

# Food For Thought... Conversation Starter



The following maps show the average hospital billed charge compared to what Medicare pays those hospitals.

This is important since most self funded clients today pay claims costs that are calculated based on applying a discount to the hospital's billed charge. Even after discounts, clients using PPO's typically pay WAY more than Medicare.

## Here is an example of how savings are achieved:

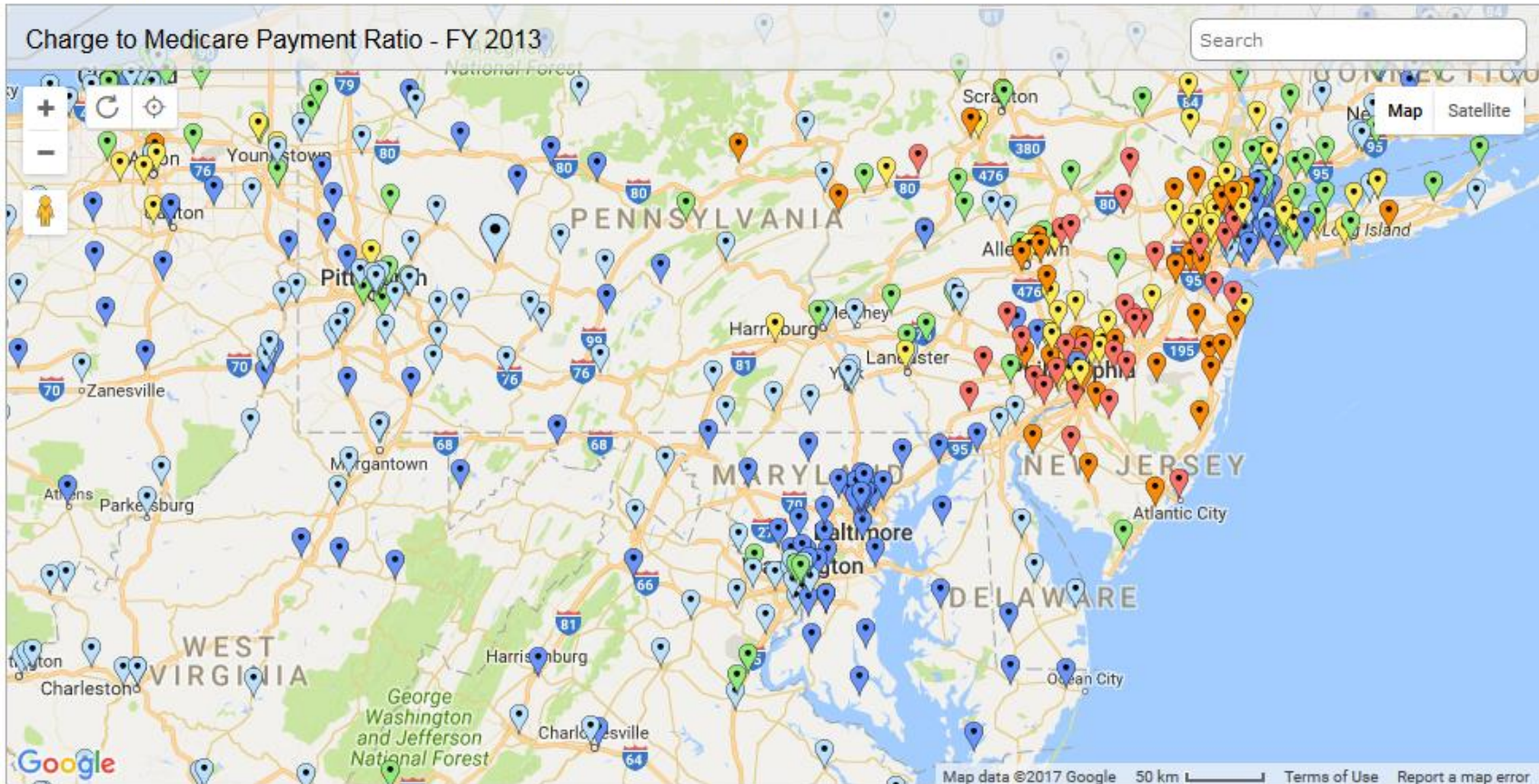
- Make the assumption that Medicare paid \$10,000 for a particular claim. If Medicare paid \$10,000, then at a hospital who is billing at 500% of Medicare, the billed charge would have been on average, around \$50,000. Even if we presume a Blue Cross (or Aetna, UHC, Cigna, etc.) network discount of 50%, that \$50,000 claim would be repriced down to \$25,000.
- If WellNet's plan reimbursed that same hospital at 150% of Medicare, (or less if the employer wanted to,) we would have paid the hospital \$15,000, which is a HUGE savings to the client. Most importantly, included in WellNet's plan is our member advocacy service. Whenever a member needs to go to a hospital or surgical center, WellNet performs market research for the member and then shows them the names of the doctors and hospitals located around them that have the best outcomes for the exact condition that the member needs help with. The member can view the quality metrics for themselves and make a decision on where they want to go. The benefit to the member is that WellNet already has a pricing agreement in place with that facility OR we will do our best to negotiate a fair price, (typically about 50% over Medicare,) with whatever facility the member wants to go to.
- This plan design is offered with no deductible and much lower employee contributions, which means that although we are unable to promise that the members can go to the hospital of their choice, (the hospital down the street where they have always gone,) **we can promise the member that we will help them find the very best facilities and surgeons as far as outcomes are concerned, and that is the most important item here.**
- For example, today with the member's current Blue Cross plan, members go wherever their specialist tells them to go and the member has no idea if that facility or surgeon is any good or what their price is. As you can see from the maps on page 2 and 3 below, every hospital charges whatever they want.
- Instead, WellNet has created a plan that is **member** centric, not **provider** centric. Our advocacy service assists members in finding the facilities that they **should** be going to, not the ones that the doctor wants to send them to, (which are typically part of the hospital system that the doctor also belongs to).
- Bottom line: As part of a dual option plan with much lower employee contributions and no deductible, this is a no brainer strategy for employees who are willing to do things just a little bit differently. The important item to note is that our reference based pricing plan uses a normal PPO for Primary Care Physicians, Specialists, Labs, and Rx. This difference is with the hospital claims and we are improving the employee experience and outcomes, all while dramatically lowering claim costs.

# Discounts Off of Billed Charges are an Irrational Way to Pay



## Price Map - Hospital Charge to Medicare Payment Ratio for 2015

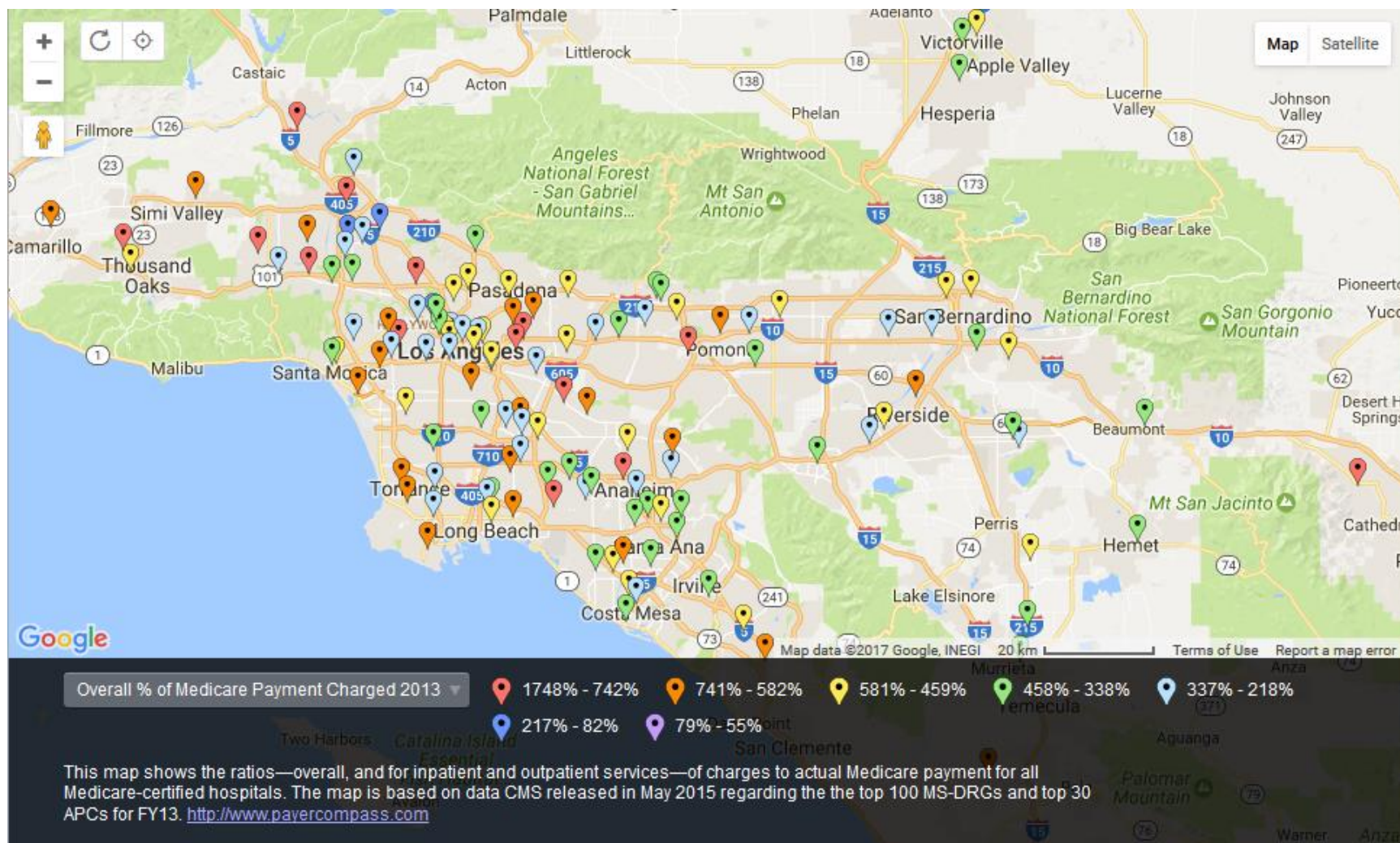
This map is based on the hospital inpatient and outpatient data CMS released in May 2015 for FY2013. For the inpatient ratios, it represents the top 100 MS-DRGs for the most frequently billed discharges. For the outpatient ratios, it represents the 30 most frequently billed APCs.



Overall % of Medicare Payment Charged 2013

This map shows the ratios—overall, and for inpatient and outpatient services—of charges to actual Medicare payment for all Medicare-certified hospitals. The map is based on data CMS released in May 2015 regarding the the top 100 MS-DRGs and top 30 APCs for FY13. <http://www.payercompass.com>

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# WellNet

- Partially Self Funded / Level Funded Health Plans
- PPO or Reference Based Pricing
- Member Advocacy and Research to Find Best Outcomes
- Rx Carve-Outs
- Population Health Management

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