



# What's next for health plans?

If you aren't building a community-based health plan, you may be missing the mark.

*"I'd like to go straight to one of the Tier 1 providers. Do you know where I should go?"*

Tom, a 49-year-old electrician, has been struggling with his left knee for several years and his doctor told him he will need knee replacement soon. He's calling RiskPoint because he wants to be seen by a private practice provider that his plan contracts with, outside of the hospital system that his primary care provider referred him to. Tom knows that his health plan will waive the cost of his knee replacement completely if he uses a Tier 1 provider and he will avoid up to \$3,000 of out-of-pocket charges. His community-based health plan waives his out-of-pocket so Tom pays \$0 while the plan saves \$25,000 on unnecessary hospital charges. It's a win-win.

With facility charges averaging **40% higher in hospitals than private surgical centers**, the cost advantages are significant.

Scenarios like this are the ideal with employer plans that prioritize the local and direct relationships with private practice, community-based providers. Building a community-based health plan gives employers the ability to develop those relationships and invest in high quality providers that will contract at significantly lower rates than hospital-based providers. With facility charges over 50% higher in hospital-based facilities than private ambulatory surgical centers<sup>1,2</sup>, the cost advantages are significant. More importantly, with patients seeking lower complication rates and overall lower disease exposure in a post-COVID world, the value to employees is not just financial.

So, what is a "community-based" health plan? It can vary greatly by employer. Some community-based plans utilize full networks of providers and hospitals and supplement their plan with these direct relationships with select providers – building out their "Tier 1" to suit their employee population. Other employers choose to keep a smaller network of providers and have no network for hospitals, engaging much more with local hospital systems to provide a care network for their employees.

<sup>1</sup> Tanaka, M. J. (2019, September 1). *Ambulatory surgery centers versus hospital-based outpatient departments: What's the difference?* AAOS. Retrieved August 10, 2022, from <https://www.aaos.org/aaosnow/2019/sep/managing/managing02/>

<sup>2</sup> Centers for Medicare & Medicaid Services, (C. M. S. (2018, November 27). *Procedure price lookup for outpatient services*. Medicare.gov. Retrieved August 10, 2022, from <https://www.medicare.gov/procedure-price-lookup/>



# RISKPOINT

INSURANCE ADVISORS

In short, a community-based health plan means partnership. Partnership between the employee and their employer to work together and share in the savings. Partnership between the plan and local private practice providers and facilities to provide high levels of care to employees while employers invest in their business. And partnership with health plan advisors to keep all the pieces of these plans working together smoothly.

**If your organization is not building a community-based health plan, you are paying too much for care and you and your employees are sharing that price.**

This may seem like a bold statement, but after seeing the direct outcomes from a multitude of satisfied employees and employers, RiskPoint believes community-based health plans are the future of healthcare.

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## ***“Affordable” Healthcare and Other Myths We Believed.***

The onset of the Affordable Care Act did little to stem the increasing costs of healthcare. As deductibles and out of pocket maximums were the first to increase, employers and employees were encouraged to consider high deductible plans. But, does raising the deductible truly make employees “better consumers” with their health? According to the National Bureau of Economic Research, “The choice of provider is such that, on average, **patients bypassed 6 lower-priced providers between their homes and treatment locations.**” The study goes on to state, “[W]e show that referring physicians heavily influence where patients receive care. **The influence of referring physicians is dramatically greater than the influence of patient cost-sharing or patients’ home zip code fixed effects.**”<sup>3</sup>

Let’s think about Tom. Tom went to his primary care provider and was given a referral to a surgeon. Because his primary care was in a large clinic system, his provider is limited on where he can be referred. The provider is contractually obligated to refer Tom to a surgeon that works in a hospital system. The surgeon, in turn, is contractually required to perform Tom’s surgery inside that system. **So, without knowing it, Tom is caught in a referral pattern that he doesn’t know how to get out of.** He could ask his provider for a different referral, but his provider can’t refer him to a private practice that is not contracted with the clinic system. So, even if Tom knew which private practice physician systems offered lower costs to him, he would have to either get to that private practice physician without a referral or find another primary care provider and restart his entire process. Even if I told Tom that doing one of those things could save the plan \$25,000 on his surgery, in a traditional health plan, Tom would rather stay “in the system” than venture out with no difference in his out of pocket costs.

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<sup>3</sup> Chernew, M., Cooper, Z., Larsen-Hallock, E., & Morton, F. S. (2018, July 30). *Are Health Care Services Shoppable? evidence from the consumption of lower-limb MRI scans.* NBER. Retrieved August 10, 2022, from <https://www.nber.org/papers/w24869>





**The Value of Direct Contracting in Community-Based Health Plans.**

This trajectory led RiskPoint to look deeper into the healthcare system. With a desire to provide care in an affordable manner to patients and their employers, building community-based health plans that integrate direct contracts with local providers is the key to managing healthcare costs for the long-term.

	EMPLOYERS	EMPLOYEES & FAMILIES	PROVIDERS
<b>WHY DO YOU LOVE COMMUNITY-BASED HEALTHCARE?</b>	<ul style="list-style-type: none"> <li>Claim cost savings of 20%-30%<sup>4</sup></li> <li>Customized “network to support employees and their families</li> </ul>	<ul style="list-style-type: none"> <li>Lower per paycheck cost for benefits.</li> <li>\$0 OOP for Tier 1 services.</li> <li>Concierge-level service to guide through the care system.</li> </ul>	<ul style="list-style-type: none"> <li>No collection of deductible or coinsurance.</li> <li>Plan incentivizes employees to use providers with RiskPoint to help guide the employee and the claim.</li> </ul>
<b>WHAT ARE THE CHALLENGES?</b>	<ul style="list-style-type: none"> <li>Building this is a lot of work!</li> <li>Time is needed to partner with providers &amp; build plan design to support using them.</li> <li>You and your employees must engage with RiskPoint and the plan to drive utilization to partner providers.</li> </ul>		

Of course, we believe in these plans and the value they are capable of building for communities, but we also don’t shy away from the direct discussion of how much work these plans are to start and to maintain. However, thoughtfully designed community-based health plans offer sustainable results at lower costs.

**When do we get started?**

Organizations strategizing their plan evolution should be considering adding a community-based health plan component. While this can be staged as direct contracts are built, the first step in building a community-based health plan for your organization is shifting your focus to long-term results. RiskPoint’s expertise offers someone on your team that will guide every step of the way in building a customized and cost-effective plan for your employees. The days of paying a carrier and just trusting you are getting the best deal will be over. A community health plan provides hard savings and a clear view into the future of healthcare.

<sup>4</sup> Miller, S. (2019, May 17). *Employers Cut Health Plan Costs with Reference-Based Pricing - Capping health provider payments is gaining attention.* SHRM. Retrieved August 10, 2022, from <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/reference-based-pricing-lowers-health-plan-costs.aspx>