

- Demographics
- Trend
- Plan Design
- ACA fees and State Taxes for Fully Insured
- Medical Claims Experience
- Top 25 Drugs and their Costs

# Health Insurance Challenges

- Limited **competition**
- Frustration with **rising** cost
- **Lack** of claims data and analytical reporting
- Relatively **few** new innovative ideas
- HR Department is **overwhelmed** with administration and ACA compliance



# The current system is BROKEN

National **spending on healthcare** has **increased from 5%** of gross domestic product in 1960 **to a forecasted 20%** in 2025

**Employers** are likely paying significantly **higher reimbursement costs** compared to **Medicare and other Government** programs for **the same services**

**Facilities costs**, which represent the majority of reimbursable healthcare cost,  
**are massively inflated**

**Employers should be able to purchase medical services** for employees in **the same transparent manner** that they buy any other product or service

# Chargemaster\* prices are exorbitant

Chargemaster prices are set to be **discounted** and not paid. Only 1-3% of patients actually pay them.

They drive up the cost of healthcare for everyone, **including the insured.**

- George A. Nation III, Lehigh Law and Business  
Professor, Hospital Chargemaster Insanity:  
Healing the Healers, 43 Pepp. L. Rev. 745 (2016).

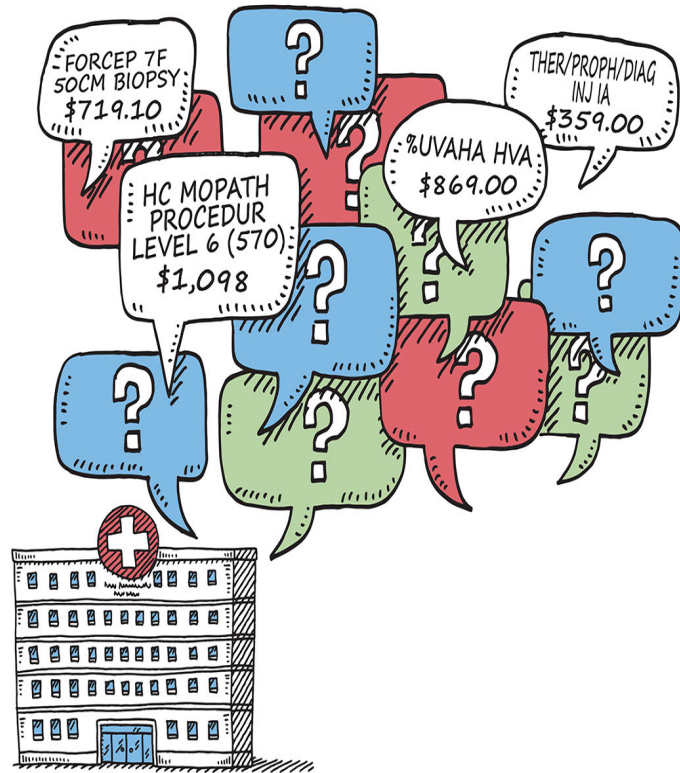


image via Kaiser Health Network

\* Chargemaster: a list detailing the official rate charged by a hospital for individual procedures, services, and goods



# ***What if...***

You could address the pricing anomalies that are driving cost inflation and **save 20%**

**to 30%** on

healthcare costs.

The potential savings are

**enormous**

when you consider the average annual health care spend is

**\$15,000 per employee.**

That's **\$300,000** in potential savings for

**every 100 employees.**

# Solution: Reference Based Pricing

- Uses available financial statements, actual cost data, and Medicare rates from hospitals and facilities as the basis for reimbursement methodology
- Flips the traditional method of paying for health care services from a discount off billed charges to paying actual costs plus a reasonable mark up
- Provides a fair, reasonable, consistent, defensible and transparent process

## HOSPITAL CHARGES

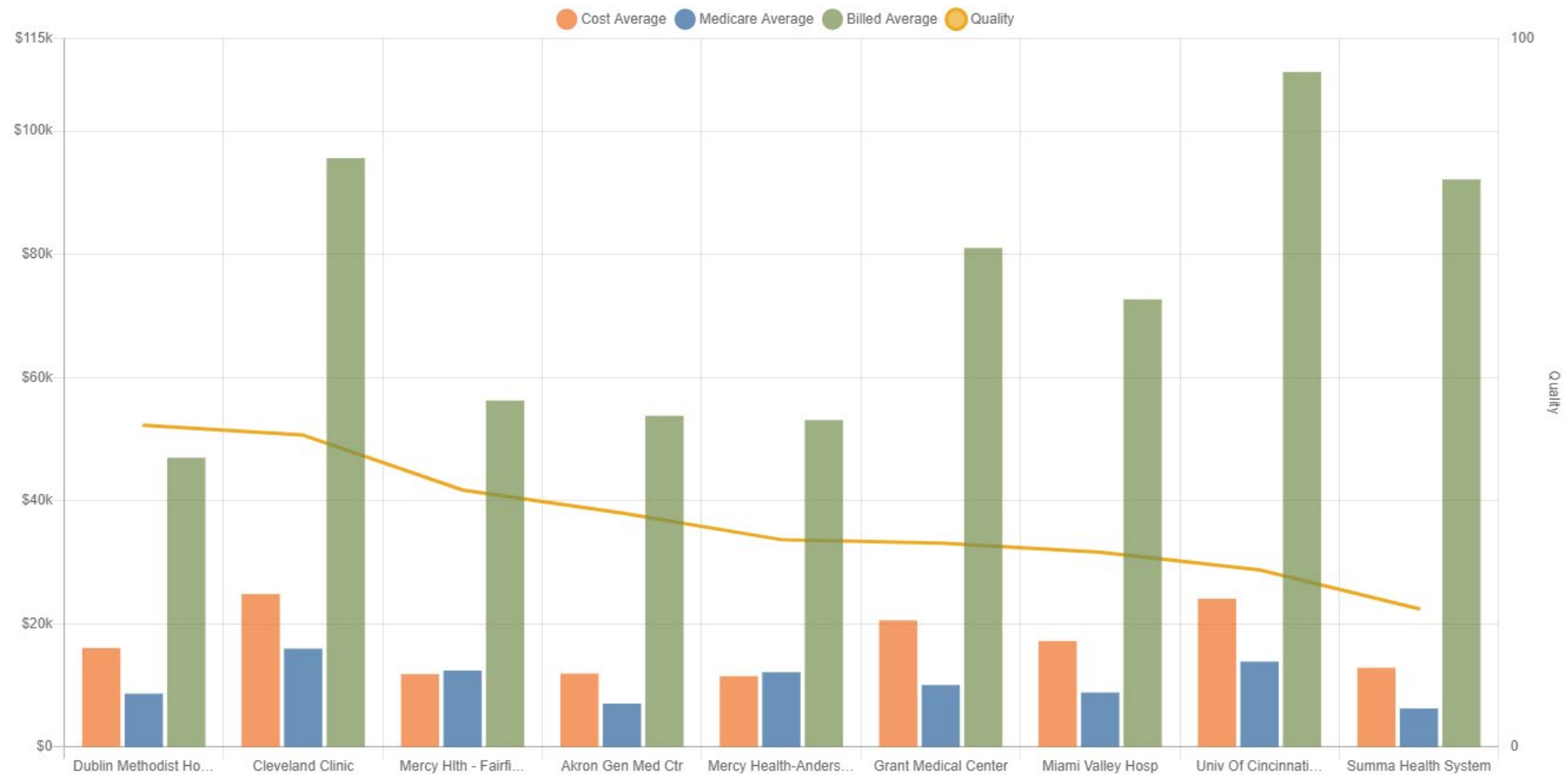




# Hospital charges = Major cost driver

Hospital System	Charge to Medicare Payment Ratio
Cleveland Clinic	502%
Miami Valley Hospital	530%
Summa Health System	797%
Akron General Medical Center	495%
Grant Medical Center	491%
Mount Carmel Health	470%
Dublin Methodist Hospital	467%
University of Cincinnati Med Center	528%
Mercy Hospital Anderson	549%
Mercy Hospital Hamilton/Fairfield	606%

## Inpatient DRG weighted average across 9 hospitals in CLEVELAND CLINIC, MIAMI VALLEY HOSPITAL, and 7 others





# LOCAL QUALITY VARIANCE

- Heart Failure Treatment
- Columbus, OH
- 31 Area Hospitals

Healthcare Bluebook.



## TOP THREE HOSPITALS

### National Percentile

Medcentral Health System

98.5%

O'Bleness Memorial Hospital

97.5%

OhioHealth Doctors Hospital

94.2%



## BOTTOM THREE HOSPITALS

### National Percentile

Wexner Medical Center at The Ohio State University

4.2%

Licking Memorial Hospital

3.1%

Berger Hospital

3.1%

# LOCAL QUALITY VARIANCE

- Hip Fracture Repair
- Columbus, OH
- 16 Area Hospitals

## ✓+ TOP THREE HOSPITALS

### National Percentile

Mount Carmel East	94.2%
Adena Regional Medical Center	91.2%
Ohio Health Grant Medical Center	87.4%

## ✓- BOTTOM THREE HOSPITALS

### National Percentile

OhioHealth Marion General Hospital	26.9%
Mary Rutan Hospital	21.8%
Medcentral Health System	17.1%

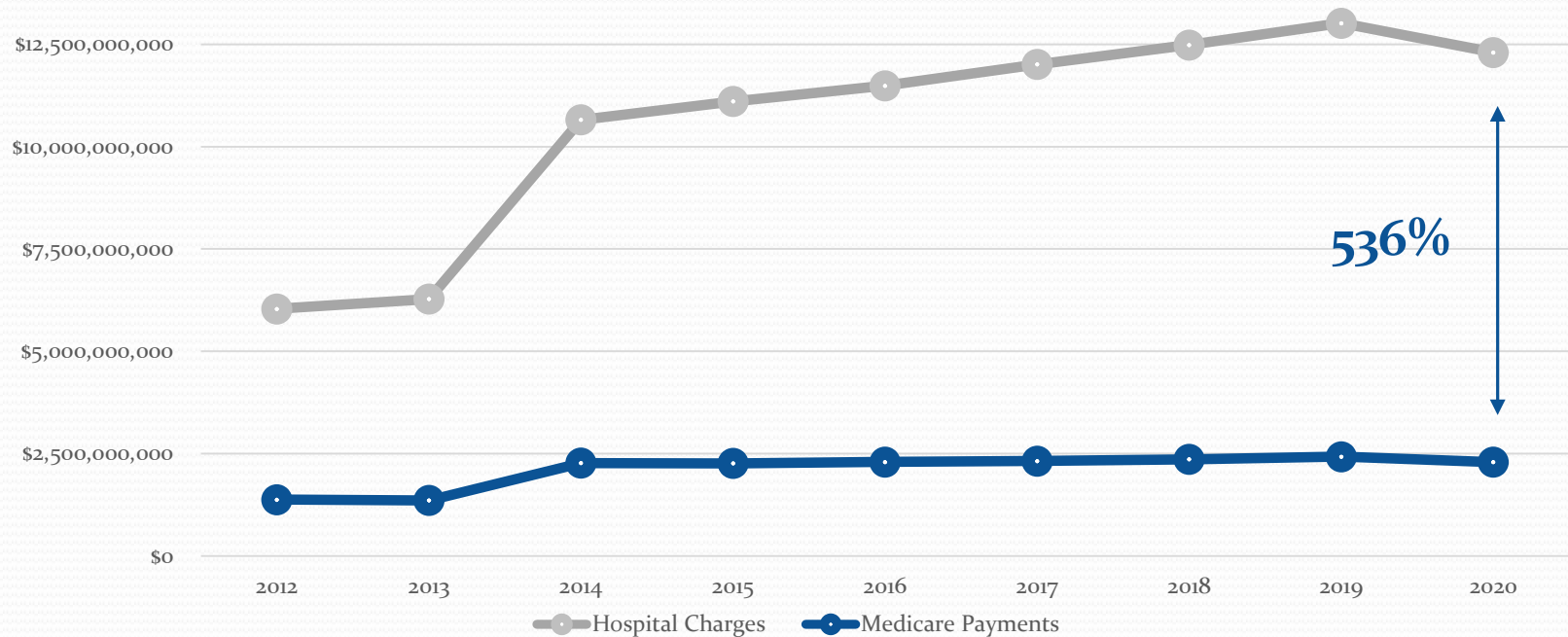
# PRICE VARIANCE REPORT

Market | Columbus, OH

MARKET BASKET OF COMMON PROCEDURES	LOW PRICE	HIGH PRICE	VARIANCE
1 Colonoscopy (screening)	\$1,084	\$4,475	413%
2 Shoulder MRI (no contrast)	\$356	\$2,606	732%
3 Sleep Study	\$616	\$3,608	586%
4 Chest CT (no contrast)	\$204	\$2,105	1032%
5 Knee Arthroscopy	\$2,805	\$11,062	394%
6 Upper Gastrointestinal Endoscopy (no biopsy)	\$987	\$4,095	415%
7 Abdominal Ultrasound	\$139	\$1,205	867%
8 Cataract Surgery	\$1,850	\$7,089	383%
9 Heart Perfusion Imaging	\$663	\$4,511	680%
10 Ear Tube Placement (Tympanostomy)	\$1,323	\$6,573	497%
Average Market Variance			600%
EQUIVALENT VARIANCE IN A GALLON OF GAS	\$2.50	\$15.00	600%

# The gap between hospital charges and Medicare reimbursements is widening

## National Average - Hospital Charges vs. Medicare Reimbursements



Source: Centers for Medicare & Medicaid Services – Medicare Inpatient Provider Utilization and Payment Data, Fiscal Years 2012 - 2020 Private and Confidential

# Considering the widening cost/price gap – what value is a 50% discount from your PPO?

## Ohio

Diagnostic Related Group	Hospital Billed Charge	50% Discount on Billed Charge [A]	Average Medicare Reimbursement [B]	Excessive Payment [A] – [B]
Bronchitis & Asthma	\$50,469 (881% mark-up)	\$25,235 (440% mark-up)	\$5,732	\$19,503
Hypertension	\$41,030 (940% mark-up)	\$20,515 (470% mark-up)	\$4,364	\$16,151
Diabetes	\$47,845 (871% mark-up)	\$23,923 (436% mark-up)	\$5,492	\$18,431

Source: Centers for Medicare & Medicaid Services – Medicare Inpatient Provider Utilization and Payment Data, Fiscal Year

# Reference based pricing example

## Heart Attack – Ohio

Traditional Pricing	
Billed Charges	\$ 142,516
Less PPO Discount (50%)	<u>71,258</u>
PPO Reimbursement	<b>\$ 71,258</b>

Referenced Based Pricing	
Medicare Reimbursement	\$ 16,270
Plus Fair Margin (25%)	<u>4,068</u>
Referenced Based Reimbursement	<b>\$ 20,338</b>

**\$ 50,920**  
**71% Savings**

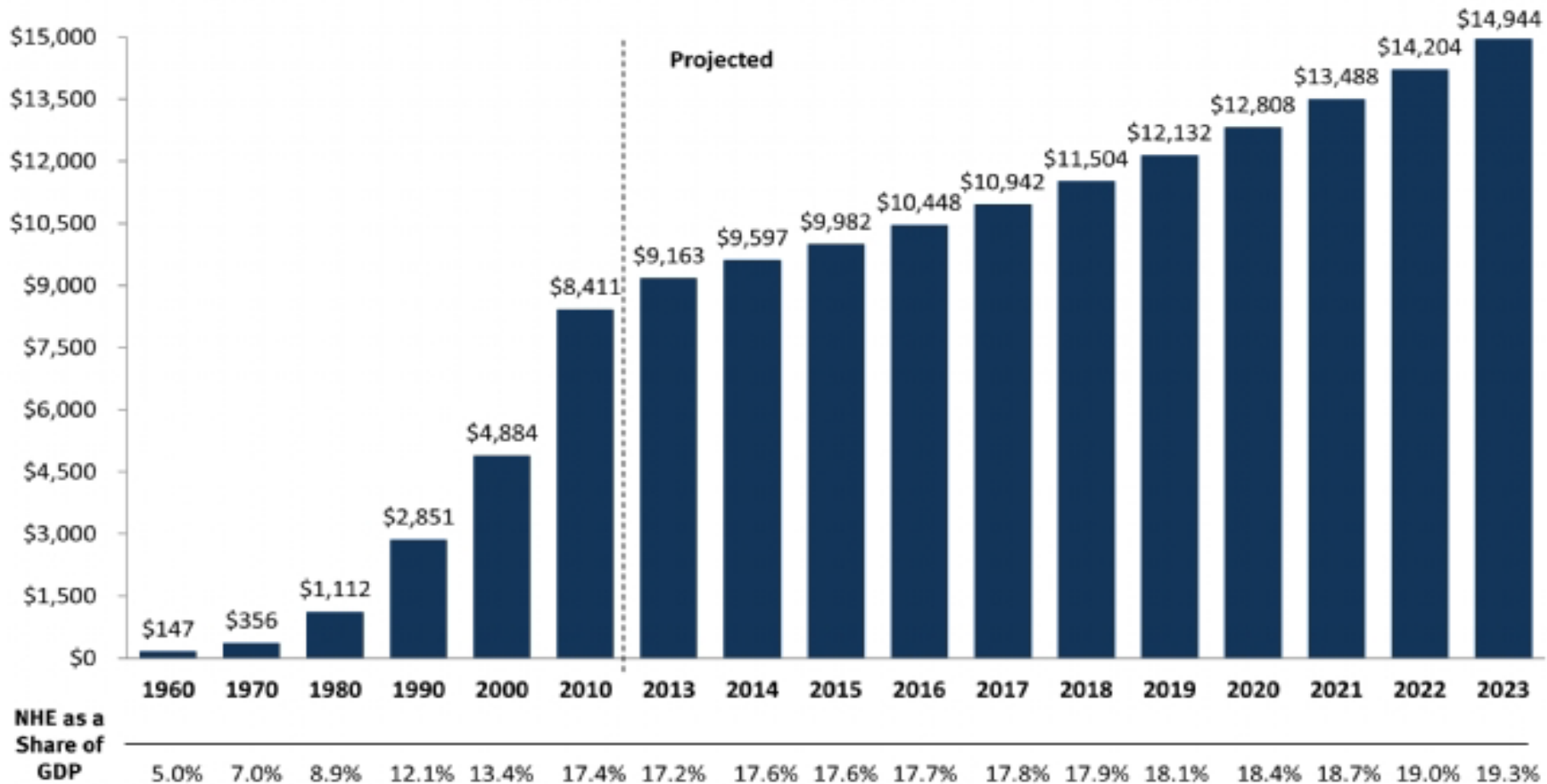
Source: Centers for Medicare & Medicaid Services – Medicare Inpatient Provider Utilization and Payment Data.



# Referenced based pricing and auditing

- Unique claims review and audit process that maximizes savings in a transparent, defensible and consistent way
- Reimbursement of Medicare plus a fair percentage or a facility's Cost to Charge ratio plus a fair percentage
- Plan document language with clearly stated, rational limits of reimbursement
- Line by line auditing, adjudication and payment of all claims
- Appeal process that provides a full and fair review
- Vigorous defense of the plan and/or member in the event of a balance bill

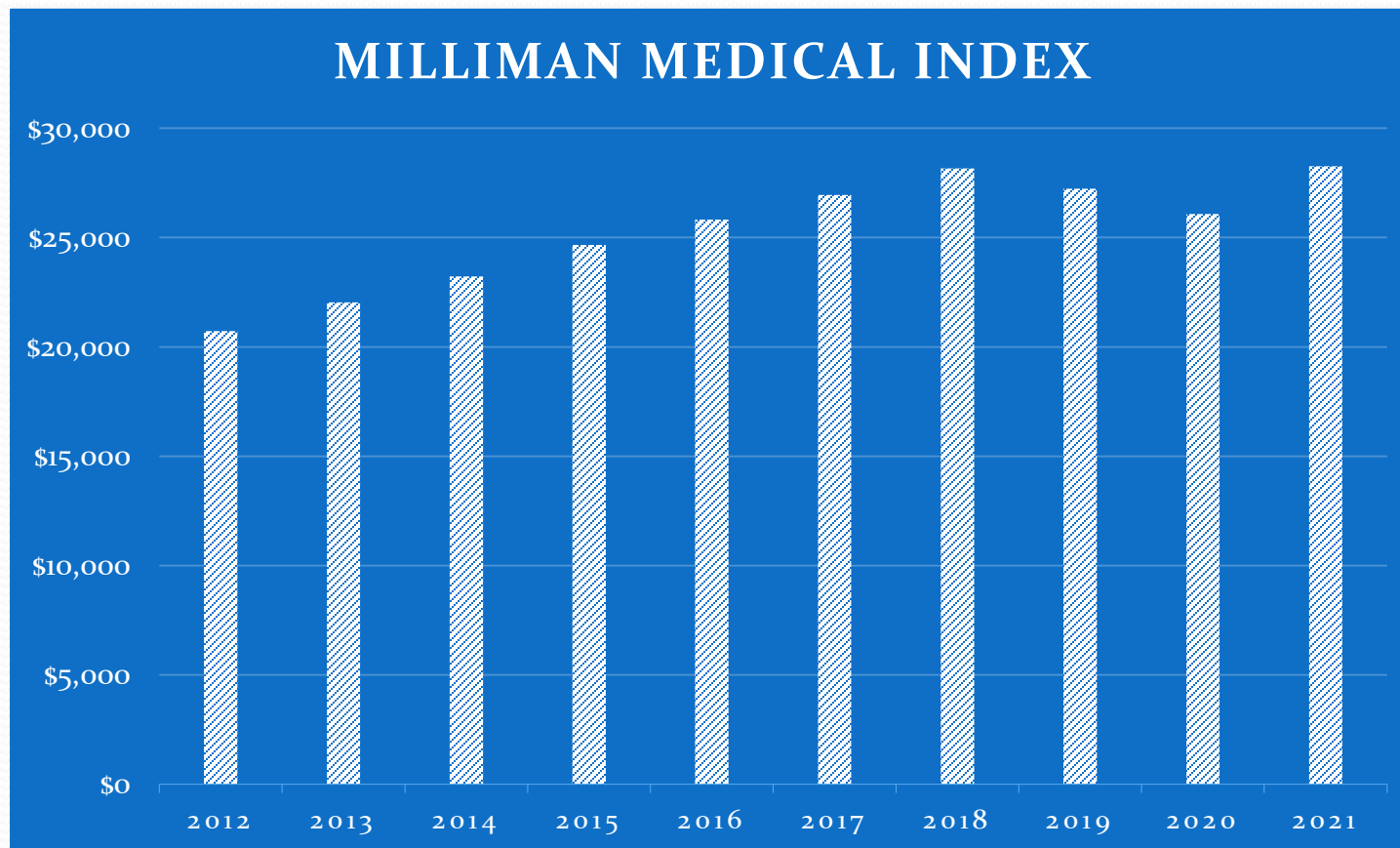
# National Health Expenditures per Capita, 1960-2023



NOTE: According to CMS, population is the U.S. Bureau of the Census resident-based population, less armed forces overseas and their dependents.

SOURCE: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (For 1960-2010 data, see Historical; National Health Expenditures by type of service and source of funds, CY 1960-2012; file nhe2012.zip. For 2013-2023 data, see Projected; NHE Historical and projections, 1965-2023, file nhe65-23.zip).

# Annual Medical Cost for Family of Four



# Historical National Health Expenditure 2020

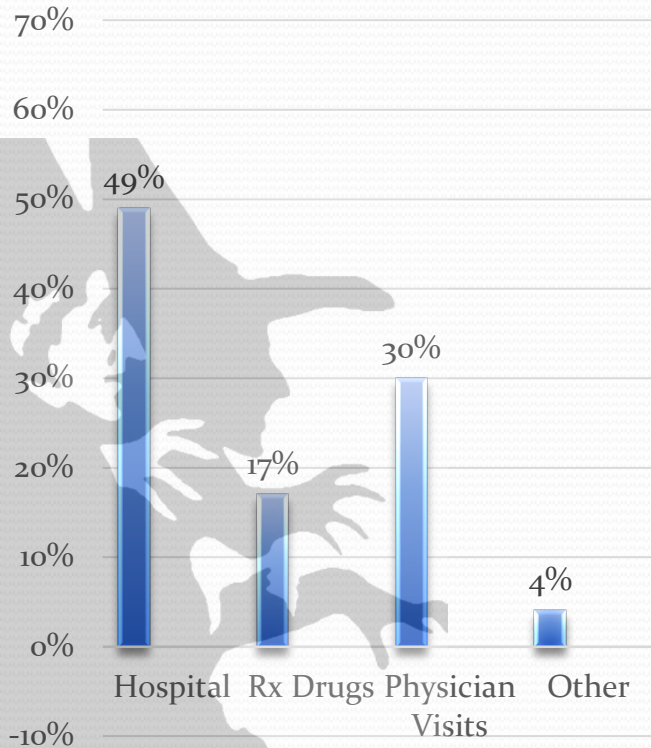
- NHE grew 9.7% to \$4.1 trillion in 2020, or \$12,530 per person, and accounted for 19.7% of Gross Domestic Product (GDP).
- Medicare spending grew 3.5% to \$829.5 billion in 2020, or 20 percent of total NHE.
- Medicaid spending grew 9.2% to \$671.2 billion in 2020, or 16 percent of total NHE.
- Private health insurance spending declined 1.2% to \$1,151.4 billion in 2020, or 28 percent of total NHE.
- Out of pocket spending declined 3.7% to \$388.6 billion in 2020, or 9 percent of total NHE.
- Federal government spending for health care grew 36.0% in 2020, significantly faster than the 5.9% growth in 2019. This faster growth was largely in response to the COVID-19 pandemic.
- Hospital expenditures grew 6.4% to \$1,270.1 billion in 2020, slightly faster than the 6.3% growth in 2019.
- Physician and clinical services expenditures grew 5.4% to \$809.5 billion in 2020, faster growth than the 4.2% in 2019.
- Prescription drug spending increased 3.0% to \$348.4 billion in 2020, slower than the 4.3% growth in 2019.
- The largest shares of total health spending were sponsored by the federal government (36.3 percent) and the households (26.1 percent). The private business share of health spending accounted for 16.7 percent of total health care spending, state and local governments accounted for 14.3 percent, and other private revenues accounted for 6.5 percent.

# Projected NHE: 2019-2028

- National health spending is projected to grow at an average annual rate of 5.4 percent for 2019-28 and to reach \$6.2 trillion by 2028.
- Because national health expenditures are projected to grow 1.1 percentage points faster than gross domestic product per year on average over 2019–28, the health share of the economy is projected to rise from 17.7 percent in 2018 to 19.7 percent in 2028.
- Price growth for medical goods and services (as measured by the personal health care deflator) is projected to accelerate, averaging 2.4 percent per year for 2019–28, partly reflecting faster expected growth in health sector wages.
- Among major payers, Medicare is expected to experience the fastest spending growth (7.6 percent per year over 2019-28), largely as a result of having the highest projected enrollment growth.
- The insured share of the population is expected to fall from 90.6 percent in 2018 to 89.4 percent by 2028.

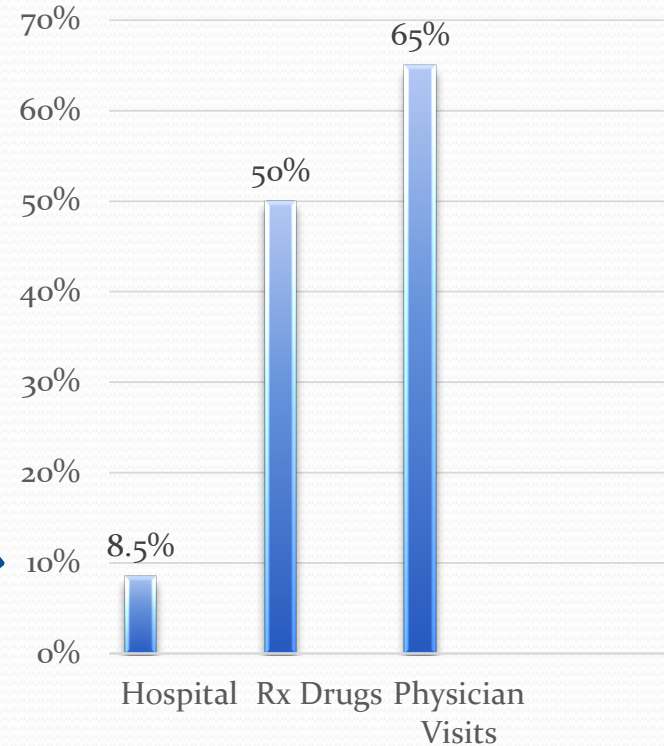
The average employer spends nearly half of its annual medical on hospital/facility costs

## Healthcare Expenditure



Only 8.5 % of the average workforce are utilizing hospital annually

## Healthcare Utilization





# Billed Charge vs. Medicare Allowable Price (MAP)

How *good* is a 50% discount?

Procedure	Hospital Billed Charge	Medicare Allowable Price (MAP)
CT Abdomen & Pelvis	\$4,647 (20.2 X MAP)	\$230
Chest X-Ray Simple View	\$453 (18.12 X MAP)	\$25
Basic Metabolic Test	\$142 (16.3 X MAP)	\$8.71
Abscess Drainage	\$1,279 (9.65 X MAP)	\$133
Operating room minor surgery	\$4,304 (5.11 X MAP)	\$843

# Reference Based Pricing = Significant Savings

Provider	ABC Hospital
Billed Charges	\$94,212 (14.6 X Medicare Allowable Price)
PPO Discount (66.12%)	\$66,295
PPO Reimbursement	\$31,917 (4.95 X MAP)
Medicare Allowable Price (MAP)	\$6,448
RBP Recommended Reimbursement	\$9,027 (140% of MAP)
Pricing Differential	\$22,890
Savings vs. PPO	72%

# Hospital Charges

**\*MASSIVE discrepancy between institutions\***



Procedure	Hospital A	Hospital B	% Difference
Colonoscopy	\$530	\$4,931	930%
Chronic Obstructive Pulmonary Disease	\$7,044	\$99,690	1415%
Joint Replacement	\$22,551	\$155,675	690%
Renal Failure	\$27,876	\$241,654	867%
Kidney Failure	\$32,487	\$97,926	301%
Lipid Panel	\$15	\$343	2286%
CT Scan	\$264	\$3,271	1239%
MRI Lower Back	\$416	\$4,527	1088%
Adult Primary Care	\$40	\$195	486%

# Reference-Based Pricing Reimbursement Model

Hospital	Billed Charge	Traditional Health Plan Reimbursement	Medicare +40%	Facility Reported Collection Percentage	Cost to Charge Ratio +20%
#1	\$35,217.14	\$20,617.35	\$11,323.73	\$ 9,102.97	\$ 9,495.90
#2	\$77,443.38	\$50,443.38	\$ 8,008.90	\$13,038.69	\$21,230.43
#3	\$68,256.10	\$31,692.86	\$28,353.25	\$17,642.91	\$18,945.05
#4	\$ 6,152.86	\$ 3,875.93	\$ 2,355.12	\$ 1,590.40	\$ 1,028.56
#5	\$23,022.98	\$13,201.24	\$ 9,537.98	\$ 5,951.01	\$ 6,123.31
#6	\$32,410.77	\$19,358.29	\$ 7,900.91	\$ 8,377.57	\$12,760.78
Totals	\$242,503.23	\$139,189.05	\$67,479.89	\$55,703.55	\$69,584.03
% of Charge		57%	40%	23%	29%

# Value of Reference Based Pricing



- ***Immediate*** hospital/facility ***claims savings***, estimate 20% to 50%
- Overall plan savings 15% to 30%
- Trend stabilization
- ***Price transparency***
- Member satisfaction



# Pharmacy Benefits Manager



# Pharmacy Statistics

- **More money** was spent by the Big Pharma lobbyists than US defense, education, aerospace, oil and gas combined in order **to eliminate global competition**
- 80% to 85% of generic meds sold are **manufactured in India and China**
- Generic costs are up **over 300%** in the last 4-5 years
- Brand costs **increase** 13% per year
- Specialty drug usage **today is 1%** of the total spend. Between 2020-2021, it has **risen to 50%**

# Pharmacy Statistics (continued)

- Hep C drugs such as Harvoni and Savoldi currently cost approximately \$95,000 for a 12 week supply. In other countries the costs range from \$1,000 to \$3,000 for the same treatment.
- 70% of household have \$1,000 or less in savings and ½ of them have no savings at all. 25% of Prescriptions for chronic conditions for 1st time users are not being filled and 20% of hospitalizations are due to medication non-adherence.

# Driving Savings On Non-Specialty Meds

- Brand to brand therapeutics alternatives
- Brand to generic therapeutics alternatives
- Generic to generic therapeutics alternatives
- Recommending Rx discontinuation, e.g.,
  - Discontinue bisphosphonates (like Actonel) after 3-5 years, per package insert
  - Discontinue Advair except for COPD or severe asthma
  - Discontinue Restasis after 6 months and test lacrimal duct function

# The Castle Edge

- We act as an agent for the members
- International Pharmacy Management of over 500 Brand drugs, including:
  - Abilify, Crestor, Eliquis, Invokana, Janumet, Latuda, Spriva and Jaljanz
  - Includes many Specialty Drugs and Insulins
- Over 60% average savings on the cost of the drugs for our clients
- ZERO-dollar copay for the employee which maximizes on adherence to their medication
- Over 60% average savings on the cost of the drugs for our clients
- Sourced from Tier one countries only: Canada, United Kingdom, New Zealand and Australia.
- Factory packaged, sealed and sourced from brick and mortar not a rogue pharmacy.
- Meet and exceed US FDA standards
- Exclusions: Lifestyle/performance enhancing (Viagra) and those considered a narcotic (Adderall)

# Cost Savings Examples:

Different ingredients, same clinical value

Original Rx	Cost/ 30 Days	Recommended Rx	Cost/ 30 Days
Dexilant 30mg #30 (B)	\$214.69	Omeprazole 40mg #30 (G)	\$4.43
Nadolol 40mg #60 (G)	\$129.18	Atenolol 50mg #30 (G)	\$1.61
Clobetasol EM CR 60gm (G)	\$134.25	Triamcinolone Cr 0.1% 60gm (G)	\$10.64

# Cost Savings Examples

Different formulations, same ingredient

Original Rx	Cost/ 30 Days	Recommended Rx	Cost/ 30 Days
Alphagan 0.1% 10ml (B)	\$213.75	Brimonidine 0.2% 10ml (G)	\$4.51
Xolegel Gel 2% 45gm (B)	\$503.47	Ketoconazole 2% Cr 60gm (G)	\$28.49
Acuvail Droplette 0.45% (B)	\$222.11	Ketorolac Soln 0.5% 3ml (G)	\$4.98
Minocycline ER 45mg #30 (G)	\$537.90	Minocycline 50mg #30 (G)	\$8.14
Mupirocin Cream 30gm (G)	\$195.98	Mupirocin Oint 22gm (G)	\$6.68



# Additional Services

- Student Debt – Public Student Loan Forgiveness (PSLF) assistance in making sure all forms are completed properly and sent in a timely manner. They will have their counselor work with them on a one-on-one basis. This comes with a cost of approximately \$250 per year.
  - For those who are not eligible for student loan forgiveness, this same partner will go to various financial institutions to find the best terms. (Free of charge)
- Hospital Debt Relief – Covered employees who have huge hospital debt with no way of figuring out how they are going to pay. (Based on financial need)
- Medicare - Help individuals through the maze to make more informed decisions and potentially come off the plan thus saving your organization additional revenue
- Self-Funded Minimal Essential Coverage Plans (MEC)
- Discount Rx card for both retail and mail order through our international program
- Specialized Solution for High-Cost Claimants

# Contact

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We don't wait for the Future. We Build the Future with You.