



## MODULE 8

### *Intro to Transparent Open Networks and Next-Gen Pricing*

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## Jim Millaway

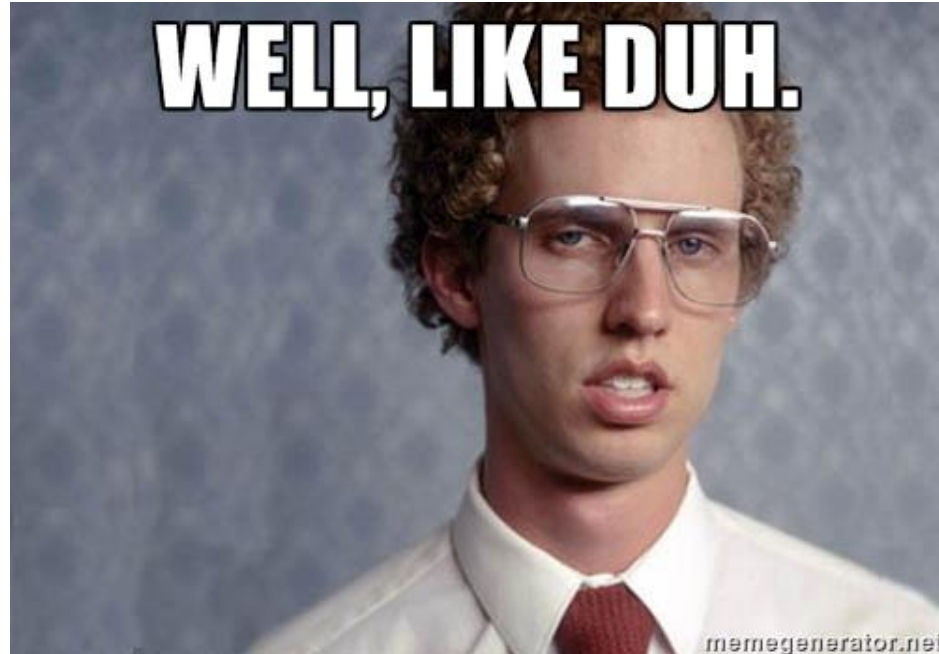
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# It's The **Prices**, Stupid

-Health Affairs



### RESEARCH ARTICLE

HEALTH AFFAIRS > VOL. 22, NO. 3

## It's The Prices, Stupid: Why The United States Is So Different From Other Countries

Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan

PUBLISHED: MAY/JUNE 2003  Free Access

<https://doi.org/10.1377/hlthaff.22.3.89>

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History

# The Journal of the American Medical Association (JAMA)

- Since 2000, (1) **price** (especially of hospital charges [+4.2%/y], professional services [+3.6%/y], drugs and devices [+4.0%/y], and administrative costs [+5.6%/y]), **not demand** for services or aging of the population, produced 91% of cost increases;

**JAMA<sup>®</sup>**

The Journal of the American Medical Association



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**This Issue**

Views **38,480**

Citations **119**

Altmetric **565**

## Special Communication

November 13, 2013

# The Anatomy of Health Care in the United States

Hamilton Moses III, MD<sup>1,2</sup>; David H. M. Matheson, MBA, JD<sup>4</sup>; E. Ray Dorsey, MD, MBA<sup>2,5</sup>; [et al](#)

» [Author Affiliations](#)

JAMA. 2013;310(18):1947-1964. doi:10.1001/jama.2013.281425



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Review





# What is a Transparent Open Network?

- A Transparent Open Network offers purchasers such as employers and unions fair and **fully transparent pricing** for medical services/procedures ranging from specific treatments (e.g., knee replacement or colonoscopies) to specific conditions (e.g., diabetes or kidney disease).
- Services and procedures are **typically bundled** meaning there is just one bill for all the services received for a specific treatment or condition that includes multiple providers and sometimes multiple settings.

# What is Critical?

## The Big 3

1. Cost - 45% savings on average
2. Quality - By facility, procedure and physician
3. Convenience - Effortless

The full list of components can be found [here](https://healthrosetta.org/health-rosetta/transparent-open-networks/#details)

(<https://healthrosetta.org/health-rosetta/transparent-open-networks/#details>)



# The Cost of Price Failure

Independent School District - 2,000 members - 24 months

Paid Cost	\$19,793,598
Matched Cost	\$6,804,024
Bundled Cost	\$3,388,693
% Savings	<b>\$3,415,330</b>
% Savings	<b>50%</b>
PMPY Savings	\$853

# Still of Limited Scale

These don't universally exist, so there are lots of ways to get partially to mostly there, or you can get all the way there in specific microcosms.

- **Reference Based Pricing** - instant scale but potential billing and experience hiccups
- **Direct Contracting** - lower cost but unknown quality
- **Relocalized/Regional Networks** - lower cost but less choice
- **Cash Pay Platforms** - lower cost but often no integration
- **Bundled Procedures** - predictable but limited scale
- **Centers of Excellence** - lower cost, higher quality but generally require travel
- **Transparency Tools** - insight but maybe just the best bad deal

# The Continuum of Change



Transparency Tools > Imaging Contracts > OON repricing > Centers of Excellence > Bundled Procedures > Reference Based Pricing

# What is Required?

You don't have to do these things, but you also don't have to brush your teeth or change your oil

- **Employee education** - generate some level of interest of understanding
- **Aligned TPA/ASO** - a true partner in the supply chain
- **Onsite/NearSite/DPC** - care coordination
- **Plan Design** - no members cost share = member + provider incentive
- **Concierge Support** - real humans because these are often real decisions
- **Member Experience** - do members love it?

# The Obstacles to Expect

Some may just be administrative and some may be preservatives playing FUD - fear, uncertainty and doubt

- **TPA/ASO** - may be unwilling or unable to provide
- **Providers** - dominant health systems may not want to play
- **Internally** - can be challenging if you go it alone
- **Education** - the last mile of reaching the patient
- **Data Access** - may be hard to get claims data
- **Data Analytics** - legacy systems not built to move from data to actionable insight
- **Overload** - a lot of noise with transparency tools, care management, prior auth, etc...
- **Design** - HSA adoption will limit incentives
- **Preservatives** - carriers, networks, providers, brokers, chamber of commerce
- **Change Management** - How do you communicate with plan members?

# Q&A