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bright spot

cost | payment/incentives | care across settings

Organization: Cost Control Through Reference Based Pricing Sarah Gardner, VP Benefits and Employee Relations – Prodigy Health Group

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About our organization

Prodigy Health Group provides benefits management, integrated health management, provider network services and insurance services to self-funded employers, managed care companies and insurers. Prodigy Health companies have 1870 employees nationwide and serve more than 4 million members across all industry sectors.

The problem we were trying to solve/the challenge(s) we faced

As with all employers, we were faced with the daunting task of fighting against the ever rising trend in health care cost. Our self-funded employee health plan, which has 1250 employee members and their respective dependents, costs roughly \$10M per year. With a cost trend of 8-12% year over year, we struggled every year with “where can we cut?” We switched to CHDP plans exclusively 6 years ago, have put countless wellness, disease management, case management and utilization management programs into place. We went through all of the pharmacy saving measures, such as mandatory mail order and mandatory generic programs and just did not see the savings that we needed to. Pushing additional cost share to the employees was no longer a possibility, as we could no longer expect them to continue taking on more first dollar burden.

Our bright spot – the successful program, result, or process we want to share

We partnered with Healthcare Blue Book to analyze our medical claim data and identify opportunities for cost saving. Healthcare Blue Book assisted us in identifying cost disparities in

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nine broad categories of services. These services include high tech radiology (MRI's, CT Scans, etc.), endoscopy, sleep studies, and various non-emergent surgeries. We introduced a Reference Pricing program for our plan's most utilized and most costly services and provided members with greater purchasing information. This cost transparency and provider selection opportunities helps all members make informed healthcare purchasing decisions, better control their HRA and HSA utilization, and ultimately allow the Health Plan to contain annual plan costs and maintain current levels of service. We worked with Healthcare Blue Book to identify the threshold which indicates the maximum allowed payment for these services. Employees can still elect to go to whichever provider or facility that they'd like, but payment is only made up to the threshold point pre-identified, and the balance of costs for identified services are processed as member responsibility.

After rolling this program out to employees in early 2011, we have saved over \$75,000. Although this number may seem small in the scope of \$10M, our employees are finally thinking like consumers, asking good questions and challenging providers when needed. It has been an amazing culture shift for us and a huge step in the right direction.

The biggest hurdle

We had two large hurdles. The first was analyzing our data. The volume and complexity of the task was more than we could handle. When we engaged Healthcare Blue Book, they were able to quickly analyze the data and help us build a framework for the program. The second hurdle was engaging our employee population. Many were concerned that if they chose the less expensive providers, they would be compromising quality. After Healthcare Blue Book analyzed the data, we found that most of the larger facilities and providers with better outcomes, were in the Reference Price range.

Aha moment or lesson learned

This project would not have been as successful if we did not focus so much attention on educating our employee population. For the first year of the program, we have assigned an advocate to assist employees who are in need of the identified services. The advocate assists employees in choosing the facility or provider that is right for them, all while staying within the reference price. I think this extra level of service has been crucial in both educating and engaging our group.

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For those who want to steal shamelessly, what advice do you offer?

I would highly recommend having a partner like Healthcare Blue Book. They did all of the heavy lifting for a reasonable cost, so we could focus our efforts on educating and engaging our employees.