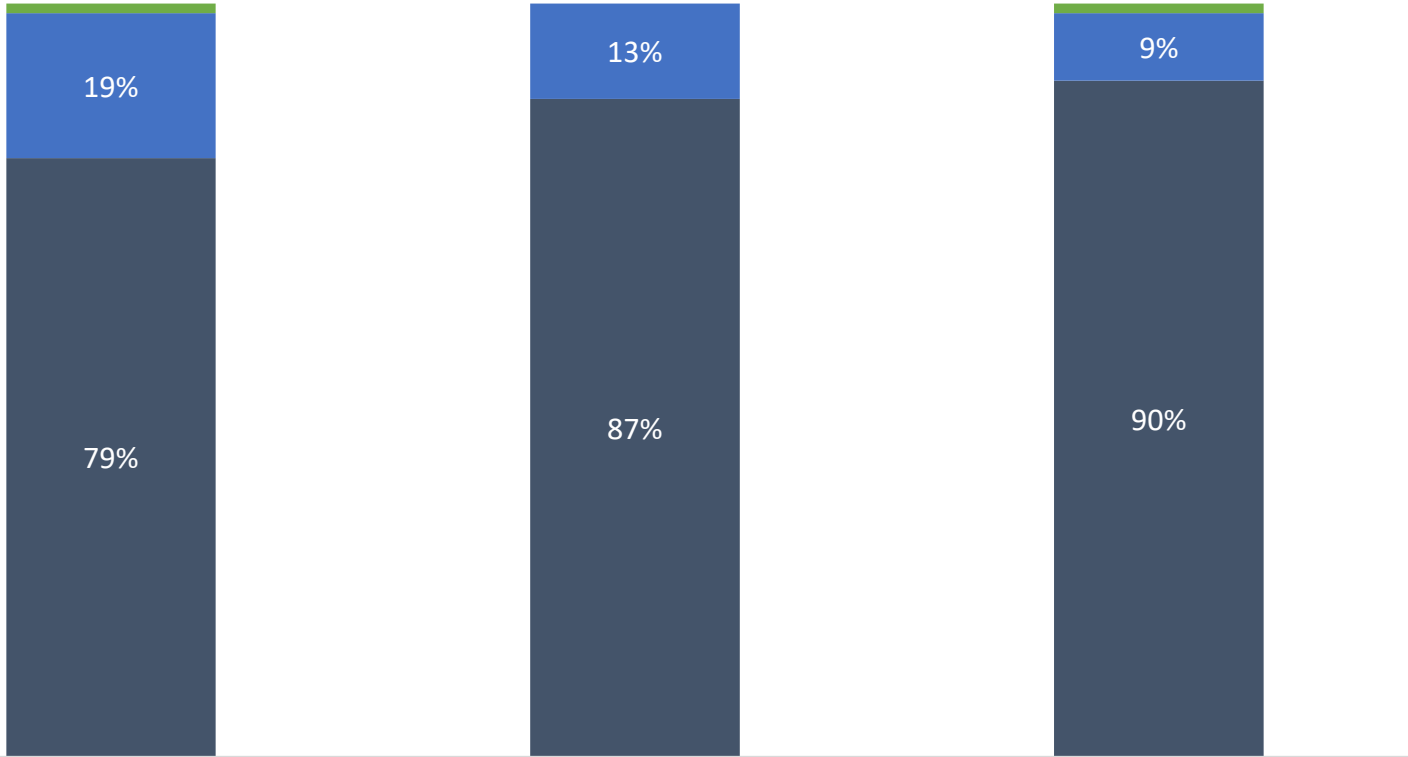


Reining In High Healthcare Costs

Employer Coalition of Louisiana

October, 2023

Three biggest threats to affordability are drug prices, high-cost claims, and hospital prices



Hospital prices

High-cost claims

Drug prices

■ Significant Threat ■ Minor Threat ■ No threat positive impact

Nearly 8 out of 10 employers consider drug prices, high-cost claims, and hospital prices a significant threat to affordability of employer-provided health coverage for employees and their families

Role of Fiduciary in Health Benefit Management

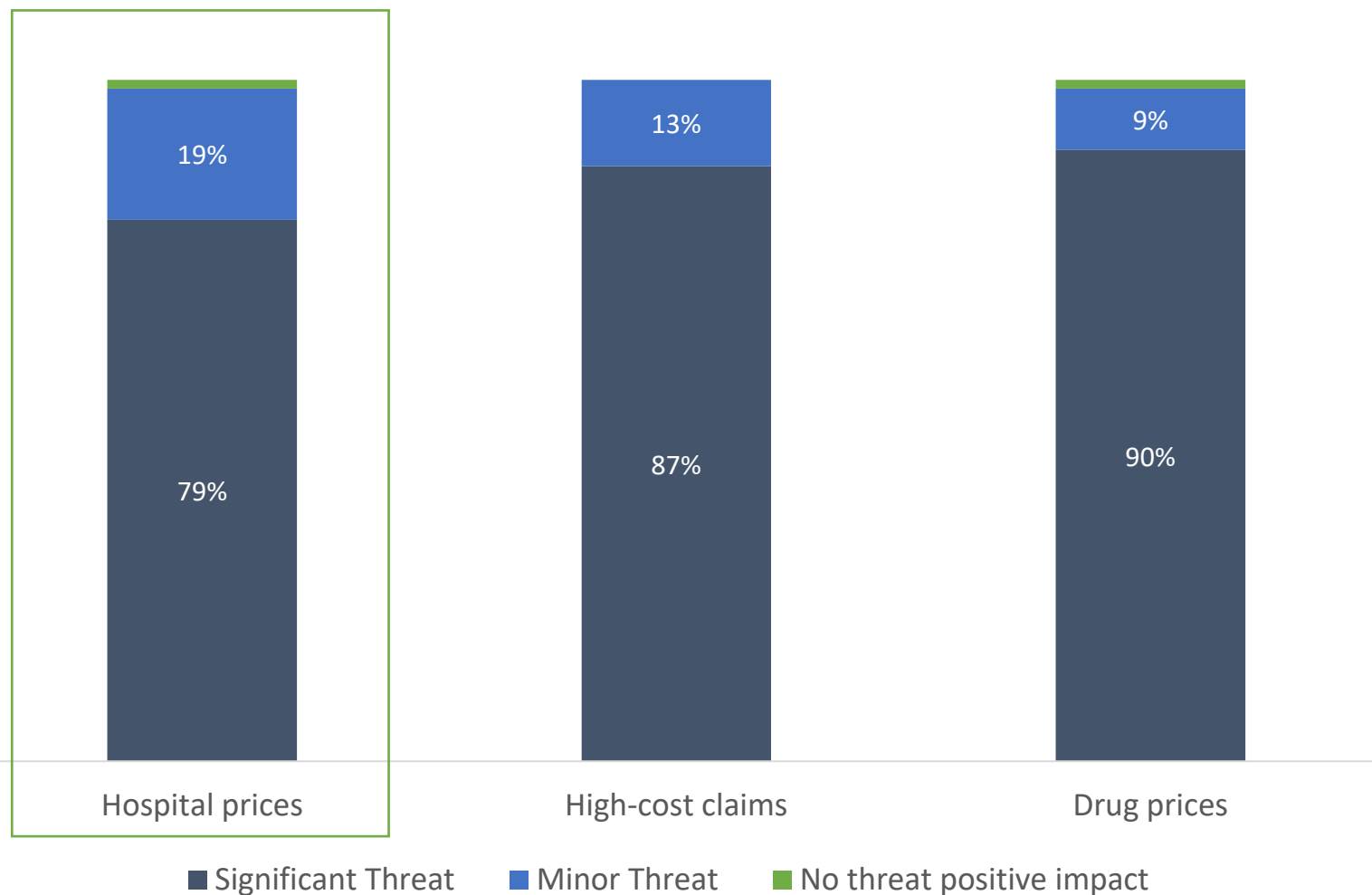
Health plan sponsors have fiduciary obligation to disperse plan assets in a prudent manner for the exclusive benefit of plan participants and beneficiaries

Fiduciaries are required to be experts in the subject matter entrusted to them, or to become educated by subject matter experts

Prudence standard for fiduciaries

- It is a prudent expert standard, not a prudent layperson standard
- A good faith effort is not enough

Three biggest threats to affordability are drug prices, high-cost claims, and hospital prices



Hospital Prices are the biggest threat to Affordability

- Largest Share of Spending
- Fastest Growing & Unjustifiable Pricing
- Uncontrolled Costs
- Lack of Market Conditions

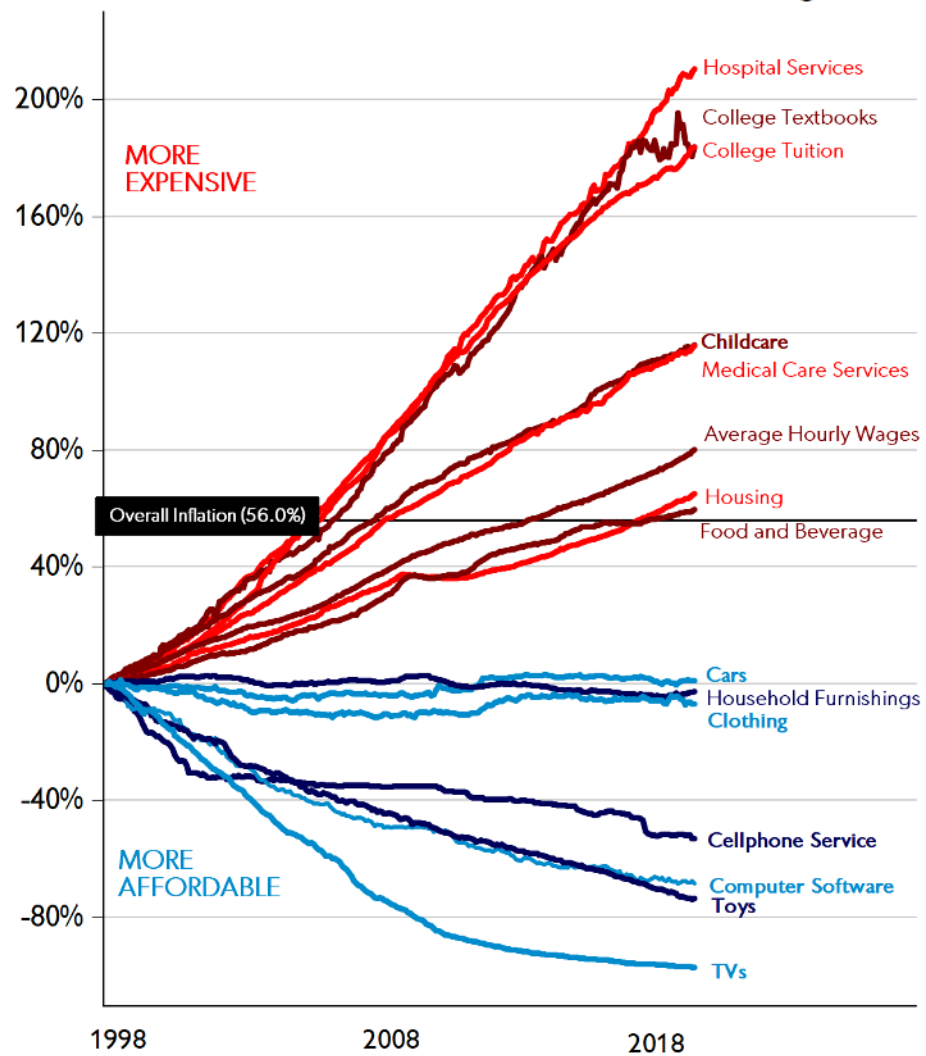
Average Annual Premiums for Family Coverage 1999-2022

1999	\$5,791
2000	\$6,438
2001	\$7,061
2002	\$8,003
2003	\$9,068
2004	\$9,950
2005	\$10,880
2006	\$11,480
2007	\$12,106
2008	\$12,680
2009	\$13,375
2010	\$13,770
2011	\$15,073
2012	\$15,745
2013	\$16,351
2014	\$16,834
2015	\$17,545
2016	\$18,142
2017	\$18,764
2018	\$19,616
2019	\$20,576
2020	\$21,342
2021	\$22,221
2022	\$22,463

4X

Price Changes (January 1998 to December 2018)

Selected US Consumer Goods and Services, Wages



Source: BLS

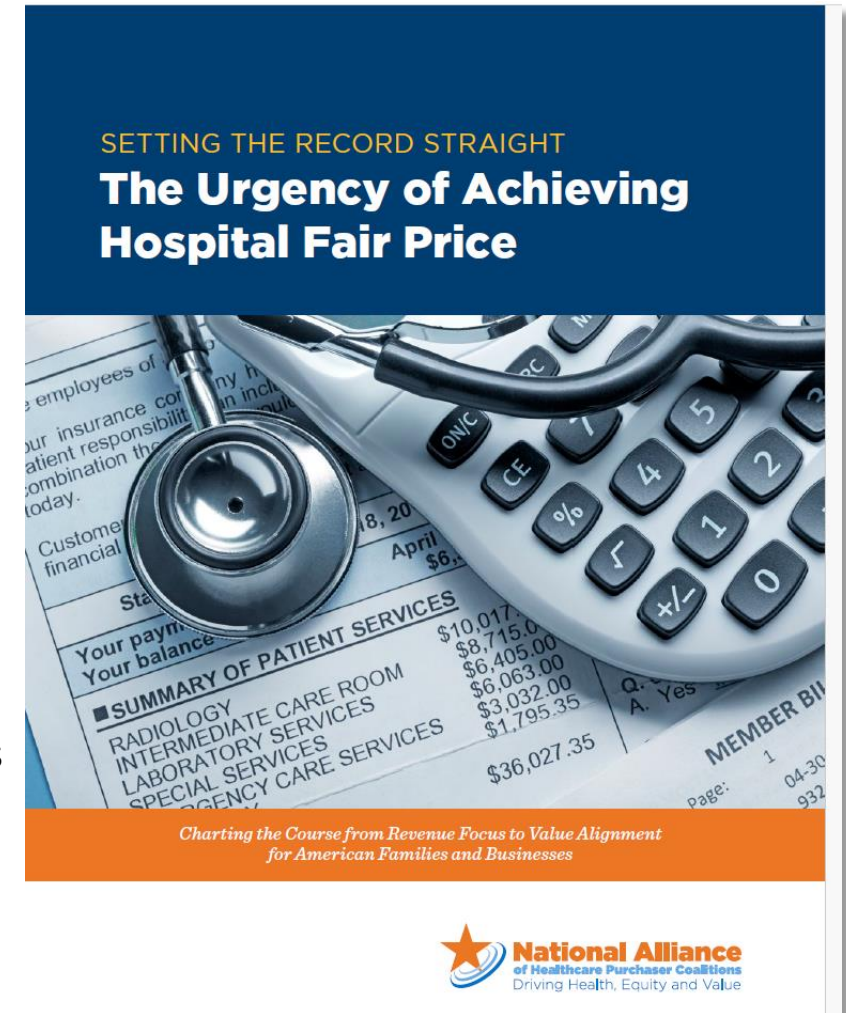
Carpe Diem **AEI**

SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Our Position

- Two scenarios are all too common:
 - Patients are being pushed into catastrophic medical debt due to outrageous and indefensible hospital prices.
 - US employers are facing profitability headwinds as they play a hospital price shell game
- Our position:
 - Hospital prices are high, rapidly rising, and not justified.
 - The era of cost-shifting has run its course.
 - Employers as fiduciaries are demanding a seat at the table to understand how plan assets are being spent.
 - There is a need for more responsible stewardship and accountability by hospitals and health systems.

Hospital prices are the leading driver of higher healthcare costs, crowding out wages and harming employer competitiveness.



https://www.nationalalliancehealth.org/wp-content/uploads/NationalAlliance_PBM_PB_2023_A.pdf

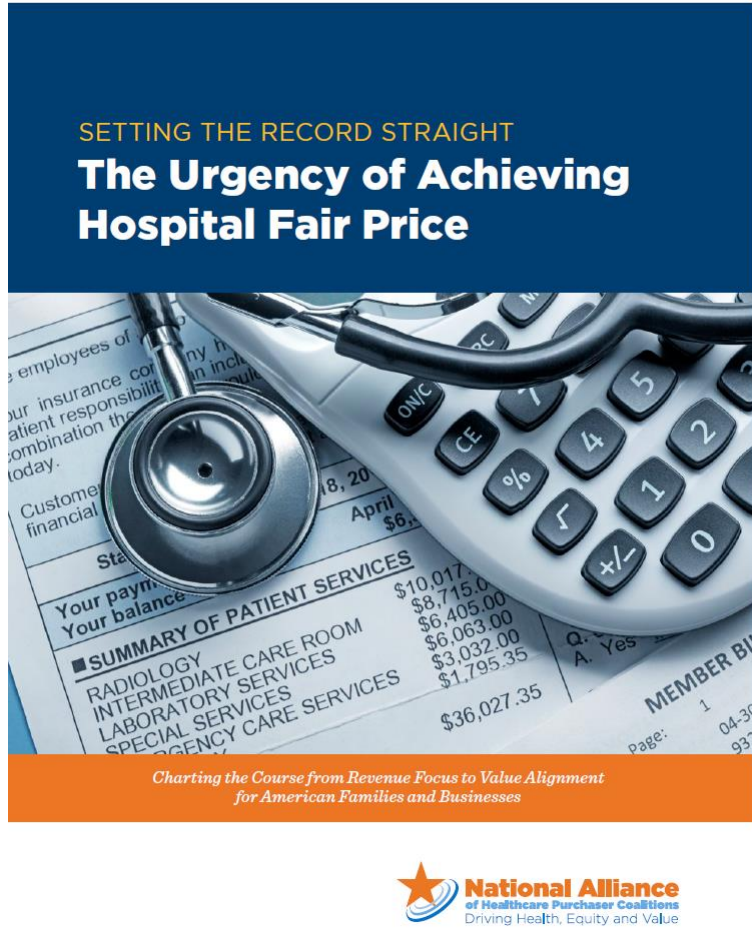
Getting the Facts Straight

MYTH 1:

Hospital prices are based on the cost of providing care to patients and the ability to invest in improvements in quality and infrastructure.

FACT 1:

There is no correlation between hospital prices and the actual cost of providing that care. It is not clear to healthcare purchasers that what is being charged or investing in "improvements" has anything to do with providing care for patients, since there has been no demonstrated improvement in quality or care. Instead, it appears that vertical integration is being used to raise prices to what the market will bear without any cost accounting—and for profit maximization. Hospitals are not transparent about investments, surplus, staffing, overhead costs, acquiring practices, or how they are spending the money or setting prices.



SETTING THE RECORD STRAIGHT
The Urgency of Achieving Hospital Fair Price

Charting the Course from Revenue Focus to Value Alignment
for American Families and Businesses

National Alliance
of Healthcare Purchaser Coalitions
Driving Health, Equity and Value

MYTH 2: Medicaid Reimbursement

MYTH 3: Workforce Crisis

MYTH 4: Facility Fees

MYTH 5: Hospital Mergers

MYTH 6: Market Domination

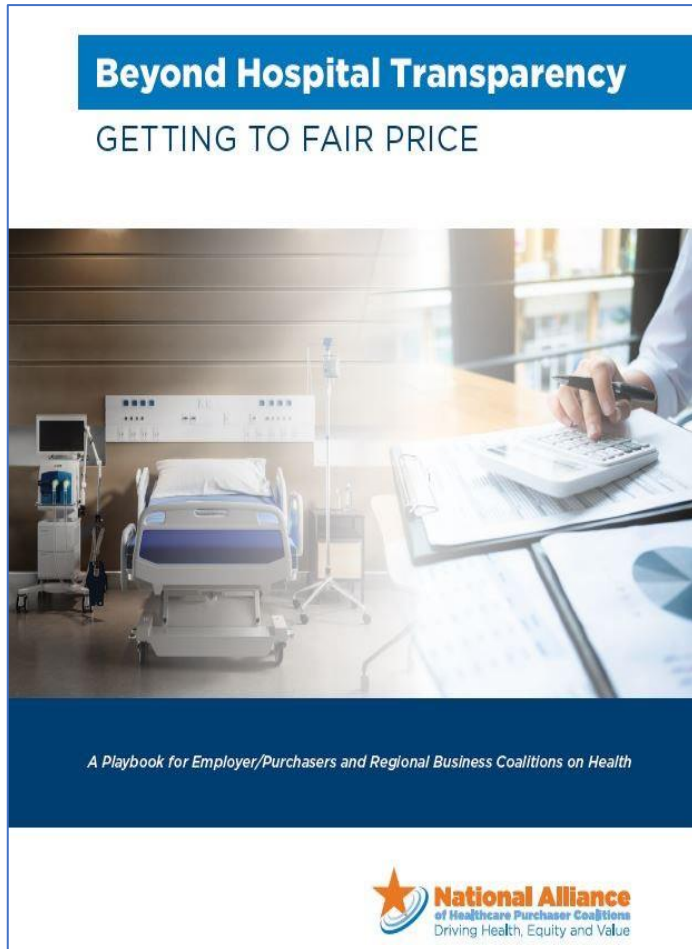
MYTH 7: Uncompensated Care

MYTH 8: Drug Mark-ups

MYTH 9: Rural Hospitals

MYTH 10: Jobs

Leveraging Hospital Price Transparency



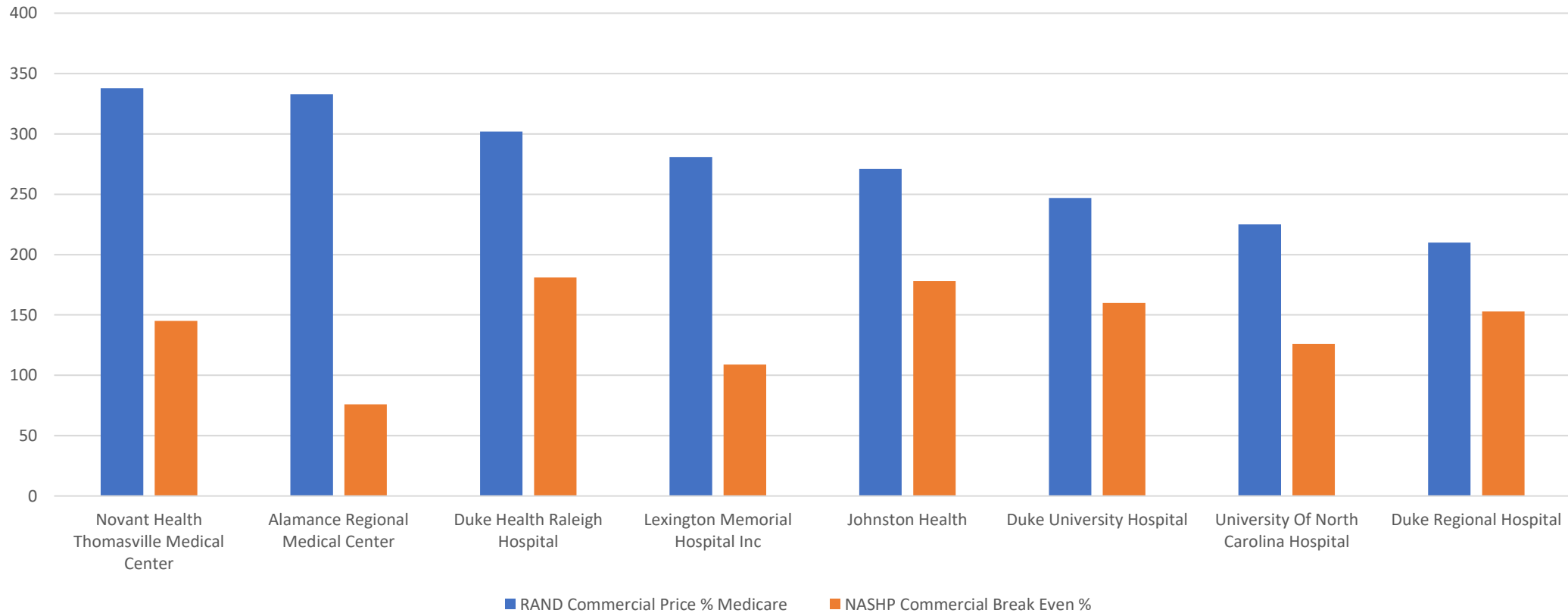
<https://www.nationalalliancehealth.org/resources/hospital-price-transparency-playbook/>

Hospital Fair Price Playbook Helps Employers/Coalitions:

- *Navigate the data*
- *Understand fiduciary rights and responsibilities*
- *Determine what a fair price is for hospital services in specific markets*
- *Learn about market- and policy-based strategies to leverage transparency and drive change*

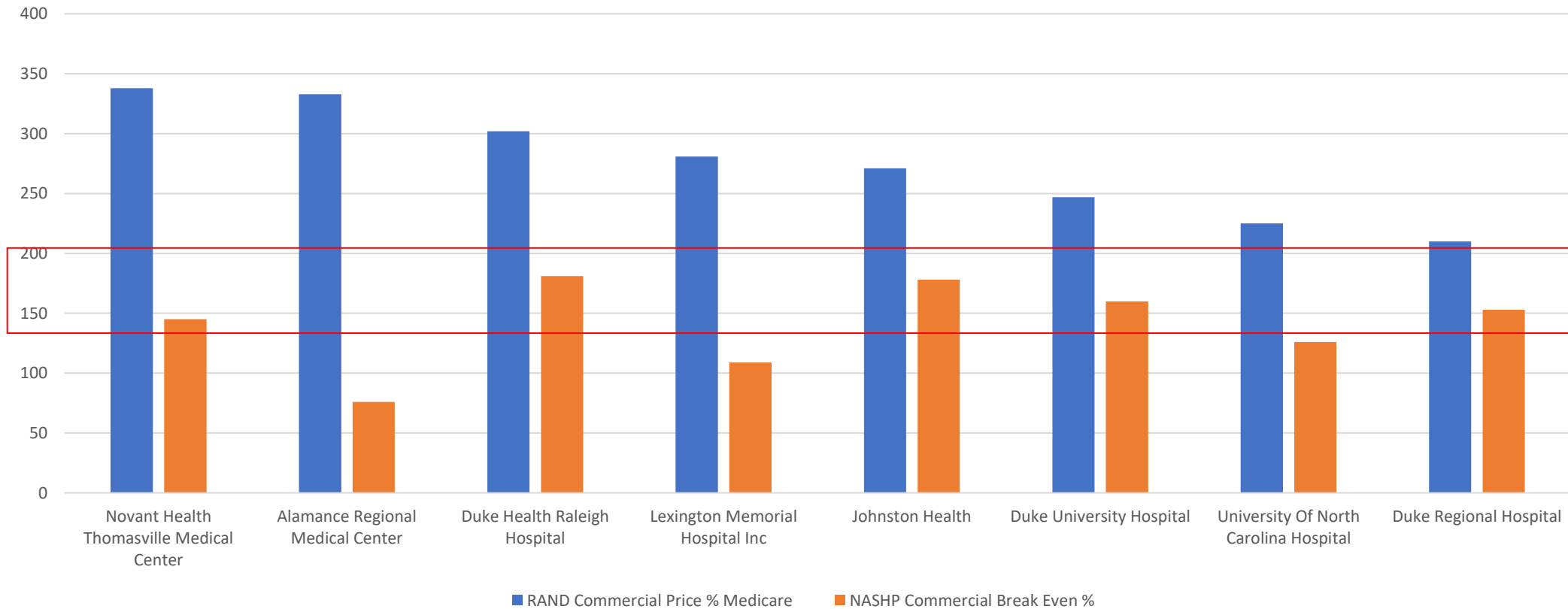
Examining the Data

4&5 Star Hospitals
Raleigh/Durham & Greensboro/Winston/Salem



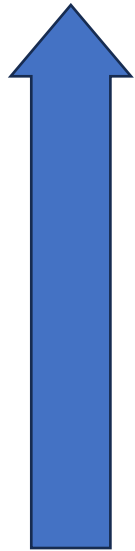
The Hospital Fair Price Range

4&5 Star Hospitals
Raleigh/Durham & Greensboro/Winston/Salem



Potential Market-Based Strategies to get to Fair Price

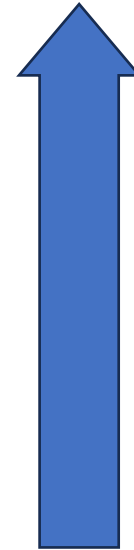
Market-Based Strategies



- Reference-Based Pricing
- Rebasing Contracts to a Percentage of Medicare, Performance Guarantees
- Tiered Networks, Centers of Excellence, Episodes of Care
- Advanced Primary Care, Site of Care, Unaffiliated Providers
- Health System Engagement
- Transparency

All Have Limitations when Markets are Consolidated

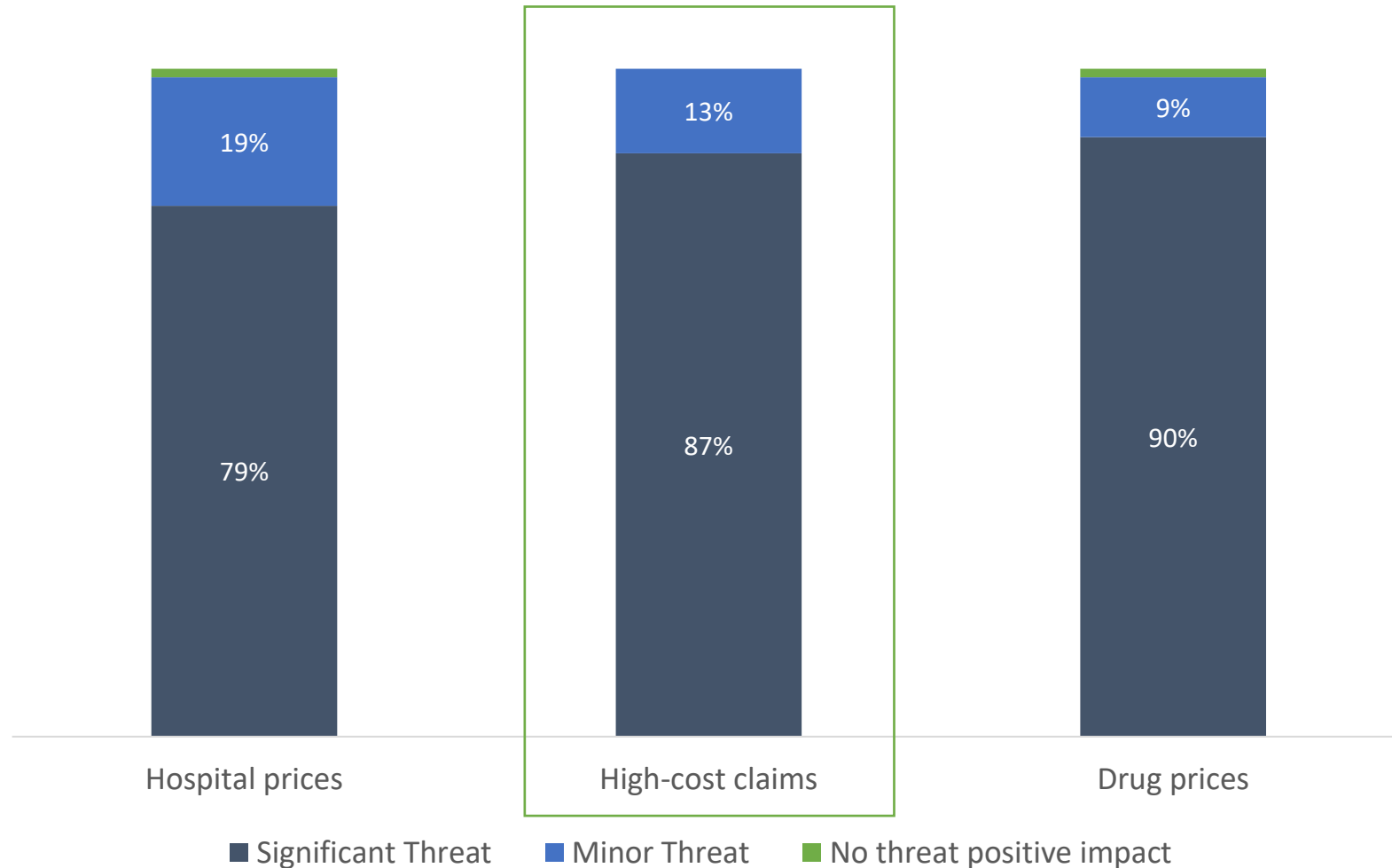
Policy- Based Strategies



- Rate Regulation
- Global Budgets
- Healthcare Cost Growth Caps
- Public Option
- Anti-Competitive Practices / Anti-Trust Enforcement
- Site of Care Facility Fees
- Surprise Billing

Key Activity is already happening in the States!

Three biggest threats to affordability are drug prices, high-cost claims, and hospital prices



High cost claims have grown exponentially

- Both in frequency and magnitude
- Threaten the viability of employer sponsored healthcare
- Diverse Issues
 - Neonatal Care
 - Specialty Drugs
 - Gene & Cell Therapy
 - Cancer



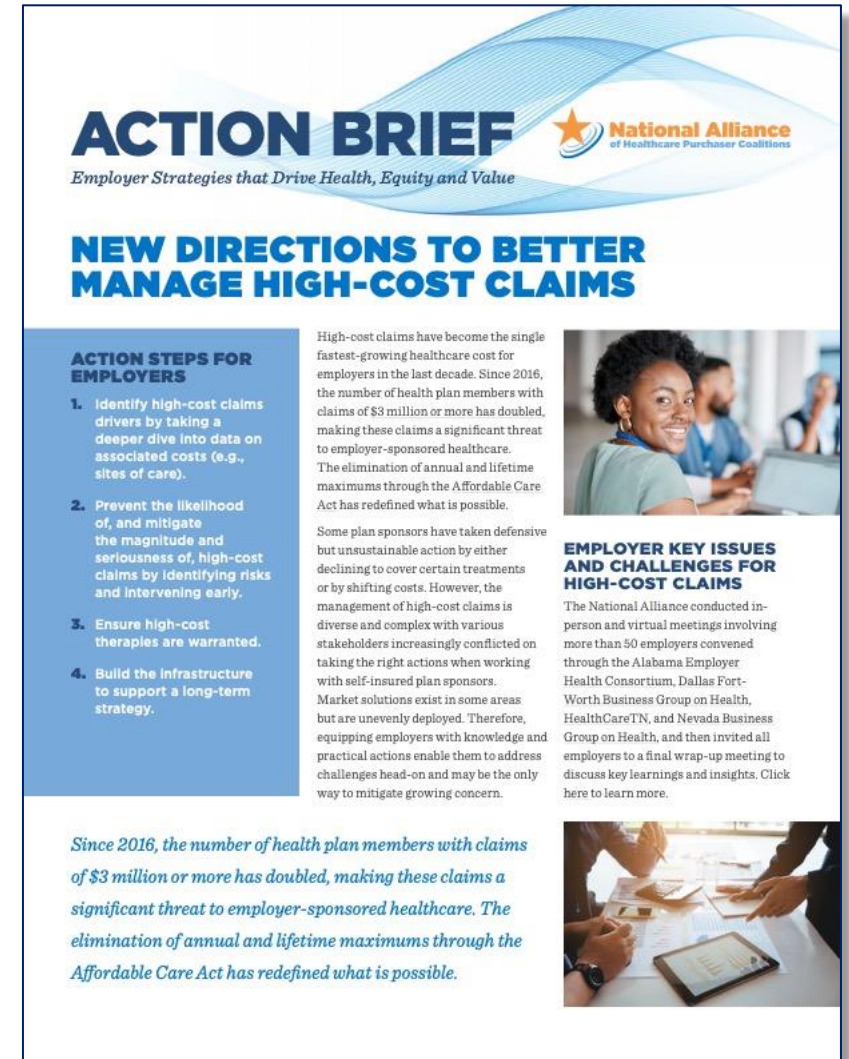
Key Overall Recommendations

- Learn the drivers - Past not the best predictor of future
- Take actions to prevent likelihood & mitigate magnitude
- Identify and intervene early
- Ensure access & consider alternatives to high-cost therapies
- Enforce accountability & plan for future risk

Future Activities (2024)

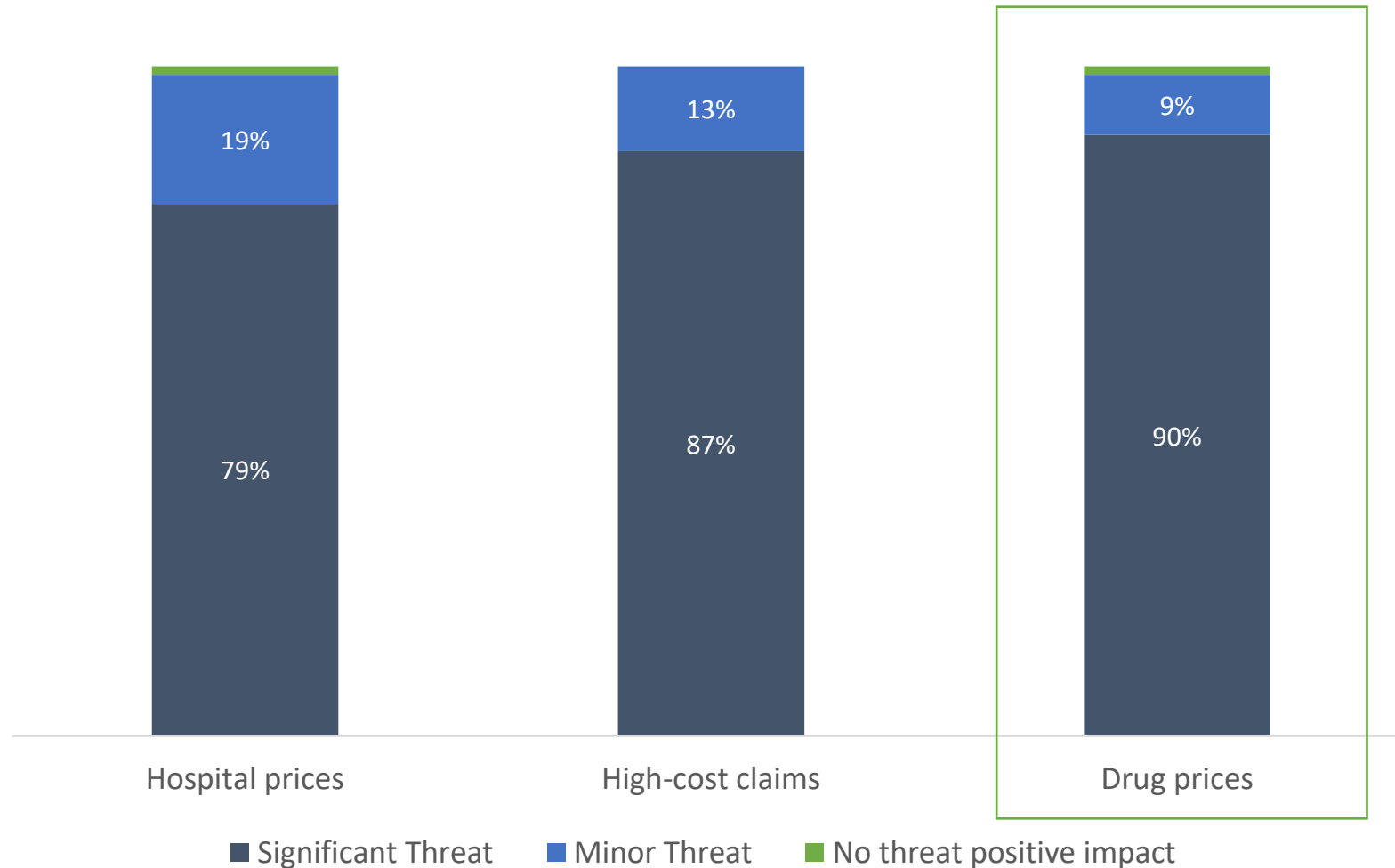
- High-Cost Claims Playbook
- Regional in-person workshops
- National virtual meeting “report out” and summary

https://www.nationalalliancehealth.org/wp-content/uploads/NationalAlliance_HCC-RPT_FINAL.pdf



https://www.nationalalliancehealth.org/wp-content/uploads/NationalAlliance_HCC_AB_F-FINAL.pdf

Three biggest threats to affordability are drug prices, high-cost claims, and hospital prices



Impacted by multiple drivers

- Unlimited pricing practices
- Lack of transparency and growing self-dealing
- Misalignment of the industry
- Rapid Innovation

Interventions are needed

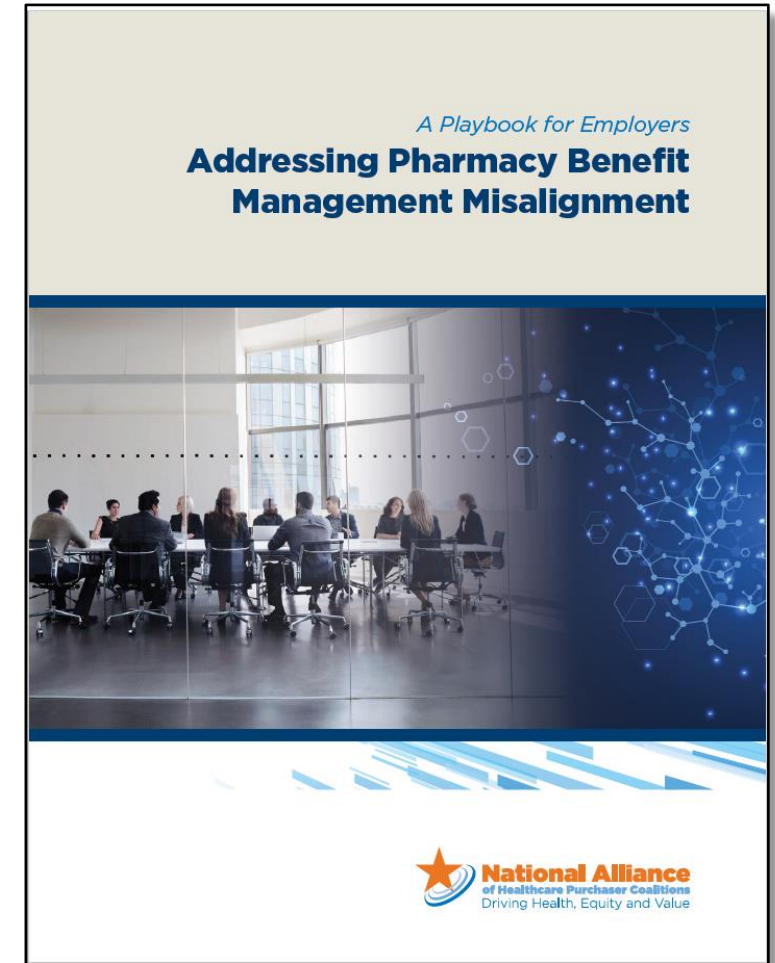
- Federal policy interventions
- PBM transparency & oversight
- Provider transparency & oversight
- Rethinking how we buy

Top 10 Pharmacy Benefit Management Concerns

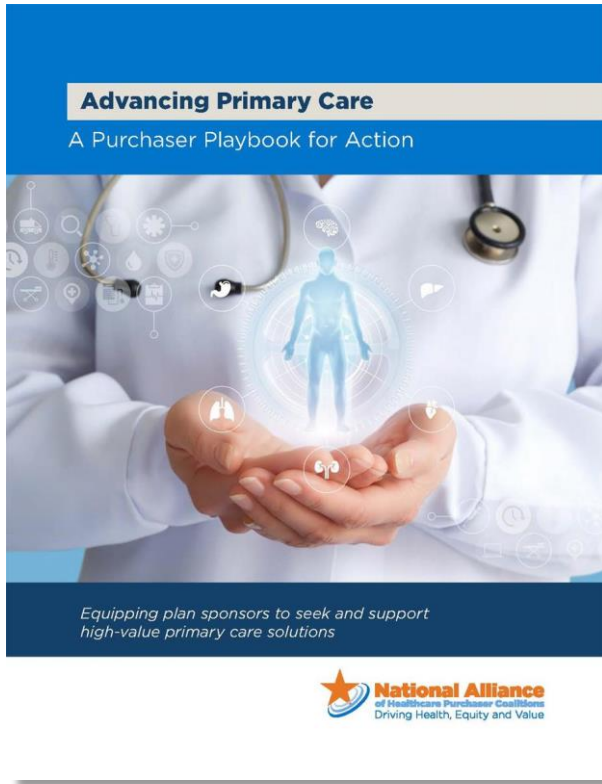
1. Promotion of higher-price drugs when lower-price drugs are available
2. Coverage/preference of a brand when generic/biosimilar is available
3. Coverage of specialty drugs where clinical evidence does not support
4. Automated prior authorizations causing rates to approvals to soar over 90%
5. Redefining generics as brand or vice-versa to manipulate guarantees
6. Systematic waste including refilling too soon or automatic 90-day refill
7. Coverage of high-cost, low-value drugs
8. Replacing drugs eligible for rebates with 340B drugs not eligible for rebates (without passing through lower price of 340B drugs)
9. Narrow definition of “rebates” which allows PBM to “pocket” Rx revenue
10. Being “held hostage” on all PBM contract terms, financial guarantees, and provisions regardless of magnitude of desired benefit changes



- Work with partners who work for you
- Evaluate & manage with balanced scorecard
- Own the relationship & terms



Questions?



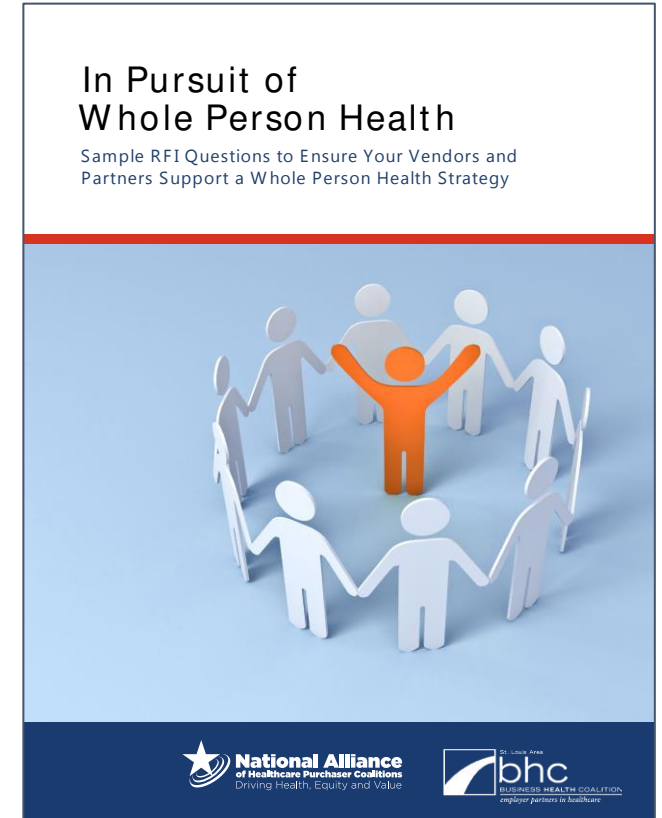
https://www.nationalalliancehealth.org/wp-content/uploads/NationalAlliance_APC-Playbook_K.pdf



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