



WHITE PAPER

Reimagine Your Health Plan, Reinvest in Employees

How Innovative HR Departments are Rethinking Employee Benefits

What If You Had the Budget to Invest More in Your Employees?



The price of healthcare is soaring.

Every year, employers have no choice but to pass those rising costs along to health plan enrollees.

Or do they?

Learn how HR leaders are reforming their health plans, pushing back against inflated pricing – and increasing rewards, rather than costs, for their employees.

In the Words of Your Colleagues



“When we save money in any way, including healthcare, the business has more opportunity in everything it wants to pursue.

*Ray Bowman, Ph.D., Senior Vice President of Talent and Team Development,
MarineMax*



Taking on a Dual Challenge:

Expensive Healthcare + Workforce Shortage

Inflation is causing prices to escalate in nearly every industry. Healthcare certainly is not immune: CMS projects that rising costs of labor and supplies will continue to drive healthcare pricing increases in 2022, according to *Modern Healthcare*.

At the same time, a historic labor shortage is in play. Health benefits are an important piece of the attraction and retention puzzle. But it's getting harder for employers with traditional PPOs to keep premiums, deductibles and other out-of-pocket expenses at an affordable, stable level for covered employees.

Lack of Transparency: What's the Actual Cost?

When your PPO renewal reflects a 5%, 10%, or even 15% increase every year, it begs the question ... what are you actually paying for? Why are costs rising so sharply? When it comes to determining the true cost of individual health services, companies with traditional health plans navigate some pretty murky waters. Detailed utilization and cost data isn't available in commercial health plans, and the cost of procedures and services can vary widely. While regulations have been passed which obligate hospitals to report actual costs of care, many hospitals ignore these transparency requirements or provide minimal data that is not useful to consumers.

Here are two examples of widely variable and confusing charges:

- A patient was admitted to the hospital for a mini stroke and was mistakenly charged for an overnight stay in the burn unit which cost \$20,013. An Imagine360 audit caught this error, but if the patient had a traditional PPO plan, chances are the error would not have been caught and the plan and patient would be on the hook for the excessive charge.
- Within one California health system, the reimbursement for a C-section fluctuates from just over \$6,000 to just over \$60,500 in one hospital, depending on who the payor is (e.g., Medicare, employer plan).*



Price Range for a C-section at 1 California Hospital

\$6,000 ————— **\$60,000**

depending on payor (Medicare, employer sponsored plans, etc.)

* Health Care Cost Institute (HCCI)

A Historically Competitive Hiring Landscape

Concurrent with increasing costs of healthcare, a historic labor shortage spurred by pandemic-related factors persists. Record numbers of employees left their jobs in late 2021 and early 2022, according to data from the Bureau of Labor Statistics, leaving 11.3 million jobs open in the U.S. Moreover, many American workers are choosing to stay on the sidelines, citing stagnant wages, lack of employer concern for health and safety, and lack of flexibility.

Recruiting and retaining employees right now is a big challenge. Employers are scrambling to meet workers' shifting expectations, hoping to attract candidates by offering greater flexibility, increased wages and opportunities for growth.

According to a study by Pew Research Center, 43% of workers who quit their jobs in 2021 cited lackluster benefits as a major reason for leaving. And with the high out-of-pocket costs associated with commercial health plans, many U.S. households just can't afford to enroll, according to a Kaiser Family Foundation analysis.

How Innovative HR Leaders are Taking on this Dual Challenge & Reaping the Rewards

Employees are more open to new approaches to offsetting healthcare costs.

Healthcare consumers are frustrated. According to Kaiser Family Foundation, nearly half (46%) of insured adults report difficulty paying their out-of-pocket costs. What if you could offer your employees a more affordable choice? What if you could offer them personal service to help them get affordable quality care?

Here's the formula for success:

- 1. Make Healthcare Benefits More Affordable with Reference-Based Pricing**
- 2. Reinvest Healthcare Savings into Better Benefits**
- 3. Empower Your Workforce to be Smart Healthcare Consumers**
- 4. A Full-Service Health Plan with the Savings of Reference-Based Pricing**



If you can reimagine your health plan to save employees money and offer them additional rewards, your benefits package can be a major boon to recruiting efforts.

1 | Make Healthcare Benefits More Affordable with Reference-based Pricing (RBP)

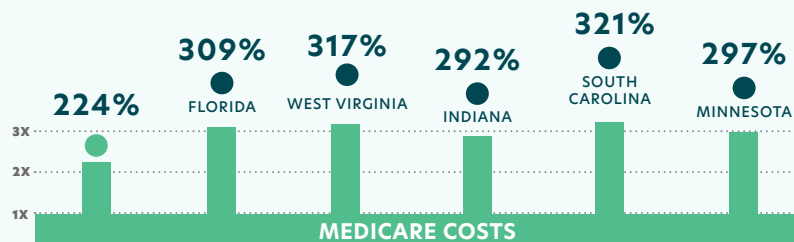
It's true that traditional health plans like PPOs offer a level of convenience and comfort. You get a fixed network of providers who the insurer contracts with to reimburse a percentage of billed charges. Negotiated rates typically range from about 45% to 60% off the facility chargemaster.

The drawback, of course, is that without the insight and transparency into what the service actually costs, let alone the lack of time and resources, HR departments really have no leverage to negotiate the provider prices on which those reimbursement rates are based. Suddenly, 60% discount applied to an upper-range charge doesn't seem like such a great deal.

In fact, a 2022 RAND Corporation health study illustrates that employers have been paying unfairly because of their inability to negotiate directly with hospitals. The study found that, on average, employers pay 224% of what Medicare would have paid for the same services at the same facility.

Commercial plans pay 224% of Medicare, on average. With some states paying even more.

Price protection equals major savings for employers and their employees.



Source: Prices Paid to Hospitals by Private Health Plans, RAND Corporation, 2022.

"The widely varying prices among hospitals suggests that employers have opportunities to redesign their health plans to better align hospital prices with the value of care provided," concluded that study's lead author.

Self-funded employers are seeing their costs reduced by as much as 30% when they implement a reference-based pricing solution. With the strong competition for talent, employers are reinvesting the substantial savings into better benefits.

Reference-Based Pricing: Ensure Employees Pay a Fair Price for Healthcare

Innovative HR organizations are realizing they have a viable choice that empowers them to push back against rising healthcare costs. Instead of breaking the news to employees that their premiums are once again increasing, they're able to reinvest the savings achieved by utilizing RBP back into the employee benefits packages, offering more competitive raises and increased total rewards packages.

These HR leaders are reimagining their health plans with fresh cost-saving strategies, leveraging RBP to ensure that employees are paying a fair price for their healthcare.

Unlike traditional PPOs, which focus on the chargemaster rate billed by the provider, RBP focuses on the actual cost of services. RBP plans typically use Medicare reimbursement rates as a benchmark and add a reasonable profit margin. (Some RBP solutions look at the actual cost of the service as reported by the hospital to ensure the provider is reimbursed fairly.)

For example, the fee for a CT scan in the U.S. varies widely among hospitals, from a few hundred dollars to upwards of \$6,000. Medicare pays about \$200. With RBP, an employer could pay about \$240. With a traditional PPO model, claims are typically paid on a percentage of charge. That means a 50% discount in charges can still result in a bill for thousands of dollars, as illustrated by the table below:

Comparing CT Scan Charges and Payments at Two Chicago Hospitals

 Hospital Price	 PPO Plan Payment	 RBP Plan Payment
\$2,003	\$1,000	\$180
\$4,451	\$2,200	\$195

And what about balance bills – when a provider bills the patient for the difference between the payment and what they were charged? The best RBP vendors will handle communication with providers when balance bills occur, so all the employee needs to do is provide any information needed for resolution.

In the Words of Your Colleagues



“We added a very robust telemedicine plan. We increased our vision, our dental, and added orthodontia, all without increasing the cost to the employee.”

Steve Decker, Senior Vice President and General Counsel, DOW Technologies

2 | Reinvest Healthcare Savings into Better Benefits

Many employers who make the switch to RBP are realizing savings that often total in the millions. By reining in costs, they can offer the kinds of rewards and benefits that create positive impacts on employees' lives - and help the organization remain competitive from a recruitment and retention standpoint.

Several HR departments offering RBP health solutions are reinvesting in their employees by:

- Limiting increases to co-pays and deductibles - or even reducing those costs for employees. That was the experience of boat retailer MarineMax, which reduced its deductibles for the first time in 40 years after switching to RBP.
- Paying higher salary increases.
- Expanding benefits and offering new creative perks that employees want.
- Adding on-site medical care

Benefit Enhancements & Perks for Employees



Daycare subsidies and other parental benefits



Enhanced wellness programs



Rideshares to work



Tuition forgiveness



Expanded mental health coverage

In the Words of Your Colleagues



"The plan's transparent reporting showed that only 15% of our employees were actually using the wellness benefits. It was very concerning to us that our employees weren't taking care of themselves, so we decided to bring healthcare to them with a mobile walk-in clinic that is literally on-site."

Stephanie Koch, Director, Human Resources, Hendry Marine Industries

How Signature HealthCARE Turned Recruiting Around

With \$11+ million in health savings, employees reap new benefits

Since its inception, Signature HealthCARE, which offers integrated services in the long-term care industry, operated under the self-funded health insurance model. But lack of transparency regarding contracts between the carrier and providers became an issue, as did drastically increasing healthcare costs.

Then in 2016, the company was forced to increase premiums and deductibles for employees, resulting in less-than-attractive benefits packages. Staffing took a hit, particularly nurse positions. Realizing that its current health insurance plan was hurting the business, Signature HealthCARE investigated reference-based pricing (RBP) as a way to contain costs.

Signature chose the leading RBP solution, which considers both the cost of the service and the Medicare reimbursement rate to determine a payment that is fair and reasonable for employers, members and health systems.

In 2019, the organization gave employees the option to choose benefits through the RBP solution or through a traditional PPO plan, also known as a “dual option” plan. Employee cost share was higher on the PPO plan and lower on the RBP plan. More than 70% chose the RBP plan, and that’s when the savings took off, reaching \$11 million by the end of the year.

The company has used healthcare savings to reinvest in compensation, while improving benefits. They’ve also seen a 20% reduction in deductibles and premiums. And about that staffing shortage? Signature HealthCARE has more than doubled the size of its staff each quarter since introducing its enhanced benefits package.

At a Glance:

INDUSTRY

Long-Term Care

COVERED EMPLOYEES

5,500

148 LOCATIONS

in 10 States

The Give Back:

Signature’s savings enabled the following benefit enhancements in an 18-month period.

- Subsidized daycare
- Free ride-sharing to work
- Tuition forgiveness
- Rewards and recognition programs
- Enhanced wellness programs

In the Words of Your Colleagues



“Reference-based pricing has given us a pile of money to reinvest in our company in the form of compensation and benefits, and has allowed us to turn the table on recruiting, retaining and engaging our workforce.

Nick Porter, Vice President, Total Rewards, Signature HealthCARE

3 | Empower Your Workforce to Be Smart Healthcare Consumers

Despite some regulatory efforts slowly getting underway, providers show no signs of reining in costs (or offering better transparency into service and treatment charges) any time soon. It's unlikely insurance carriers will push back on inflated healthcare pricing since that isn't in their best interest.

What you should look for in your next health plan solution:

- Expert and personalized care navigation to encourage employees to see quality providers.
- Transparent reporting so you can identify gaps in care. One great example of this is evaluating emergency room utilization and if it's high, education can help employees understand what services are offered at a more affordable urgent care setting.
- Commitment to employee education (live and digital). Engaging employees and their families is important and it supports healthier, happier employees.

It's up to companies to advocate for fair pricing and empower employees to do the same, says Tracy Maloy, Chief People and Culture Officer at Innovairre, a global leader in nonprofit fundraising.

In the Words of Your Colleagues



"Businesses are some of the largest consumers of the medical field, because of our employees. We have to take control of it; we have got to push back on costs, and RBP is a way for us to push back on pricing."

Tracy Maloy, Chief People and Culture Officer, Innovairre

RBP health plans give employees more flexibility and the power to take an active role in researching the cost of services and choosing a provider. A total health plan solution like Imagine360's gives them better insight into quality data, as well.

4 | A Full-Service Health Plan with the Savings of RBP

If you've heard about RBP and how complex it is, then you haven't heard of the Imagine360 approach. It's the first full-service health plan with the savings of RBP built in. With deep expertise, Imagine360 can help you customize a plan with full administration, stop loss, pharmacy and more.

Service to our clients is our top priority. You're never on your own in this journey, starting with education to support implementation and rollout and continuing with a dedicated advocate to help employees navigate care decisions, work with licensed medical staff for chronic conditions, and assist with billing issues. It's a big reason for our 98% client satisfaction rating.

That, and the power to negotiate fair prices for employee healthcare, thanks to direct partnerships with more than a dozen health systems across the nation.

In the Words of Your Colleagues



"Healthcare is the second largest expense for our organization, and it was important to control costs while at the same time provide competitive benefits for our employees.

Jason Hamelin, Senior Financial Executive of TÜV SÜD North America

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