CHAPTER 15

TRANSPARENT MEDICAL MARKETS

What is a Transparent Medical Market?

A transparent medical market (TMM) 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. Another dimension of transparency is that the market is open to any provider who has sufficiently high-quality indicators and charges fair prices.

A TMM offers employers an alternative to traditional fee-for-service (FFS) payment models, in which individual services are listed on itemized billing statements from multiple sources.

How Does It Work?

Providers (typically independent imaging centers, specialty hospitals, and ambulatory surgery centers) supply up-front

pricing at significantly reduced rates in exchange for increased volume, quick pay, reduced friction, and avoiding claims/collections problems—all factors that allow providers to charge greatly reduced prices while netting a similar amount to standard insurance billing.

Providers contract directly with an employer or third party to offer services outside of a typical payment and network structure. In exchange for significantly reduced rates, employers encourage plan members to use these providers, typically by waiving all of the individual's costs including copays, coinsurance, and deductibles.

Why Should You Support It?

Unlike FFS, which allows for wildly variable, opaque pricing free from market forces and that can incentivize providers to offer unnecessary services, TMM benefits providers, employers, and employees. Providers get access to individuals whose employers offer quick pay and reduced hassles, while employers get access to bundled, transparent rates at prices typically 30 to 50 percent lower than typical *network* discount prices (and even more off of chargemaster prices). Employees get access to a new benefit that offers medical services and procedures without financial penalties in the form of copays and deductibles. In short, providers get easier administration and certainty, employers get great prices, and patients get the care they need at no additional cost.

What Are the Key Elements to Look for?

1. Transparency

It's not possible for employers to measure the value of their health care dollar without access to pricing and quality information. The same information is needed by employees if they

are expected to seek high-value care. At a minimum, all medical services and procedures should be available at fair, honest, and up-front prices, making health care services as straightforward as other products and services we buy. Quality information should also be readily available for employers and employees alike.

2. Bundled Payment

Bundled payment for a specific treatment allows employers to trade endless, confusing, itemized bills for just one bill covering the hospital, surgeon, anesthesia, equipment, etc. For treatment across a specific condition there is just one bill for all physician visits, diagnostics, and care management.

3. Shared Risk

Medicare has long required providers to share risk under three different "global" periods (zero-day postoperative, 10-day postoperative, and 90-day postoperative) by refusing to pay for mistakes, complications, and re-admissions. A TMM brings that practice to private health plans.

4. Efficient Administration

Typical claims administration is filled with inefficiencies: slow payment cycles, prior authorization, network requirements, complicated payment models, employee cost sharing, etc. For a TMM to work, employers must make it easy for employees to access care, offer quick pay to providers (typically five days or less), eliminate barriers like copays and deductibles, and often remove oversight requirements like prior authorization. It's important to remember that the goal of this model is to simultaneously lower employer costs, reduce costs and eliminate hassles for providers, and provide a true benefit to employees and members.

5. Employee Education

Models that encourage the use of specific providers for specific treatments are often a new idea for employees and their

families. They need to understand that TMM is *not* like HMO models, which were often associated with denied care, long wait times, and poor customer service. The message needs to be simple, clear, intriguing, and just one sentence like this: *Don't forget, if you need medical care, we have a group of the highest-quality providers you can see, and choosing this won't cost you anything out of pocket.*

6. Ease of Use

Health care has always been confusing, frustrating, and very often scary. A TMM should be effortless. Consider offering concierge-style customer service, which gives your employees easy access to the humans and resources they need, including hassle-free appointment scheduling, medical records transfer, and both web and mobile access. These services can also create comfort for your employees around sensitive health issues they don't want to discuss with you or your internal benefits manager.

How Can You Ensure Quality?

An effective TMM functions best in tandem with a value-based primary care model and use of shared decision-making tools to avoid overtreatment and radiation exposure from unnecessary scans. Any high-quality provider should be participating in all applicable quality reporting whether they are a health system, ambulatory surgery center, imaging center, or independent physician practice. Here are some resources that can help ensure that the providers you use are, in fact, of the highest quality.

- ***HealthInsight*** is a private, nonprofit, community-based organization dedicated to improving health and health care. They offer a free ranking tool for hospitals nationwide.
- ***The National Quality Forum*** (NQF) is a nonprofit, nonpartisan, membership-based organization that works to catalyze improvements in health care. They offer access to a huge library of evidence-based quality measures.

- ***Hospital Compare*** is a government website that allows you to find and compare quality information for more than 4,000 Medicare-certified hospitals across the country.
- ***The Leapfrog Hospital Survey*** is the gold standard for comparing hospitals' performance on national, professionally endorsed standards of safety, quality, and efficiency that are most relevant to consumers and purchasers of care.

What Challenges Can You Expect?

1. Administrative Challenges

Your broker, consultant, carrier, or TPA may be unable or unwilling to provide transparent specialty care and the administration to execute a TMM.

2. Provider Reluctance

It is common for the large health systems you currently use to push back on requests for price and quality transparency.

3. Complex Implementation

The process can be quite cumbersome and drawn out should you decide to go it alone. You might consider using a third party to help streamline the process.

4. Employee Education

TMM models require continued messaging and clear, easy-to-understand action steps.

5. Data Sharing

It could be difficult to obtain pricing and quality information from your current broker, consultant, carrier, or TPA. Since it is your spend, you have a right to this information.

6. Data Analytics

Traditional claims analysis software programs and services are often limited in scope and not designed to provide clarity or actionable insight.

7. Confusion about Price Transparency Tools

Many price transparency tools (e.g., Castlight) provide information on insurance PPO network pricing, but they don't remove the hassles and costs for either providers or individuals related to claims, copays, etc.

8. Obfuscation to Preserve Status Quo

Your current providers who aren't forward-looking are likely to use common "fear, uncertainty, and doubt" tactics meant to freeze progress.

As stewards of your organizations' and employees' hard-earned money, you must choose whether to protect yours our your vendor's bottom line.

What Action Steps Can You Take?

Ask your broker, consultant, carrier or TPA if they participate in any transparency initiatives.

Encourage your broker, consultant, carrier, or TPA to make cost and quality data available to both you and your employees.

Consider modifying your benefits plan to provide incentives for employees and their families to access care from transparent providers.

Visit a local hospital or surgery center to discuss or consider tapping a third-party TMM vendor in your region or may expand to serve your employees.

Additional Resources

Please go to healthrosetta.org/health-rosetta for ongoing updates, including lists of TMM organizations, case studies, best practices, toolkits, and more.

CASE STUDY

ENOVATION CONTROLS

When you think of innovative organizations that provide a best-of-breed health benefits package and spend far less than peer organizations, you wouldn't necessarily think of small manufacturers in Oklahoma, where as much as 75 percent of the population doesn't have an established primary care relationship. Yet Enovation Controls, a provider of products and services for engine-driven equipment management and control solutions with about 600 employees, has managed to save approximately $4,000 per covered life each year by working with a transparent medical market (TMM).

A TMM puts together a network of the highest-value providers for different kinds of care and gives self-insured employers a set of fair and fully transparent pricing—typically a bundled price—for medical services/procedures ranging from a specific treatment (e.g., knee replacement or coronary stent) to a specific condition (e.g., diabetes or kidney disease) across multiple providers, and sometimes, multiple settings.

Enovation Controls chose The Zero Card to manage their TMM. They achieved a 70 percent participation rate among eligible plan members, focusing on high-cost services like surgeries and imaging. Justin Bray, Enovation's vice president for organizational effectiveness and human resources, attributes the high rate to two primary factors.

1. **Communications** – During the rollout of the TMM, Enovation shared their current health care costs with employees, along with the consequences for the company and each individual. They then compared those costs with the costs of care under specific scenarios with TMM. The message: We've found a better way. Most people were shocked by the vast price disparity and that lower-priced providers often delivered the highest quality, in part because these doctors perform a given procedure more frequentlly, improving with repetition and letting them operate efficiently with fewer errors and expensive complications.
2. **Ease of Use** – Employees have access to a single app or phone number that directs them to network providers where they can get care with zero out-of-pocket costs. Instead of dealing with a mountain of bills and paperwork following the procedure, they receive a thank you survey to ensure the experience went well. As Bray explained, this is particularly critical as surgeries and imaging are some of the highest-cost items they have to cover.

Because of the focus on higher-cost items, Enovation has achieved well over 90 percent of projected savings, even with less than 100 percent participation. The calculation of those potential savings compared the historic "allowable" amount from the company's claims history with a true market amount through the TMM network, that is, what a provider would accept if you showed up with a bag of cash for a bundled procedure such as a total knee replacement.

The savings over historical allowable amounts from their traditional PPO network ranged from 21.92 percent to 81.28 percent, with an average of 59.23 percent.

Here's an example of a line item for one procedure for one employee.

"Spinal fusion except cervical without major complications"

Historic allowed amount	$129,138
TMM network	$38,000
Savings	$91,138

Bray shared what this meant to one employee who came up to him at a high school football game to say thank you. This person had recently had expensive surgery and didn't have to pay a dime out of pocket—no bills, no explanations of benefits, no anything. On a $30,000 salary, the maximum allowable out-of-pocket cost of $2,500 under the previous health plan would have been a financial disaster, the employee said.

Enovation Controls Employee Monthly Premium Costs

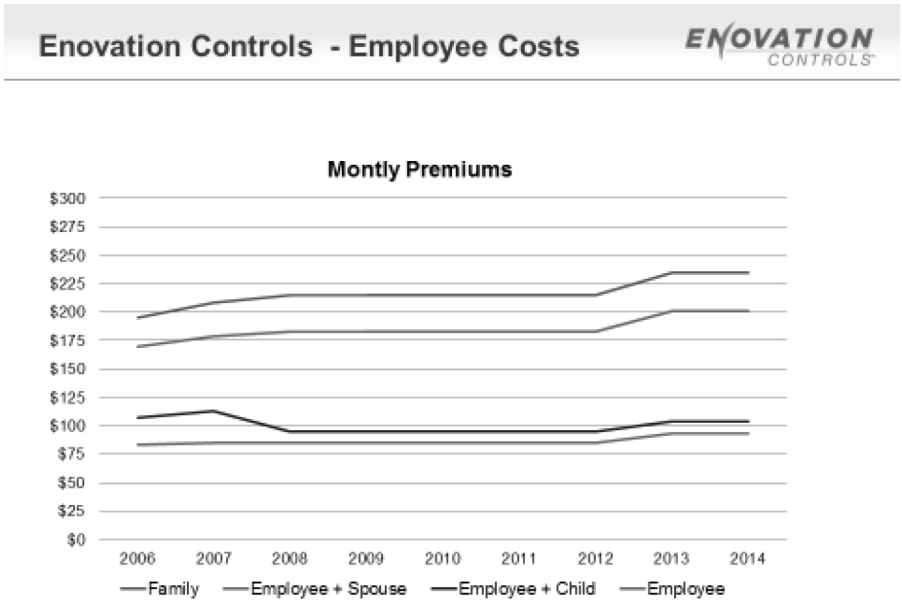

Figure 10. Summary information provided by Enovation Controls.

Like every other health care purchaser, Enovation Controls knows that tackling high-cost procedures is central to slaying the health care cost beast. Its TMM program even extends to items like complex cardiac and neurosurgical procedures, for which employees have access to the same centers of excellence facilities as large employers, such as Cleveland Clinic. Whether the Cleveland Clinic or a local surgery center, high-quality providers are

happy to provide a deep discount in return for more business, less hassle, and avoiding claims processing and collections processes. Once the procedure is complete, the provider gets paid within five days for the full bundled price.

Plus, the bundled prices frequently carry warranties, meaning post-surgical complications within 60 to 90 days are addressed at no charge—another bonus for employers.

Using data from Mercer, Enovation Controls estimates that they save $2 million on health care every year, compared with peer manufacturing organizations. For a relatively small company, this is a highly meaningful amount of money, which it has been able to reallocate to increased R&D. While companies in their sector typically spend 4 percent of annual revenues on R&D, Enovation spends 9 percent, helping it stay ahead of the competition and attract and retain the best engineers.

Enovation Controls per capita spending

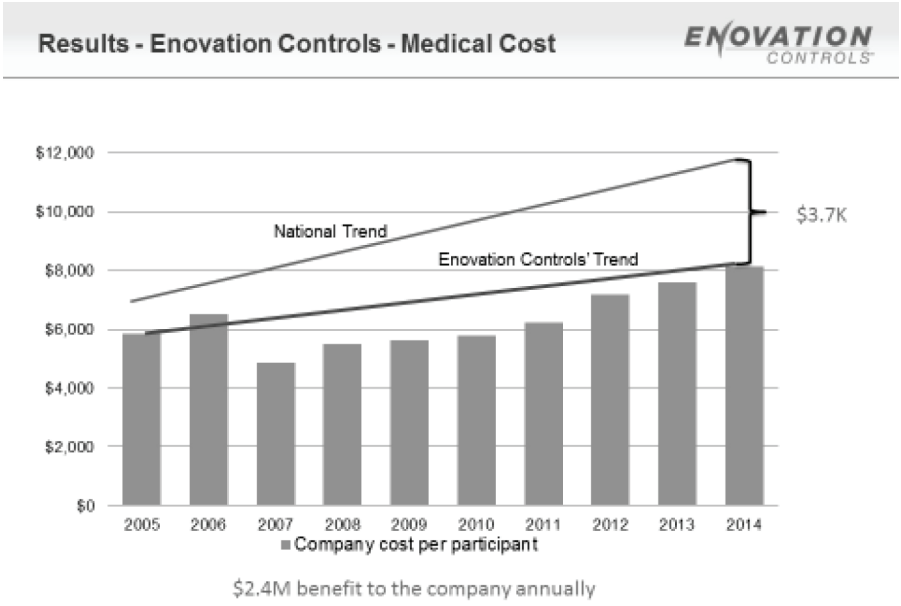

Figure 11. Summary information provided by Enovation Controls.

When a small manufacturer with few dedicated resources can pull this off, it begs the question why every employer or union isn't doing the same. Smart employers like Enovation Controls demonstrate that it's possible even in a state with some of the highest obesity rates and overall health care costs. Since a new primary care model or TMM can be implemented at any point in a benefits cycle, there's no need to wait until renewal.