

Eight Ways to Change the Price of Employee Health Care

1 Pool Your Purchasing Power for Negotiating Clout.

Use a not-for-profit cooperative or coalition model to pool together to negotiate direct contracts with local doctors and hospitals.



2 Compare What You're Paying to Medicare Pricing.

Want to know if the price is fair? Compare what you're paying to what the U.S. Center for Medicare and Medicaid Services (CMS) pays. The CMS system aims to cover the cost of care. A common goal for purchasers is paying the CMS price plus a small, set percentage to allow a reasonable return for health care providers.

$$\text{CMS Price} + \text{Profit Allowance} = \text{Fair Price}$$

3 Stop Aiming for Discounts. Start Using Reference-Based Contracting.

Health care prices vary wildly in ways that often have no relationship to quality or value. That makes it hard to know how much you're saving by getting a percentage-based discount off the "standard" price.

Instead, you can base your negotiations on objective price comparisons. CMS prices are one option; another is comparing charges on claims paid to local providers to determine a fair price.



4 Buy Bundled Care.

A bundle means you:

- 1 Pay a single price for many services that are part of a surgery or test.
- 2 Know the price in advance.
- 3 Often get significant savings.
- 4 Can offer incentives to reward employees who pick bundled care.



5 Seek High-Value Care.

Seek out care with the right combination of quality and cost by:



Identifying "centers of excellence" for specific surgeries or tests. *QualityPath* from The Alliance identifies hospitals, doctors and clinics that meet national measures of quality and then negotiates a bundled price with a 90-day warranty.



Offering second-opinion services to help employees choose the right level of care when they have a serious medical condition.



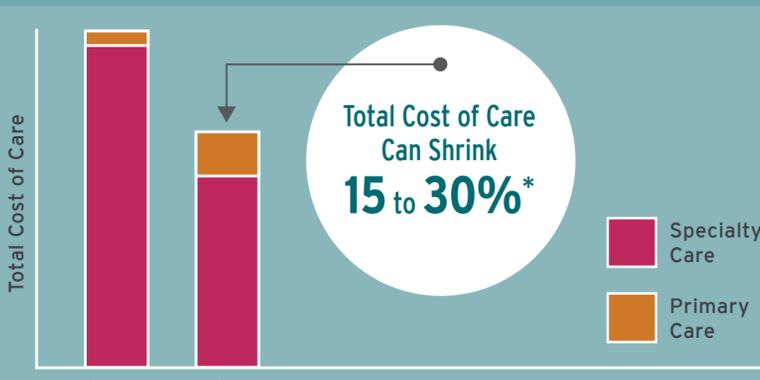
Using Hospital Safety Grades to identify hospitals that have fewer preventable medical errors.

6 Connect Employees to High-Value Primary Care.

Employers can link employees to high-value primary care at onsite clinics, shared-site clinics or direct primary care clinics. High-value primary care offers longer appointments, quick access to care, evidence-based medicine and referrals to high-value specialists when needed.

You'll spend more on primary care, but less on overall care. In as little as 12 to 18 months, savings can reach 15 to 30 percent of an employer's total cost of care.

Total Spend Goes Down



But primary care's share increases. Cost savings typically begin in 12 to 18 months.

* Source: Dr. Michael Tuggy, "Cutting the Tie Between Primary Care and the Fee-for-Service Model," The Alliance blog, www.the-alliance.org/blog

7 Use Transparent Partners.

When partners are transparent, you have a clear understanding of their financial incentives, their business relationships and their methodology. Weigh the transparency of critical partners, including your agent/broker and your pharmacy benefit manager (PBM)**.

Your goals should always outweigh their financial incentives.



** Source: Health Rosetta, <https://healthrosetta.org/learn/health-rosetta-vs-status-quo/>

8 Innovate

The first seven ways to change what you pay were all driven, in full or in part, by employer innovation. Employers continue to lead the way in changing how businesses pay for health care. Get started today.



The Alliance Brings Employers Together to Control the Long-Term Trend of Health Care Costs.

Get the help you need with:



Data to understand your spend and rein in your trend.



Negotiating power to impact the local and regional markets where your costs matter.



A platform for innovation in self-funding and benefit design.