



Delivering Value to Health Clients Through Reference-Based Pricing (RBP)

Prepared in Partnership between Aon STG and Imagine360

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KEY FINDINGS

- 1) A RBP program is a viable solution to assist Plan Sponsors in making their health plans more affordable for both the sponsor and its plan members.
- 2) A focused employee communication and education plan is vital in establishing a successful transition to RBP.
- 3) The majority of medical facilities accept RBP reimbursements as "payment in full" as facility balance bill rates for the Imagine360 Book of Business have declined substantially.
- 4) Properly implemented, RBP programs may improve member plan satisfaction as compared with other traditional program offerings.
- 5) Imagine360 has utilized its long tenure and experience in this field to deliver a positive experience both financially and operationally for its Plan Sponsors and their members.

INTRODUCTION

Reference-Based Pricing strategies continue to grow and proliferate as a premier cost containment methodology in an accelerating healthcare cost environment. Additionally, alternative payment systems and structures are proving effective, in limited sample sizes, in addressing the ever-growing affordability problem. Yet not all these solutions are created equal. Imagine360, the creator of the RBP model through its precursor company ELAP Services, continues to be one of the largest, most

innovative and flexible models in the burgeoning RBP market. Size and experience matters. Industry leaders and innovative disruptors alike are turning to RBP as a lead product for future healthcare benefit delivery strategy. As the only integrated health plan offering RBP to self-funded employers, Imagine360 continues to be the "Partner of Choice" for the majority of these benefit advisors.

Imagine360, the creator of the RBP model, continues to be one of the largest, most innovative, and flexible models in the market **17+** years of experience

As market leaders in their respective roles, Aon and Imagine360 have launched a working partnership. The following is a review of the initial Aon/Imagine360 program results and learnings. Additional commentary is provided based on market level data and Imagine360 experience over the last 17+ years in delivering RBP solutions to the healthcare benefit marketplace. This white paper helps serve as a roadmap to help better understand Imagine360, dispel myths, as well as to set expectations and goals both financially and regarding the member experience. In addition to the Aon based results, overall Imagine360 results will be provided as they correlate to the Aon customer experience with a goal of assisting employers in the operation of their health plan or as a tool to enhance their health plan offerings.

FINANCIAL BENEFITS OF RBP

First, let's consider the financial benefits to the Medical Plan and its members. RBP with Imagine360 will save the plan money as compared with traditional managed care solutions (PPO/EPO Networks). Two recently published studies released in May 2024 by the RAND Corporation and Axene Health Partners, funded by Imagine360, corroborate this statement.

19.8% average savings
on Medical Claim Spending

The Axene study demonstrated that Imagine360 saves an average of 19.8% on plan medical claim spending. This correlates closely to Imagine360's estimated savings range on medical claims of 15-30%. Further, RAND Corporation found that employer plans on average paid 256% of Medicare for hospital-based services as compared with Imagine360's average reimbursement rate including fees of 140% of Medicare. Please refer to "Assessment of Value for Imagine360's Integrated Health Plan" published by Imagine360 in May 2024 for more details.

\$37.2M
Initial Aon/Imagine360 Customers Savings
35% savings achieves
25% reduction of overall plan costs

The two initial Aon/Imagine360 customers, with a combined total of approximately 11,050 covered lives saved \$37.2 million on a projected traditional network carrier spend of \$105.9 million. This analysis included network and RBP (Imagine360) fees and was intended to assist the two

clients properly management and administration of their plan and as a tool to enhance their health plan offerings. The percentage savings achieved exceeded 35% of projected pre-RBP medical claims spending and reduced overall plan cost by over 25%! Additionally, projected trend for 2024 and forecasted spending were increased by approximately 3% as medical prices are not subject to the hyper-inflation that has contributed to skyrocketing traditional cost and high single to double digit trend increases.

As plan member affordability continues to challenge plan sponsors, many mature Imagine360 customers have started using plan savings to reduce member premium contributions, lower deductible and out of pocket costs, and in many instances applied both strategies. A popular strategy among RBP plan sponsors to enhance their health plan offerings has been to eliminate premium contributions for employee only coverage. It has been especially true of employers with significant lower to middle income wage earners who have been squeezed financially both by insurance costs and an excessively high general inflationary environment. It is positively impacting all levels of the workforce from blue through white collar populations whose household budgets are significantly strained. Additionally, affordability has been positively impacted by the mere fact that RBP eligible charges at facilities are greatly reduced, thus minimizing the amounts plan members pay through plan benefit cost sharing (Deductible/Co-insurance).

The two initial Aon/Imagine360 customers have successfully stabilized premium cost sharing, and both are actively enhancing member support through the addition of new programs. The purpose of these

programs are to enhance and improve the customer experience, provide targeted clinical management of chronic and pre-chronic conditions, and wellness solutions. One customer has utilized the savings from the Imagine360 RBP program to purchase eight additional programs. Investing in clinical programs, quality of care improvement and enhanced provider access will further control medical plan spending and provide better health outcomes for plan members.

Aon has a vast array of fully vetted cost containment solutions which can be deployed to assist in achieving additional efficiencies for plan sponsors and their plan members. Imagine360 also offers an arsenal of additional services which are fully integrated within their service platform. These programs are designed to enhance member experience and create further financial efficiencies beyond the basic benefits of the RBP strategy. As such, the RBP program and other associated cost containment programs deliver both short-term value and long-term stability for health plans. This is a recommended strategy for making plans truly affordable for both Plan Sponsors and plan members.

MEMBER EXPERIENCE AND SATISFACTION

Yet some will claim that there are hidden costs and massive unwanted disruption in employing an RBP strategy with Imagine360 or any other vendor offering this type of solution. Let's begin with some basic facts regarding Imagine360 as the basis to suggest that savings and improved member experience are not mutually exclusive. Imagine360 currently enjoys a top tier NPS score of 78 compared with a health insurance carrier industry average score of 27. Additionally, Imagine360

carries a hefty 98% Member Satisfaction score² and has attained a customer retention rate in excess of 90% in each of the past five years. If RBP is so disruptive to plan members and corrosive to the business of the Plan Sponsor, how could these levels have been achieved? As with many new ideas and radical deviation from the status quo, perception is often very different from reality.

The detractors of Reference Based Pricing generally cite two theses as their basis for disdain. These missives and warnings are often issued with either no accurate or limited and often misleading factual support. The first thesis is that plan members face the risk of balance billing by facilities and providers who refuse to accept RBP payments. Further, detractors of RBP warn of bill collection efforts and subsequent credit impairment. The second thesis, and the balance billing issue would be a part of this, is that the RBP program will be so disruptive to plan members that the Plan Sponsor will no longer be an "Employer of Choice". As a result, the Plan Sponsor will experience massive recruitment and retention issues thus significantly damaging the core business. Additionally, there are concerns that the utilization of healthcare services by plan members will be so difficult that members will be reluctant to seek care when needed and thus will incur significantly greater cost to the medical plan in subsequent years as a result of this delayed or "rationing" of prudent and needed utilization of healthcare services.

The following is a quantitative review of these concerns, where data is available followed by a qualitative review. Each of these will cite the experiences of the two initial Aon/Imagine360 RBP customers.

What about balance bills? This is often the first line of defense against RBP by the indolent and uninformed. First, the Reference Based Price is often being applied to facility-based services and associated charges.

78 NPS Score

10-15% of medical plan claims are incurred at healthcare facilities. Over the past 6.5 years (2018-June 2024), more than 90% of the facility-based payments made by Imagine360 have been accepted as payment in full.

The two Aon/Imagine360 clients experienced a facility balance bill rate of 3.9% (629 balance bills of 15,935 billings) which was very much in line with Imagine360's historical rates. Interestingly, the Aon Plan Sponsor who facilitated a more comprehensive member education and communication strategy during RBP program implementation experienced a balance bill rate of 2.3% compared to 4.1% for the Plan Sponsor who delivered a less comprehensive approach (this will be further explained in more detail below). Considering again that facility-based claims represent 10-15% of total plan claims incurred, the total aggregate balance bill rates are now well less than 1% of total submitted claims.

Facility balance bill rates have dropped from **10.5%** in 2018 to **3.6%** in 2024³.

Or 1.4% when including both Facility and Professional.

What happens when balance bills do occur? Although, as demonstrated above, the percentage of claims subjected to balance bills is small, this provides little solace to a plan member presented with a bill. It can be

quite stressful without the proper support and guidance. Under an RBP program, Imagine360 is dedicated to resolution of all balance bills received by plan members. The only responsibility of the plan member is to notify Imagine360 of the balance bill received and to provide permission for Imagine360 to intercede on their behalf. At that point, Imagine360 assists in managing the entire process on behalf of the member, which ranges based on the nature of the dispute. The response may include communications with the provider, appeals handling, negotiations and potential settlements, and potential legal defense. Having access to legal defense at no additional cost for the life of the disputed balance is a major differentiator in the delivery of RBP advocacy with Imagine360. As a final note, plan members of traditional medical plans receive inaccurate and erroneous balance bills from medical providers on a regular basis yet have no support system and lack any support in billing disputes.

Beyond balance bills, the other source of contention regarding RBP disruption is access to care. Although there have been some pockets of local resistance to accepting patients covered by an RBP plan for elective procedures in some geographies, very few facilities across the country have refused to accept patients covered by Imagine360. With the longest history and greatest volume of facility service billings subject to RBP pricing, Imagine360 conducts "Market Analysis" reports for each potential customer that detail historical provider acceptance rates and identify potential areas of disruption. As such with proper education and communication, Plan Sponsors understand which, if any, facilities may prove to be a challenge for their plan members. At that point, strategies for alternative contracting

(direct contracts or single case agreements) as well as proactive outreach to potentially problematic facilities can head off access issues, minimize disruption and improve member satisfaction. Imagine360 can also deploy High Performance Facility agreements through Imagine Health in 13 metropolitan markets and deploy physician only networks through Partners Direct Health and other supplemental networks where needed or complimentary to the Partners Direct contracts.

Based on the consistency of the percentage of large claimants (excess of \$100,000) to members with claims and the relative consistency of large claimant severity (% of claimants excess of \$100,000 that exceed \$500,000), any provider disruption experienced by Imagine360 RBP members has not appeared to defer care due to access issues. As such, members are seeking care at appropriate rates and are not incurring higher costs later due to unnecessary and inadvisable delays in receiving care. Imagine360 has measured customer large claimant rates on its Book of Business from 2019 to 2023. Ignoring 2020 as an outlier year due to COVID-19, which saw significant drops in both the percentage of large claimants and the severity of same, volumes of large claimants were relatively stable at approximately 38% from 2019-2022. 2023 has seen an increase in this percentage to just under 41.5%, yet severity reduced from 3.4% in 2022 to 2.9% in 2023, which was also consistent with the severity percentage of 2.7% in 2021. Throughout the period, large claimant volume and severity have been statistically stable despite compounded Medicare facility reimbursement inflation of approximately 19%.

TRANSITION TO RBP

So why has the transition to RBP among benefit advisors, Aon included, been so difficult to achieve at substantial scale? Certainly, most people are fearful of change and significant change is most often met with great trepidation. Yet real and substantial improvement generally requires setting a brand-new course in an often untested direction.

In order to achieve success, significant change must be accompanied by a comprehensive and committed change management strategy. As the most experienced and largest company providing RBP solutions, Imagine360 has a comprehensive and proven playbook which assists benefit advisors and Plan Sponsors navigate successfully through the changes that are unique to implementing an RBP program. Two areas are of critical importance in deploying this strategy. The first is the support and commitment of the Senior Leadership team of the Plan Sponsor. The second is a comprehensive education and communication plan developed to support plan members not only through the transition but ongoing throughout the change and acclimation to the RBP program.

Areas of critical importance for RBP:

The support and commitment of the Senior Leadership team of the Plan Sponsor and a comprehensive education and communication plan

Transition to and acceptance of new RBP programs by plan members is greatly enhanced when Senior Leadership of the Plan Sponsor not only fully supports the program, but also communicates directly with the plan membership. Senior Leadership must believe that the current

delivery system does not work well for their medical plan and the plan membership. Leadership must also believe that there is a better way to administer their health plan. This is not simply a change to a new carrier or a slightly new plan, but rather a wholesale adoption of a new system of operation designed to not only stabilize costs, but to deliver a better experience. Where this is openly and frankly communicated by Senior Leadership, the transition to RBP has been much more successful from the outset.

With the two initial Aon/Imagine360 customers there were different levels of Senior Management support. The customer who openly supported and communicated the program to the plan membership encountered far less disruption and enjoyed greater satisfaction among plan members. Where strong Senior Leadership support was demonstrated, an employee survey conducted after year one in the program indicated the following: overall, there was high satisfaction with the medical plan, an improved member experience, and very little difficulty with bills or receiving care. Senior Leadership committed to the program, encouraged engagement, and supported a comprehensive member communication and education program. These efforts have yielded significant benefits, as the Human Resources team has not encountered any further challenges with recruitment or retention. They have also been able to manage the program without allocating additional resources. The team believes that the RBP program is providing an excellent experience for members while effectively controlling costs for both the medical plan and its participants, alongside strong member satisfaction.

Interestingly, the other Aon/Imagine360 customer's Senior Leadership team challenged its Human Resources team to stabilize medical plan costs without damaging recruitment or retention. Yet, once the decision was made to move to the RBP program with Imagine360, Senior Leadership did not deliver true commitment to the program. As such, although the customer is still committed to the RBP program and Imagine360 and would have made the same decision to adopt an RBP program in retrospect, there were initial disruption access issues and some internal management issues/concerns. At this point, the Plan Sponsor realizes that it did not do enough on the front end and is taking action to improve the employee experience. As a result of less than robust commitment from Senior Leadership and a limited member education and communication campaign, the Human Resources team has needed to dedicate team members to support member calls and to retrain the membership as to how the program is meant to operate. Aon/Imagine360 have been extremely supportive of the improvement processes, and proactive in approaching the Plan Sponsor with additional programs and ideas to assist in optimizing plan performance on behalf of the members.

As mentioned earlier and interwoven a bit in the last three paragraphs regarding Senior Leadership commitment, a comprehensive communication and education campaign is also crucial for RBP program success. Where the Aon/Imagine360 customer committed to a comprehensive and thorough educational process, limited disruption and member satisfaction followed. Imagine360, as the longest tenured and largest RBP provider, provides tremendous amounts of experience, healthcare provider data and healthcare

provider contract support designed to educate the Plan Sponsor and its plan members on how to minimize disruption and how to be a more effective utilizer of healthcare services. As part of its education/communications campaign, Imagine360 on behalf of Aon and its customer, reviewed prior utilization data and was able to report provider acceptance rates of RBP reimbursement, identify key providers for proactive, pre-service communication, update all prior authorizations and recommend certain provider access contracts that would ensure a positive member experience while maintaining the financial advantages promised with the RBP program. Additionally, the Aon/Imagine360 customer heavily promoted the Imagine360 member navigation and advocacy program. The Imagine360 navigation team has since been viewed by the Human Resources team as very helpful in minimizing member disruption as well as continuing to educate plan members on utilization best practices.

Where the Aon/Imagine360 customer did not significantly avail themselves of educational services available from Aon and Imagine360 and lacked in a committed strategy up front, they are playing “catch up” to improve the plan member experience. Yet, with the renewed efforts described above, recruitment/retention issues have stabilized.

The experiences of the two initial Aon/Imagine360 accounts demonstrate that when RBP programs are implemented optimally, they provide cost savings for the Plan Sponsor and its members and enhance the overall member experience. Even in suboptimal conditions, as evidenced here by one of the Aon/Imagine360 initiatives, cost savings were substantial and the

member experience, although not as good as hoped, warranted a rededication of effort to find improvement. In fact, that customer views Imagine360 as a fantastic partner and that the transparency of costs inherent with RBP as a refreshing change from the traditional opaque solutions. Imagine360 has curated a vast array of programs and infrastructure designed to allow premium employee benefit advisors, such as Aon, to deploy RBP program solutions that deliver financial efficiency and member satisfaction for Plan Sponsors looking to break away from traditional malfunctioning delivery models.

CONCLUSION

Imagine360 has developed a comprehensive analysis model for benefit advisors, aiding in the identification of the most suitable Plan Sponsor candidates for RBP adoption based on factors such as industry, geography, and enrollment size. However, this analysis should be just one component of a broader evaluation when assessing the potential success of an RBP program for a Plan Sponsor. As emphasized throughout this discussion, the presence of a progressive and innovative leadership team is essential for achieving true success. Many Plan Sponsors are increasingly concerned about the immediate and long-term affordability of healthcare for their plans and members. Consequently, a significant number are willing to invest the necessary time and effort to ensure the success of a more effective delivery model. As demonstrated by the experiences of the two initial Aon/Imagine360 customers, RBP has shown itself to be a viable and successful model that Plan Sponsors are eager to explore when presented effectively.