

# THE ROAD TO INNOVATION

**Leadership Through Experience:  
5 Key Lessons To Success When  
Implementing Reference-Based Pricing**

### **\$1,000 PER EMPLOYEE PER YEAR SAVINGS.**

This is the average savings when utilizing the status quo breaking strategy reference-based pricing (RBP). This figure was reported by Next Impact CEO Lester Morales. Next Impact, creator of RBPricing.com, is an advisory, sales, and marketing firm specializing in innovative cost containment strategies — reference-based pricing being one.

Having been a part of hundreds of clients utilizing a version of RBP, Morales is convinced that the RBP marketing place is primed for explosive growth. "With 18%–22% average savings, it will be hard for clients, and their advisors, not to start paying more serious attention to this great strategy," he says. With every NEW strategy, understanding the road to success is important. With RBP, minimizing the noise, known as balance bills, with employees while having a collaborative relationship with the facility community and saving health plan costs is the main goals of a successfully implemented RBP program.

**We're pleased to share the 5 key lessons we learned are paramount while considering the implementation of reference-based pricing.**

### **ENHANCED EMPLOYEE COMMUNICATION**

The power of personalization and technology help drive engagement, which in turn leads to better decision making. Forward-thinking employers, and advisors, included a video sample in health benefit plan materials and one-one-one meetings using an enrollment company to help support the education and adoption of this new strategy.

### **REFERENCE-BASED PRICING IN FACILITIES ONLY**

Since visits to primary care physicians and ancillary services account for about 80% of claims volume but only 20% of costs, sticking with a network approach for this part of the health plan will minimize any uncomfortable change, noise, or disruption. Using strategies like direct primary care (DPC) will be the next evolution to pair with reference-based pricing strategies.

Where RBP will have the greatest impact is with outpatient and inpatient facilities, as well as diagnostic imaging, dialysis and ambulatory services that generate roughly 80% of the costs across 20% of claims. Partnering with a proactive network that can help you minimize any "holes" in the network will be key to get decision makers, C-suite and HR, to move to an RBP solution.



## PROACTIVE AND COLLABORATIVE RBP MODEL

Another key strategy is to have pre-claim conversations about reimbursement amounts before claims are incurred. Additionally, a corridor of negotiation will increase success rates in having an agreement of reimbursement BEFORE service is rendered. With the help of an advocate or concierge, these tactics will improve patient engagement and steer them to high quality, low cost providers. This proactive strategy approach generates 99+% success rates with facilities... this means HUGE cost savings, for employers and plan members, and happy plan participants and facilities.

## RX STRATEGIES DESIGNED TO ATTACK SPECIALTY COSTS

Specialty drugs currently account for about 17% of the average employer's overall pharmacy costs, and they're rising fast. Projections have specialty drug costs increasing annually in the range of 21% to 24% over the next three years.

Some key stats:

- Specialty drugs are expected to account for half of total U.S. drug spend by 2020 even though only 1% to 2% of Americans use specialty drugs
- Specialty drug costs have increased 55% under the medical benefit since 2011 and double-digit annual specialty trend under the pharmacy benefit is the norm
- In the next 15 years, the cost to employers of providing healthcare benefits are expected to exceed wages
- And for members using specialty drugs, the average annual cost of a single specialty drug already exceeds wages

Add these facts to an innovative medical cost reduction strategy and an "status quo" Rx program seems silly. Any Rx focus needs to be on specialty drug engagement and sourcing at the lowest cost. Innovative solutions include helping with patient assistance programs, international and pharmacy tourism programs. In short, it's about finding the right drug for the right person for the right reason for the best price.

## STOP-LOSS OR REINSURANCE PARTNERSHIPS

Given the innovation these strategies create, the support of the reinsurance/stoploss markets to understand the value these strategy produce for them, the risk bearers, is paramount. From upfront discounts, dividend programs, or even full risk bearing partnerships, reinsurance/stoploss partners control the ability to proactively demonstrate the savings attributed by RBP, and the supporting strategies mention above. With this, why would you go to the same panel of stoploss providers.

In 2018, clients, and their advisors, from 33 states worked with Next Impact on understanding the value RBP could provide for them, yet not all of them took advantage of this value. We have labeled 2018 as a "tire kicking" year but have already seen the volume and adoption of RBP increase in 2019. Don't let the savings pass you by... every year costs you \$1,000 PEPY—**Can you afford NOT to explore?**

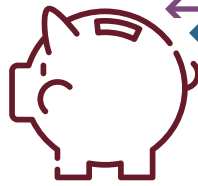
**Want to know more about potential client impact? See our infographic below on our 2018 Next Impact RBP observations.**





**\$1000  
PEPY**

Per 1,000 Employees  
RBP vs. PPO



Avg % Savings  
RBP vs PPO



Vs. Renewal



Vs. Current

## RESULTS BY INDUSTRY

As a percentage of quoted groups



**12%**

Automotive



**10%**

Construction



**40%**

Healthcare



**25%**

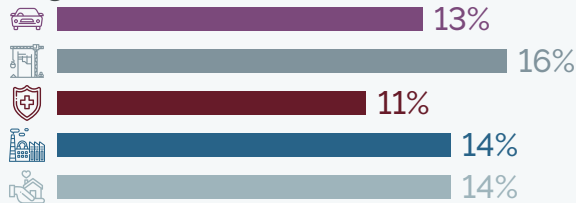
Manufacturing



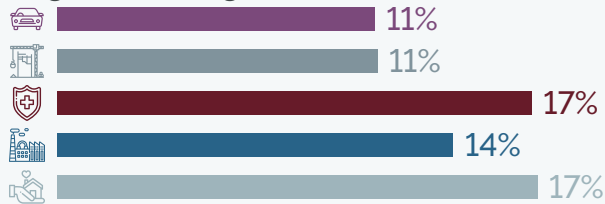
**13%**

Senior Care

Avg PPO Renewal Increase



Avg RBP Savings vs Current



Avg RBP Savings vs Renewal



## RESULTS BY COMPANY SIZE

As a percentage of quoted groups



**35%**

0-100  
employees



**41%**

100-250  
employees



**15%**

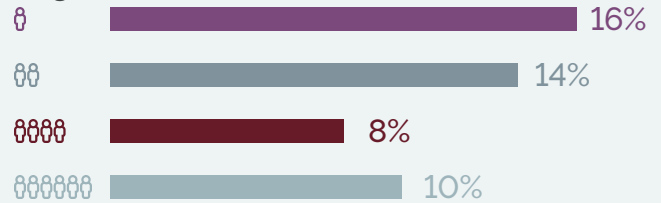
250-500  
employees



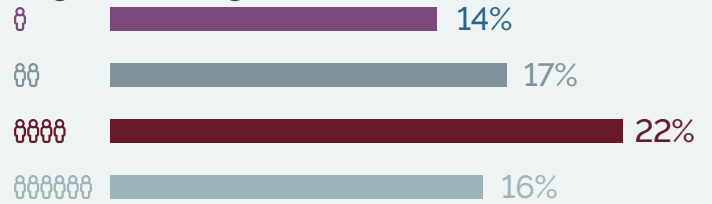
**8%**

500+  
employees

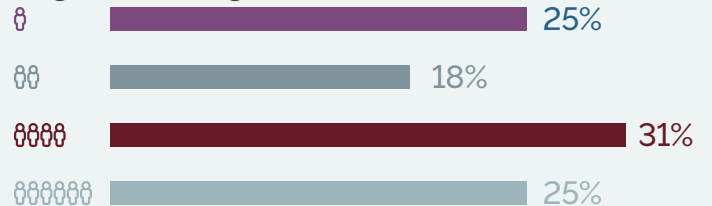
Avg PPO Renewal Increase



Avg RBP Savings vs Current



Avg RBP Savings vs Renewal



## RBP IMPACT



**97%**

Satisfied Clients  
Renewing in Year 2



**<3.5%**

Second Year  
Renewal



**0.04%**

Claims Resulting in a  
Balanced Bill



**18 States  
33 Advisers**

Proposal  
Opportunities