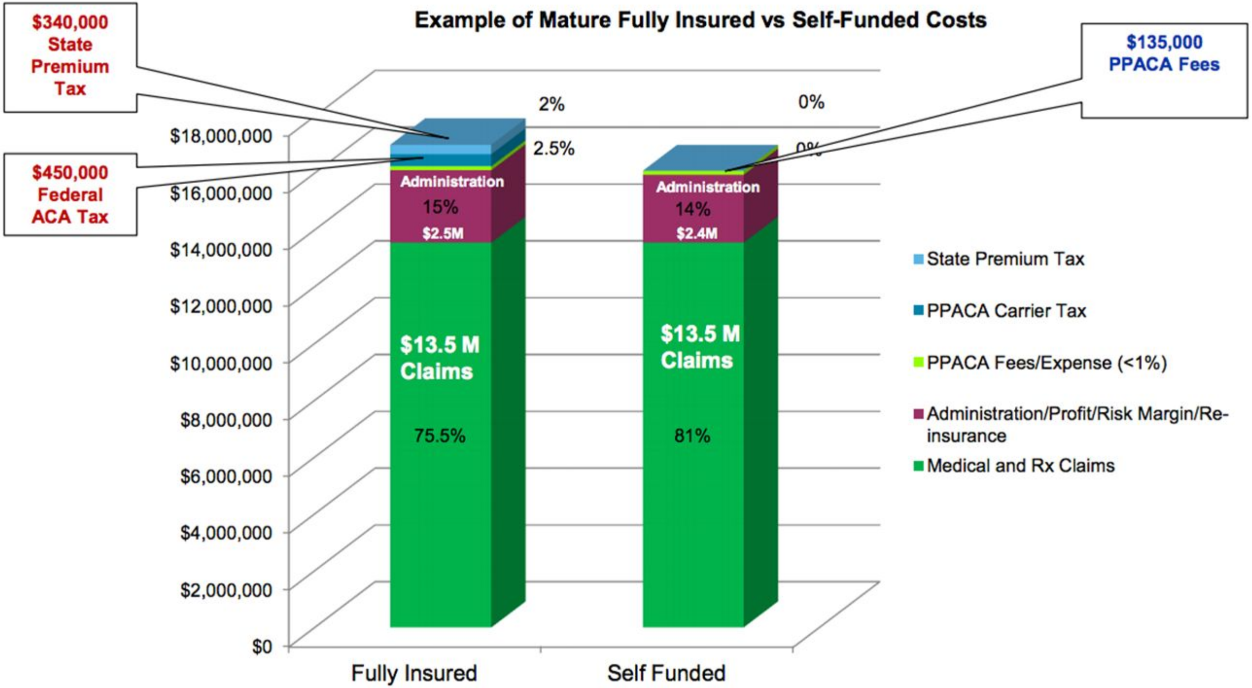
Why Now?

- Employers are keen to reduce growing healthcare costs and administrative burdens
  - The employer is not subject to conflicting state health insurance regulations/benefit mandates, as self-insured health plans are regulated under federal law (ERISA).
  - The employer is not subject to state health insurance premium taxes (yet), which are generally 2-3 percent of the premium's dollar value.
  - Cost savings from reduced premiums, elimination of various fees that payers may impose and a tightly controlled fee schedule…that the practice sets in itself.
  - The money that is typically paid to insurers for premiums can remain in your bank earning interest.

Why Now?

Self-Funding Example



Why Now?

Covered workers in firms that are partially or completely self-funded on average have lower contribution rates for family coverage than workers in firms that are fully-insured (25% vs. 36%)

Average Percentage of Premium Paid by Covered Workers, by Firm Characteristics and Size, 2018

	Family Coverage		
	All Small Firms	All Large Firms	All Firms
FUNDING ARRANGEMENT			
Fully Insured	40%*	30%*	36%*
Self-Funded	29%*	25%*	25%*

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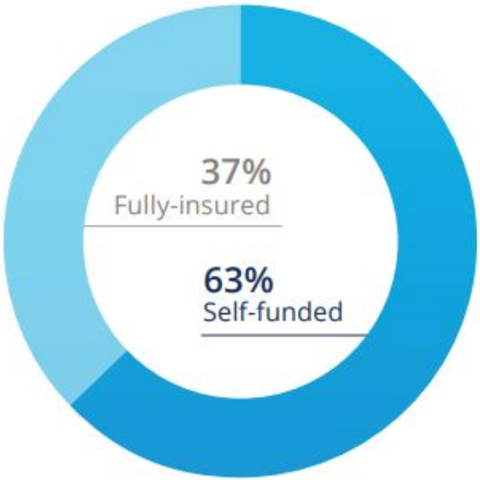
https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-6-worker-and-employer-contributions-for-premiums/#figure620

A Majority of Payer Business Is SF

Anthem

Anthem's 2018 Annual Report

Customer Base



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https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-10-plan-funding/#figure10

Pediatrics

- Pediatric IPA and Whole Foods
  - Central Texas Primary Care Alliance, a (mainly) pediatric independent physician association (IPA) contracted with Whole Foods in Austin, TX through Employers Health Network (EHN) in 2016.
  - Whole Foods created a special plan for employees and contracted with the CTPCA to provide services to those members. Employees have no cost-share (no copay, deductible etc.) when utilizing the services of CTPCA's pediatric practices.

Who Is Doing What?

- The agreement is fee-for-service and is facilitated by Employers Health Network, which acts as a third party administrator.

- By utilizing a high quality 'network' of pediatricians in CTPCA, and collaboratively managing care between employer and provider, Whole Foods will be able to reduce costs and ensure better care and outcomes for its 200+ families in the program.

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WHOLE FOODS MARKET

Who Is Doing What?

- PIA Automation US Inc. (120-employee manufacturing company)
  - The company was seeing their insurance bill go up by double digits each year, in part because of a few employees with serious and expensive health problems.
  - Premiums were rising by 20%–30%, year-after-year.
  - Stacie Gilles, Human Resources Director, finds that PIA Automation has saved enough money on premiums by self-insuring that it could easily cover another HR person to manage self-funding if need be. So far, that hasn't been necessary.

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https://www.managedcaremag.com/archives/2019/6/even-small-employers-are-striking-out-their-own

Market Changes

Self-funded plans are so prevalent that advocacy groups like Autism Speaks have prepared tool kits for employees to encourage their employers to provide the needed benefits, *underscoring the ability of self-funded employers to determine coverage and services.*

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https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-10-plan-funding/#figure10

Positioning Your Practice for Successful Contracts

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Positioning Your Practice

- Seek the assistance of TPA-type companies like EHN, ELAP, or R-Health
  - TPAs usually have agreements already in place with employers that are based on fee-for-service or flat-fee monthly payments,
  - TPAs administer the plans for the employers so you / they do not have to do so,
  - TPAs ensure proper funding so that claims can be paid timely, processes the claims, etc.
  - TPAs can help guide the process and make sure the new plan works well for all parties involved.

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Positioning Your Practice

- Contract directly with self-funded employers in your area
  - Research* to determine who are the self-funded employers in your area.
  - Develop your program – you will need to present what you have to ‘sell’ that is worth buying directly from you instead of through a Payer.
  - Decide if you want fee-for-service (minimal risk) or flat-fee (incurs risk).
  - Run the numbers!

*Datasets are expensive to purchase separately but may be found at www.judydiamond.com, or contact us at The Verden Group for select data

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Positioning Your Practice

- Employers value data, outcomes and cost savings
  - Understand how you perform. Use your own data or Payer data to support your value in certain areas.
  - Promote your programs. Do you have an asthma program? Nutrition? ADHD? Spell out that the services you offer go beyond standard sick and well care.
  - Are you a recognized medical home? This demonstrates a higher level of coordination, communication, cost containment and standard of care than other practices in your area.

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Positioning Your Practice

- Your Numbers
  - Take a look at the average frequency for sick visits per patient and by age group.
  - Take a look at condition-specific utilization – what does it take to actively manage your asthmatics? Your obesity patients? Your ADHD patients?
  - Take a look at well care costs by age. What does it cost in the first year or two of life?
  - Factor in average sick and well, age specific and condition specific, to see how costs change.

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Total Visits by Age Group and Visit Category

Primary Visit Category	Age at TOS	Number of Visits	Number of Visits Percent	Number of Units	Percent	Units Per Visit	Avg Charge Per Visit	Avg Deposited Per Visit	Charge Amount	Amount Percent	Amount Deposited (all pmts)	Amount Deposited (all pmts) Percent
Well Visit	Under 1 Year	981	50.99%	5541	43.21%	5.65	$266.44	$113.95	$261,375.67	47.82%	$111,783.33	50.24%
Well Visit	1 Year	472	24.53%	3723	29.03%	7.89	$312.34	$119.48	$147,425.72	26.97%	$56,393.40	25.35%
Well Visit	2 Years	122	6.34%	753	5.87%	6.17	$250.08	$107.06	$30,509.61	5.58%	$13,061.32	5.87%
Well Visit	3 Years	51	2.65%	216	1.68%	4.24	$226.82	$95.55	$11,567.70	2.12%	$4,872.85	2.19%
Well Visit	4 Years	51	2.65%	569	4.44%	11.16	$336.82	$126.54	$17,177.89	3.14%	$6,453.69	2.90%
Well Visit	5 Years	26	1.35%	189	1.47%	7.27	$287.49	$124.30	$7,474.66	1.37%	$3,231.78	1.45%
Well Visit	6 Years	19	0.99%	108	0.84%	5.68	$259.71	$93.44	$4,934.56	0.90%	$1,775.28	0.80%
Well Visit	7 Years	24	1.25%	165	1.29%	6.88	$262.40	$105.77	$6,297.60	1.15%	$2,538.47	1.14%
Well Visit	8 Years	24	1.25%	175	1.36%	7.29	$317.09	$115.44	$7,610.06	1.39%	$2,770.66	1.25%
Well Visit	9 Years	27	1.40%	199	1.55%	7.37	$278.52	$100.77	$7,520.14	1.38%	$2,720.77	1.22%
Well Visit	10 Years	19	0.99%	150	1.17%	7.89	$304.35	$121.76	$5,782.64	1.06%	$2,313.47	1.04%
Well Visit	11 Years	30	1.56%	354	2.76%	11.80	$430.25	$170.94	$12,907.51	2.36%	$5,128.14	2.30%
Well Visit	12 Years	16	0.83%	141	1.10%	8.81	$351.14	$150.84	$5,618.17	1.03%	$2,413.42	1.08%
Well Visit	13 Years	15	0.78%	119	0.93%	7.93	$334.34	$102.29	$5,015.12	0.92%	$1,534.38	0.69%
Well Visit	14 Years	14	0.73%	121	0.94%	8.64	$321.69	$92.28	$4,503.67	0.82%	$1,291.94	0.58%
Well Visit	15 Years	6	0.31%	58	0.45%	9.67	$342.35	$124.79	$2,054.10	0.38%	$748.74	0.34%
Well Visit	16 Years	12	0.62%	133	1.04%	11.08	$408.85	$162.95	$4,906.22	0.90%	$1,955.39	0.88%
Well Visit	17 Years	14	0.73%	104	0.81%	7.43	$263.55	$101.57	$3,689.66	0.68%	$1,421.91	0.64%
Well Visit	Over 18	1	0.05%	6	0.05%	6.00	$240.00	$84.86	$240.00	0.04%	$84.86	0.04%
		1924	100.00%	12824	100.00%	6.67	$284.10	$115.64	$546,610.70	100.00%	$222,493.80	100.00%

Positioning Your Practice

- Assume some risk and offer bundled payments
  - Once you have calculated out your costs, add some ‘corridors’ to help offset or minimize risk so that you do not end up out of pocket.
  - Carve out vaccines altogether (to be paid separately) or factor in additional % increases year over year (for a multi-year deal).
  - Carve out unexpected costs like treating RSV (Synagis costs) or other high dollar, unexpected events.
  - Restrict the agreement to covering only general pediatric care (employers will have insurance for the ‘big stuff’ and be carving out primary care services only).

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Positioning Your Practice

- Gathering Patient Information
  - If you are not already doing so, track who your patients' employers are and use that information to your advantage.
  - If you are already taking care of 10 families working for a local employer, let them know about it.
  - Also figure out if any of those patients have special needs that might be better addressed through a direct-care program so that the patient can receive better-coordinated, more intensive care.

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Positioning Your Practice

- Approaching Employers
  - Once you have come up with a ‘short list’ of employers to approach, and a program offering to sell, create marketing that is going to best represent you. Creaky old websites and difficulty finding information about your organization and its members will hinder your progress.
  - Develop a professional letter describing your program and determine the correct contacts that you need to reach.
  - Follow up with those contacts within a week of sending those letters and materials.

Positioning Your Practice

- What Companies Should You Approach?
  - All Sizes
  - All Industries
  - Local or Franchise
  - Everyone!

But some may be more receptive than others...

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Positioning Your Practice

- Family Friendly Employers
  - A company with family friendly hiring practices covers a large amount of heads per employee, making potential cost savings in their benefit spending an attractive proposition.
  - They are also looking for ways to attract and retain these employees; providing family friendly healthcare is a good way to help ensure that.

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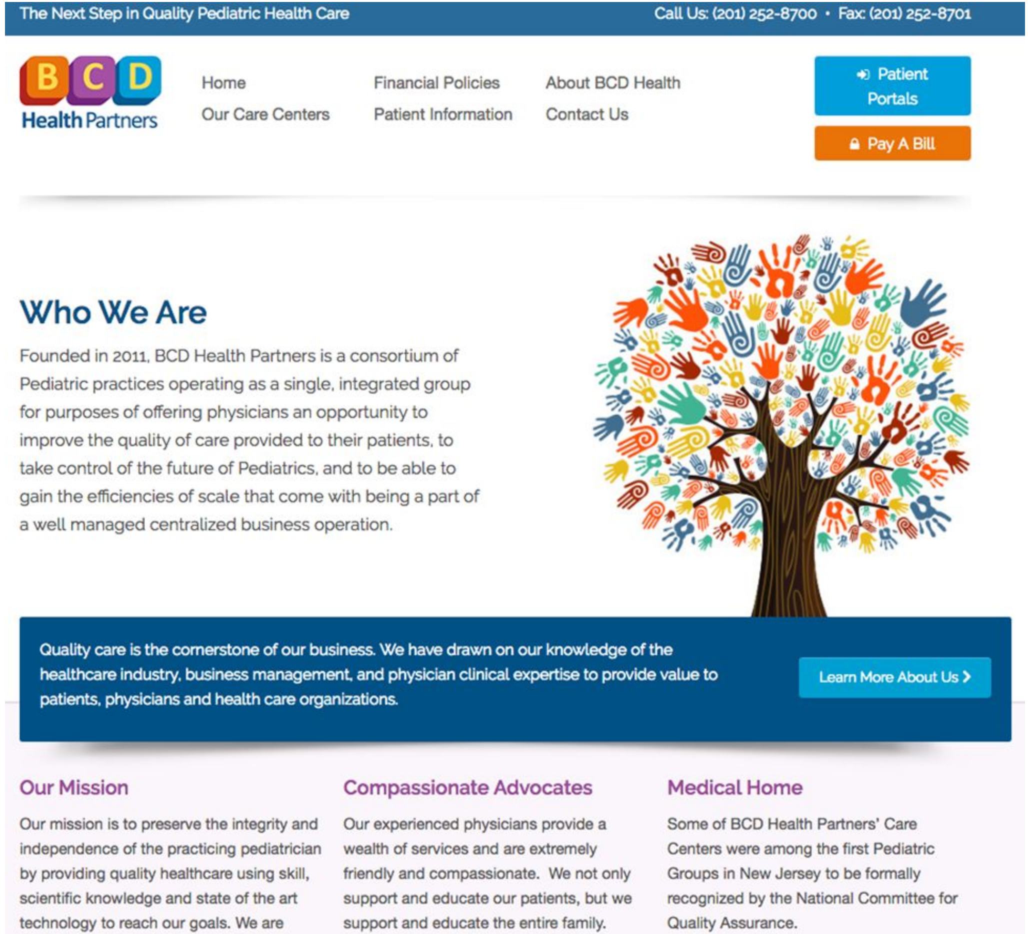
Messaging clearly communicates to a wider audience, and identifies the organization as being based on quality, effectiveness, and a focus on operations



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If you know that you already see some of their employees – tell them! Example: “we provide care for 10 of your employee families and we’d like to discuss how we can build better, more proactive relationships with you”

Dear Mr. Scott:

Do you have a direct primary care arrangement in place with the top pediatric professionals in your area? If not, or if you are looking to expand an existing program, we can help.

The Super Duper Pediatric Alliance members are all nationally recognized as medical homes under the National Committee for Quality Assurance’s Patient Centered Medical Home program. As such, we are a fully functioning ‘home’ for our patients and their families, ensuring that the highest standards of evidenced-based care is routinely delivered in a well coordinated, cost-conscious environment.

In addition to our high quality general pediatric care, we also offer behavioral health, ADHD, asthma and lactation programs to fully support our patients many needs.

Let us help you to build a robust and supportive direct-care program that supports your employees in the following ways:

- Most appropriate care delivered by nationally recognized health care providers
- A robust asthma management program to ensure patients are able to self-manage and keep their chronic condition in check. Fewer episodes means fewer sick days for Moms and Dads
- Behavioral clinics that focus on ADHD, obesity and depression
- In-person lactation consultations from our highly trained team of physicians and certified lactation consultants
- Support, support, support! From support groups to phone support, patient education handouts and videos to classes, we provide all the support you and your employees need to successfully manage the needs of growing children

Would you like to learn more? I’ve enclosed information about our programs and services, and some information about why working directly with our organization makes so much sense for employers to do.

Please contact me and I will be delighted to discuss what Super Duper Pediatric Alliance can do for you and your employees.

Dr. Amazing
Super Duper CEO
987-654-3210
goforit@gmail.com

Positioning Your Practice

- Can I offer services to an employer who contracts with a Payer that I participate with?
  - Yes, but the Payer is not going to like it.
  - However, Self-funded employers can essentially dictate to Payers what claims they want processed by them and what they want to carve out. If the Payer has a problem with carving you out, the Employer typically requires that the Payer allows you to do so. . .

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Positioning Your Practice

- How complicated are these agreements?
  - We've seen agreements as short as two pages (with covered services and pricing as an additional exhibit).
  - TPA agreements will naturally cover more but a short agreement does not mean more, or less, risk.
  - Yes, have a lawyer or contract expert create or review any agreement before signing . . .

Positioning Your Practice

Evolution of SF Plans:

- Insurers have begun offering health plans that provide a nominally self-funded option for small or mid-sized employers that incorporates stoploss insurance with relatively low attachment points.
- The insurer calculates an expected monthly expense for the employer, which includes a share of the estimated annual cost for benefits, premium for the stoploss protection, and an administrative fee.
- The employer pays this “level premium” amount, with the potential for some reconciliation between the employer and the insurer at the end of the year if claims differ significantly from the estimated amount.

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Work with Business Councils and Chambers of Commerce

- If you participate with a local business council, let them know you are offering direct-care. It's an excellent way to reach out to a large field of employers quickly.

- Or contact self-funded employer organizations such as:
  - Self Funded Institute of America http://www.siia.org/
  - Self Funding Association http://selffundingassociation.com/

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Protecting Your Practice- Mitigating Risks and Hazards

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Protecting Your Practice

- Due Diligence for Protection
  - If using a TPA, make sure you understand fully the parameters of any agreement entered into, including their policies, procedures and any compliance requirements.
  - Put the new contract in place for one year only, to make sure the contract is working well for you. You can add in auto-renewals after the first year, if desired.
  - Seek expert assistance in putting together your program, your outreach, your negotiations, etc. Pay for one, learn, and you can likely do the rest yourself.
  - If you've designed the agreement, insure yourself against hazards and risks.

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https://www.managedcaremag.com/archives/2019/6/even-small-employers-are-striking-out-their-own

Protecting Your Practice

Am I at risk for more than primary care services?

- No, the Employer has major coverage for its employees for catastrophic and specialty care but can determine what services to leave out of their benefits package with any Payer.

https://www.managedcaremag.com/archives/2019/6/even-small-employers-are-striking-out-their-own

Protecting Your Practice

- All Arrangements Present Risk
  - Even under a fee-for-service arrangement, you run some risks when dealing with a new organization. Lack of payment, slow down in payment and changes to agreements may occur. Payments may be tied to performance and members may under-perform.
  - Under a flat-fee or bundled payment arrangement, if patients utilize more of your services than budgeted for, you will earn less than anticipated and put your revenues at risk.

In both cases, insure yourself against risk . . .

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There is insurance for everything and deals for everyone!

"If someone needed say, nine life insurance policies, could you do buy one get one free?"

Protecting Your Practice

- Many Ways To Insure Against Risk
  - One type of financial instrument of particular interest is insurance with a ‘Captive’ fund. It can cover you for:
    - Missed quality benchmarks
    - Loss of Key Physicians
    - Loss of Contracts
    - Direct Contracts to Employers

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Protecting Your Practice

- In Addition to Insurance, You Protect Profits

WITHOUT CAPTIVE

Profits:	$1,000,000
Tax @ 40%:	- 400,000
Net Profit	$ 600,000

* Not to be considered financial advice. Consult with the experts before purchasing.

WITH CAPTIVE

Profits:	$1,000,000
Tax @ 40%:	------0-------
Net Profit	$1,000,000

https://www.managedcaremag.com/archives/2019/6/even-small-employers-are-striking-out-their-own

In Summary . . .

- Self-funded insurance is a growing market.
- Employers are looking for better opportunities and to contract directly with healthcare providers.
- New companies (TPAs) and new forms of insurance and risk mitigation are being created to support this growing business.
- Direct care allows you to own your market, on your terms (or better terms than traditional Payers allow).
- Cutting out the middlemen should be a key strategy for your supergroup.

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