

Crawl Walk Walk

Narrative Playbook

**Building
and Optimizing
Smarter Self-Funded
Health Plans**

*What You Won't
Hear From the
Large Carriers*



WellNet
HEALTHCARE



Get Smart Fast, Press Play!



Self-Funding is an Enabler

- “Most people focus on the structural cost savings that self-funding provides, but it’s so much more than that.” It’s how you build the plan that makes all the difference.
- Self-funding by itself is like going to Vegas and betting on black or red. Sometimes you’ll win and sometimes you’ll lose.
- When you build a self-funded plan properly (with the right partners) it’s possible to significantly increase the odds the plan runs well year-after-year - elevating your status with the C-Suite and allowing the employer to take those savings and reinvest them in the initiatives they couldn’t afford in the past.

Healthcare Purchasing

Meeting You Where You Are 

- Every company has a different:
 - Hunger for savings
 - Appetite for risk
 - Ability to communicate enhancement
- Companies do not want to be forced into an uncomfortable solution
- Companies are looking for a pathway & pace that works for their culture

Today  10-15% Savings  25% Savings  40% Savings  Maximum Cost Reduction

- Most employers offer simple PPO based plans managed by a mainstream insurance carrier with little / no measurable cost containment tools.
- WellNet meets employers where they are and works to evolve the plan in ways that make the most sense for that company - at a pace that makes the most sense for that employer.
- With WellNet, most employers offer PPO based plans coupled with direct contracts. When members **voluntarily** allow a concierge advocate to book their deductible related appointments (which will only be at high quality providers with whom a direct pricing

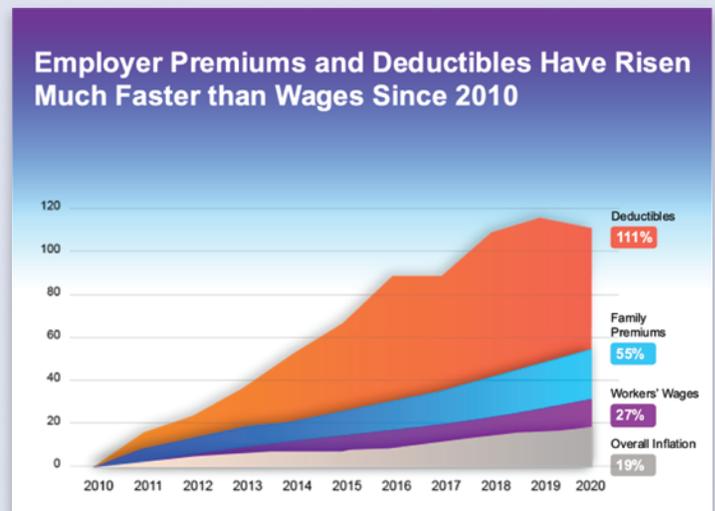
contract has previously been established), the member earns a strong incentive (typically their deductible is paid for in part / full.) These direct pricing contracts offer considerably lower pricing than typical PPO prices which is why the employer offers the strong incentive.

- Some employers offer PPO based plan designs AND Reference Based Plan designs at the same time, giving employees the ability to choose which plan is right for them and their families. Most RBP plan designs give members the voluntary option to pay \$0 for using certain providers, including primary care providers, specialists, imaging centers, surgical centers, and even hospitals.
- Regardless of how the underlying plans are set up, WellNet's plans can be built on a level-funded or traditional self-funded basis and can incorporate independent stop loss providers or captive - *whatever makes the most sense for the employer.*

Healthcare Purchasing

When working with the mainstream insurance carriers, employers only have 2 primary methods of controlling the cost of their premiums: shift cost to employees by way of higher premium contributions or shift cost to employees by way of higher copays, deductibles, and coinsurance.

- Either way, this is a big problem that the mainstream carriers simply don't want to address because they benefit from higher premium costs. I don't know any employers that enjoy paying more and more each year for health insurance. I don't know any employees that appreciate higher deductibles and higher premiums.
- Imagine your clients and prospects have the ability to look new recruits in the eye and tell them all of their plan designs have options to pay a \$0 deductible. None of their competitors can say that - talk about a differentiator.



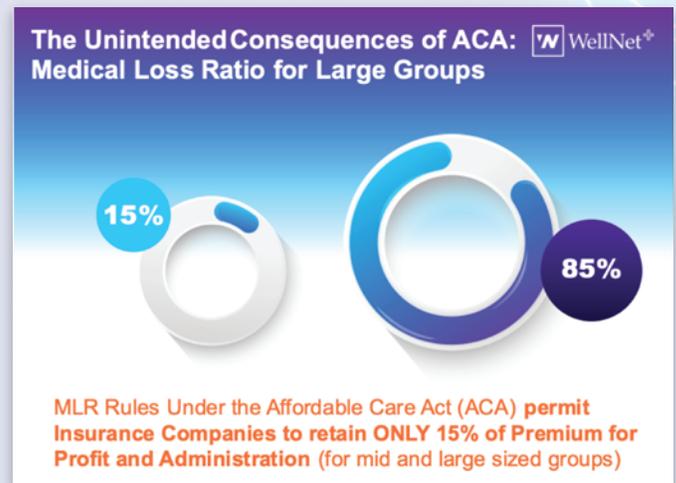
3 Concepts Offering Huge Opportunity

1. The Medical Loss Ratio Requirement of the Affordable Care Act.
 2. Pooling.
 3. Health Insurance's Dirty Little Secret: Within the same PPO network, within the same town, every provider gets paid something different for the same exact service.
- These 3 concepts are currently being used by the mainstream insurance carriers to optimize medical and prescription plans to their benefit. Like the house in gambling, the insurance companies always win - with WellNet, employers can use these concepts to **their** advantage.
 - Employers that choose to self-fund their medical and prescription plans through WellNet - in essence - become the insurance company, allowing them to take advantage of these concepts.

The Unintended Consequences of ACA: Medical Loss Ratio for Large Groups

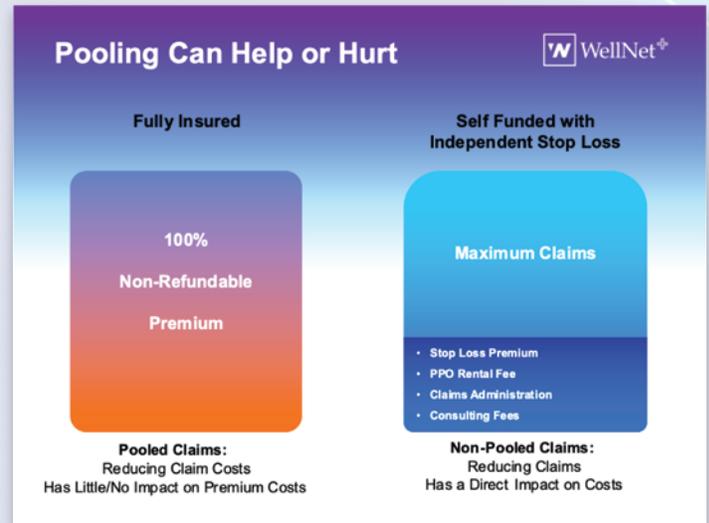
For employers that are fully insured, this will likely hit them hard. For employers that are self-funded, but use a mainstream insurance carrier as their claims administrator, this doesn't apply directly since the Medical Loss Ratio requirement only applies to fully insured groups. However, those **employers should still be highly alarmed** since the mainstream insurance carriers (that administer their self-funded plans) have a perverse perspective regarding the underlying cost of claims.

- The medical loss ratio requirement within the Affordable Care Act provides a perverse incentive to insurance carriers that offer fully insured plans.
- The Medical Loss Ratio requirement within the Affordable Care Act limits the margin insurance companies can earn on the collective premiums they charge to their entire pool of employer groups. This margin is limited to 15% on mid/large groups and 20% on small groups.
- In simple terms, the way an insurance carrier builds their collective premiums is by taking the projected claims of their mid / large pool and adding in this 15% margin. For example, if the big box carriers are expecting to pay out \$100M in claims, they can only charge a total of \$115M in premium to all of the groups in that insurance pool.
- So, if you're an insurance company that needs to increase profits each year for your shareholders (but you are limited to only 15% margins) how do you increase profits?
- The quick and easy way to ensure your 15% grows each year is to make sure the cost of claims goes up, so the total premium charged can go up, too. Now the 15% represents more money. After the passing of the Affordable Care Act, insurance carriers must request renewal rate increase approval within each state. **The only way for an insurance carrier to charge higher renewal premiums is to prove to their state insurance department that claims are going up again, which is why they need to charge higher premiums next year.** Insurance companies can't raise their total net premium charged unless the projected claims go up.
- If the insurance carrier can only raise their premium when the cost of claims goes up - **what motivation do they have to lower the cost of claims? None.**
- If they reduce the total paid claims, their 15% share of the pie gets smaller. Shareholders would not be happy with the reduced revenue. This is a seriously misaligned incentive.
- Again, this perverse incentive is dramatically impacting fully insured groups right now. Self-funded employers using a mainstream insurance carrier as their claims administrator are also impacted by this - the entity they've hired to "manage their pocketbook" has a strong financial incentive to allow the underlying cost of claims to increase. That's quite a conflict of interest. It shouldn't be a surprise that self-funded employers who use mainstream insurance carriers (as their administrators) continue to see their claims trend up 5-10% each year. That isn't by accident!!



Pooling Hampers Entrepreneurial Plan Management

- Now let's dive deeper into pooling. Fully insured plans and most self-funded plans that use a mainstream insurance carrier as their claims administrator are still in a pooled underwriting environment. This means the premiums they're charged are not derived exclusively from their companies claim utilization, rather the overall claim utilization of the entire pool (of similarly sized companies).
- This means that no matter how favorable their claims experience may be, the rates they pay are significantly impacted by the underlying claims experience of the entire pool. Again, the mainstream insurance carriers have a perverse financial incentive to allow the cost of claims to continue to creep up, so they can charge higher premiums.
- Employers that work with WellNet and use independent stop loss carriers have a distinct advantage: they only pay for the healthcare and prescriptions their people incur. Their claims aren't pooled. In a non-pooled environment, there is a direct correlation between claim reduction and insurance cost reduction.
- What does this all mean? By working with an independent TPA, employers are in complete control of the premiums they pay - if they lower the cost of their claims, then they in turn lower the cost of their premium. Additionally, there are so many independent stop loss carriers interested in bidding on their business - if employers limit themselves to working with the large mainstream insurance carriers, they're only choosing from 2-4 vendors in each market.
- To bring this all together: When using WellNet and an independent stop loss partner, your claims aren't pooled. This means employers only pay for the healthcare their members consume and their insurance costs are derived from only their claims experience - **not** the collective claims experience of a pool.

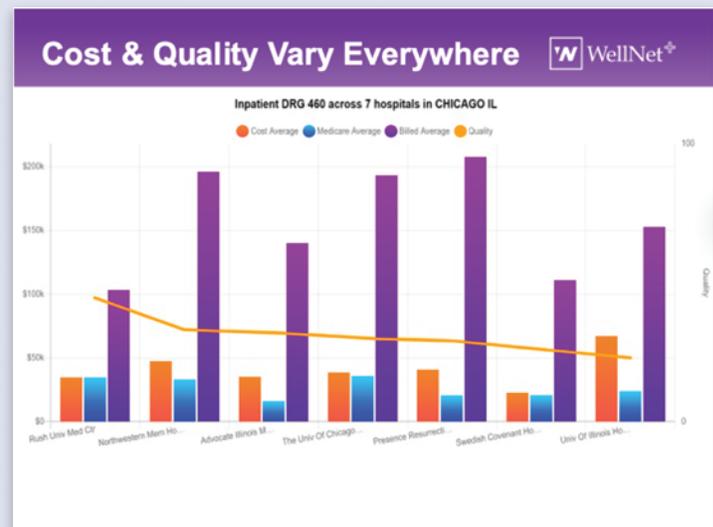


Health Insurance's Best Kept Secret: Cost & Quality Vary Everywhere

- Generally, we know the cost of our claims drive the cost of our premiums. We also know that if we're pooled, reducing the cost of our claims does not result in lower insurance costs.
- Now, we're about to talk about the biggest secret in the health insurance industry - a secret that every hospital and insurance company has been protecting for years.
- Within the same PPO network, within the same town, every provider gets paid something different for the same exact service.



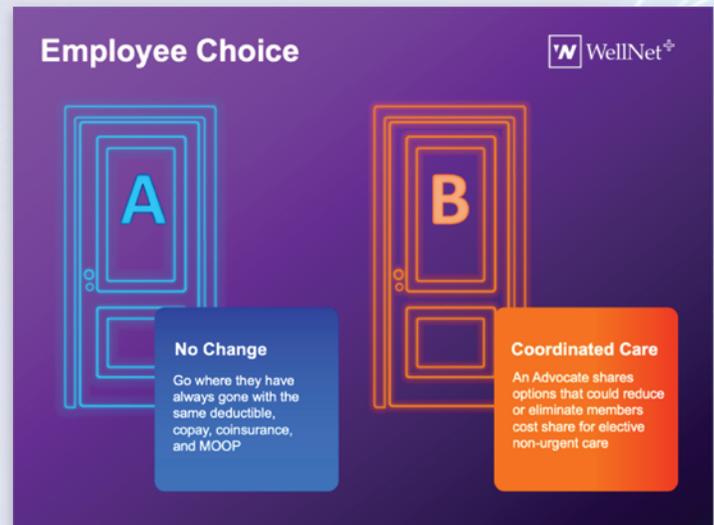
- With WellNet, employers can set up a plan design that eliminates the deductible for the members. They pay \$0. How? Members voluntarily allow a concierge advocate to guide them to a high-quality but fairly priced provider for their high-cost medical care.
- This is changing lives - most American families don't have \$1000, \$2000, or more to spend on a deductible and coinsurance. Every employee and family **absolutely love** the **voluntary** option of not having to pay their deductible.



- The plan designs built through WellNet are the same plan designs employees have today. They're built using a large national PPO network - just like the plans they're using now. The only difference is enhancing your plan, so now your hardworking families have an option - a voluntary option **to pay nothing** for their high-cost healthcare.
- Every single time a member allows the administrator to coordinate their high-cost healthcare at a high-value provider, the employer significantly saves within their self-funded health plan. The member pays nothing due to the strong incentive and gets to see a high-quality provider - you (*i.e. HR Leader*) will elevate your seat at the executive table, making you an even stronger influencer than you are today.
- This strategy is the easiest way to significantly increase a company's profitability - without any investment and while **actually improving** the employee benefits. Simple employee education is crucial to success.

Employee Choice

- For members, think of it like Door A versus Door B... if they self-direct their high-cost healthcare, they'll pay the same deductible they would have paid last year. Consider that Door A.
- Door B is where a member voluntarily allows a concierge advocate to coordinate their high-cost healthcare. If they allow WellNet to coordinate their care, the employer will pay 100% of their deductible. Consider that Door B. All members have to do is speak with an advocate and the advocate will take care of the rest.



Differentiate With Advocacy

- Now, how do employers actually make this a reality? Choosing providers is a very personal decision, yet families have little knowledge of the quality variance between two providers. The more critical medical care is needed, the greater the urgency to seek a high-quality provider.
- WellNet's advocacy team is uniquely designed with 4 key supporters: an account manager, customer care advocate, care promotor and clinical advocate. Advocates work directly with members to help them find the highest quality providers, book appointments and describe their financial incentive, if applicable.



- When heavy education is provided coupled with a strong financial incentive, like waiving the deductible, most members will allow their high-cost care to be coordinated for them. This means members get better care, heal quicker, return to work sooner, and incur substantially lower claim costs
- AND employers get to tell potential talent and new employees that all plan design offers options to pay \$0 deductibles and gain access to high-cost drugs for free.

Crawl, Walk, or Run for Immediate & Long-Term Savings

- WellNet offers / uses a variety of tools that enable employers to begin saving money immediately and enhance their plan - evolving over time at a pace that's comfortable for all stakeholders.
- There are so many ways employers can improve and enhance their plan while saving money. Many of these strategies only require small changes to the plan. Since we know employers and employees are sensitive to change, employers should Crawl before they Walk - and Walk before they Run - when it comes to cost containment strategies.



Let's touch on 5 of these strategies to give you a sense of what's possible:

- International Rx Sourcing:** Employers have the ability to adjust the plan so certain medications can be sourced internationally. These are drugs manufactured in the states, shipped out to another country and then shipped back to the U.S. Would you believe the average savings on drugs sourced in this manner is in excess of 40% versus the cost when sourcing the drug through a traditional PBM? With these massive savings, employers can enhance their plan even further by waiving the copays for the sourced drugs.
- Direct Contracting:** A direct contract is a pricing agreement directly with a provider, outside of the PPO pricing contract - a contract directly between you and the provider or your claims administrator and that provider. Direct contracts offer pricing that is often more than 50% less than PPO based pricing. Employers can incentivize members if they voluntarily use these contracts - supported by the help and guidance from a dedicated advocate.
- Dialysis Carve-Out:** Members can use whatever dialysis provider they want. Rather than using PPO pricing, WellNet can set the plan up in a way so that it pays the dialysis providers based on Medicare's fee schedule - generating huge savings and eliminating any burden for the member.
- Medicare Eligible and Marketplace Coverage:** Some of the highest risk members are Medicare eligibles and COBRA participants. Many of these members are best suited for Medicare or marketplace plans vs. the group health plan but unaware of their eligibility. Through WellNet, members are educated on their options and will voluntarily choose to enroll in an alternative, cost-saving plan vs staying on the group plan.



- All of these solutions are built into the WellNet product on a turn-key basis. Fear not, the heavy lifting is done behind the scenes and seamless to the member. WellNet takes these point solutions and wraps them up into 3 easy to understand 'healthcare packages' - an employer can use any, all, 1 or none.
- The Bottom Line: With WellNet, employers will understand what's driving high costs within the health plan and can then take action to build real, long term strategies - attacking cost-drivers before they happen.
- In life and in business, you must **crawl before you walk** and **walk before you run**. WellNet allows employers to pace - and evolve - their health plan in ways that work best for their people.

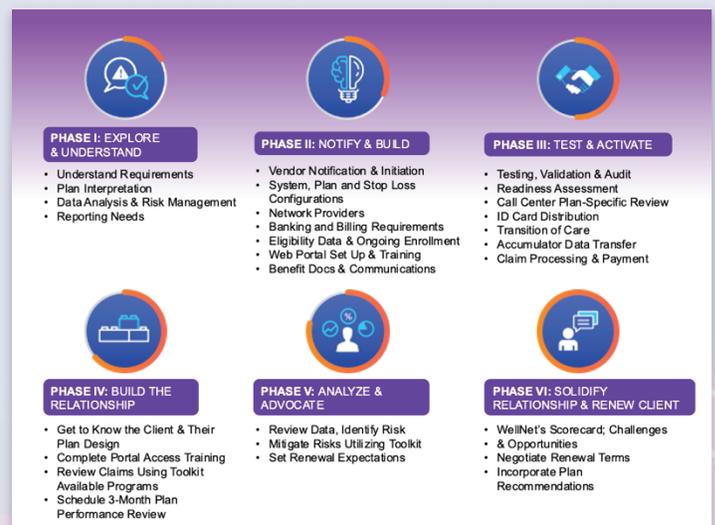
Savings You Can Wrap Your Arms Around

- Average Savings are \$200k per 100 EE's / \$1m for every 500 employees.

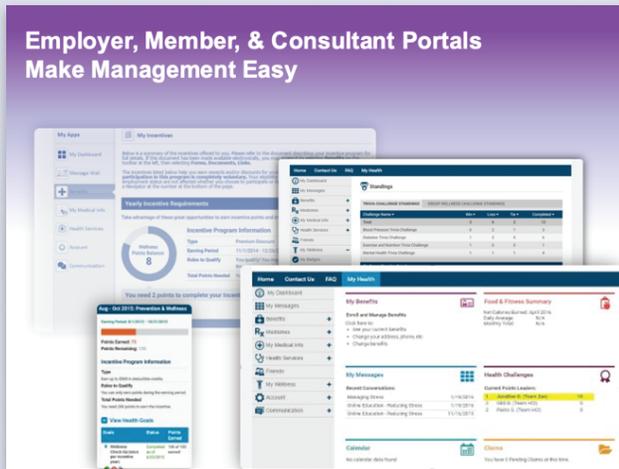


Management & Implementation

- Changing healthcare vendors can be challenging.
- We've addressed those challenges by formalizing each and every process with our internal workflow Employer, member and consultant portals make management easy.



Employer, Member, & Consultant Portals Make Management Easy



Actionable Information with Health Analytics

- Employers want insight into **what is driving their costs**
- 20% of the population drives **80% of the costs**
- Need **actionable data** to implement targeted programs

- Leveraging a proprietary and patented technology stack - with an integration with Deerwalk's on-demand reporting - the data that WellNet uncovers for members, employers and consultants is unmatched.
- All stakeholders receive the actionable information they need to make the most informed decisions.
- This allows employers to turn what was their second or third largest expense into their company's most efficient business unit.

What's Next?

Take Action

- **Identify:** The persona of your clients & prospects—*starting with their readiness & appetite for change*
- **Go Deeper:** Request the **Toolkit Analysis** to demonstrate **immediate & long-term savings**.
- **Win the Business:** Present the strategy **in partnership with WellNet** for a closed/won opportunity.

Turn On Onward Health

Powered by WellNet Healthcare, Onward Health is the vetted, private-label solution for OneDigital consultants – a national, self-funded plan for your opt-out strategy.

Turn-Key Health Plans with 20+ Optimizers



CRAWL
10-15% Savings

- Billing Errors
- International Rx Outsourcing
- Rx Manufacturer Assistance
- Member Advocacy
- Steerage Incentives
- Virtual Care Services
- Medicare Eligible
- Marketplace Coverage



WALK
25% Savings



CRAWL benefits

- Pre-Pay Cash Services
- Advanced Imaging Carve-Out
- Direct Contracting
- Centers of Excellence
- Maternity Management



RUN
40+% Savings



WALK benefits

- Direct Primary Care
- Reference Based Pricing
- Dialysis Carve-Out PPO
- Transplant Carve-Out PPO
- Population Health Management
- Medical Tourism

"I think this partnership with WellNet is exactly what our customers need."



Adam Bruckman
President & CEO
OneDigital

"We have a shared desire to relentlessly challenge the industry to do better."



Chris Thurin
Executive Vice President
of Organic Growth
OneDigital

Stay Connected to Push Onward



WellNet
HEALTHCARE