

8 EMPLOYER COMMITMENTS FOR HEALTH PLAN SUCCESS



1 PRIORITIZE EXECUTIVE INVOLVEMENT

2 INCENTIVIZE COST-EFFECTIVE CARE

3 MAKE LONG-TERM STRATEGIC DECISIONS

4 CREATE EMPLOYEE INVOLVEMENT

5 INSIST ON TRANSPARENCY

6 HANDLE RISK JUDICIOUSLY

7 KNOW YOUR PLAN

8 MONITOR ELIGIBILITY

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1



PRIORITIZE EXECUTIVE INVOLVEMENT

Step one of health plan success is realizing real dollars are at stake.

Healthcare dollars fund a \$3 trillion industry encompassing hospital, medical, pharmacy and health insurance markets. These have grown mightily in size and profitability for the last 50 years. From a growth standpoint, their behavior has been rational and successful.

Plan sponsors and employees need equally rational behavior to protect themselves from the continued cost increases driven by the industry, and the devastating consequences those costs can have on both employers and employees.

You experience direct financial impact from their expenditure. Treat that impact as important. Spreadsheets quotes doesn't provide an accurate depiction of where your money goes or the results your efforts are achieving.

Efforts you can incorporate include:

- Committing to regular executive review of at least 30 minutes every week - this review should cover claim costs and causes and compare projections to cost
- Ensuring executive-level personnel are involved in every key health plan decision

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INCENTIVIZE COST-EFFECTIVE CARE

Built-in rewards for responsible consumer behavior will reward your plan with positive results.

In 2014, a survey of American Medical Association providers reported that an estimated 20% of overall medical care is likely unnecessary.¹ The human and financial cost implications of that number are astounding.

To ensure your health plan isn't participating in this cycle of paying for inappropriate and unnecessary care, create a health plan culture that offers employees the support they need to make common-sense choices based on cost and quality, and incentivizes their conscientious behavior.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5587107/>

Efforts you can incorporate include:

- Providing personal assistance and direction in choosing high quality providers of care
- Delivering on-site or near-site access to primary care, reliable health advice and convenient testing
- Initiating financial incentives and rewarding members for using appropriate levels of care and lower-cost options

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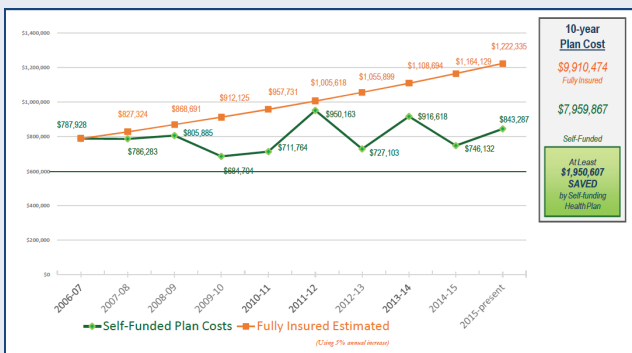
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MAKE LONG-TERM STRATEGIC DECISIONS

Long-term self-funding strategies save more over time than short-term cost cuts.

The data doesn't lie. Self-funded health plans save more over time. Take a look at this example from a long-term J.P. Farley client. In the span of ten years, this 55-life group experienced savings of \$1.9 MILLION from projected fully insured costs through self-funded Medical and Dental plan administration from J.P. Farley.



Efforts you can incorporate include:

- Understanding that spreadsheeting quotes has been used by health insurers to increase rates every year for the past 50+ years
- Avoiding “objective facts” and underwriting distortions designed to distort reality
- Planning for 3-5 years at a time, understanding you will not correct the results of 50+ years of bad habits in one year or less. Give yourself some time

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CREATE EMPLOYEE INVOLVEMENT

Open enrollment is just the start – prioritize the cost-quality message over marketing in your member communications throughout the year.

Over 80 percent of health plan costs are driven by claims – which are shaped by member behavior. To create a true cost impact requires active, cooperative involvement on the part of your members.

Two Big Concepts Members Need to Know

1) Health Plans are Part of Total Compensation

As health plan costs rise, the expense is often prohibitive to increasing total compensation. If an employer can afford a three percent increase in total compensation, but the cost of the health plan rises an equivalent or greater amount, the rest of the total compensation amount – or actual wages – will go up less than three percent.

2) All Health Plans are Essentially Co-ops

Costs directly and almost immediately reflect claims. High claims produce high plan costs for the entire group. Better consumer behavior means lower plan costs. Lower plan costs create savings for the plan which can result in lower contributions and higher compensation for employees.

The key is to develop a strategy for lowering plan costs, and share that strategy, explaining to your employees how you intend to make the health plan work for savings. Communication that prioritizes quality and cost measures to your employees can be the difference in whether you continue in the cycle of increased costs or start saving.

Efforts you can incorporate include:

- Demonstrating how health plan costs affect total employee compensation
- Outlining steps the plan will implement to slow the growth of costs
- Showing employees how they can help
- Providing personal, one to one expert assistance to facilitate employee engagement
- Comparing current costs to cost goals and current paychecks with paychecks after goal is attained
- Financially rewarding desired behaviors
- Publicizing and sharing results

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INSIST ON TRANSPARENCY

End the deceptive practices that encourage blind consumer spending.

For much of health plan history, consumers haven't known how much they're really paying or what they're really paying for when it comes to provider services and prescriptions.

Medical claims often have built-in obscurity designed to prevent you from seeing true costs and making clear, informed decisions:

- No price transparency for provider services
- Network agreements binding the plan to confidential provider negotiations
- Provider bill audits are not allowed
- Provider charges face no maximum limits
- Annual billed charges increase automatically

Pharmacy benefit management claims fare no better, with issues including:

- AWP's are inflated by pricing services
- Rebates which encourage use of higher-cost drugs and don't share the savings
- Spreads on the charges for ingredient costs
- Zero-balance claims are reported as savings (despite member paying 100% of costs)

- Single-source generic drugs are excluded from generic formulary pricing

As an employer, you have the power to create new levels of transparency within your health plan, empowering employees to make informed choices that save money and improve health outcomes.

Efforts you can incorporate include:

- Making use of quality and cost transparency tools
- Providing personal decision-making assistance to members
- Incentivizing utilization of low-cost, high quality providers
- Incorporating a Health Reimbursement Account to control claim costs
- Using a transparent, full pass-through model PBM
- Addressing specialty pharmacy with a specific, effective strategy

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HANDLE RISK JUDICIOUSLY

*Self-fund predictable claims.
Insure unpredictable claims.*

Did you know the top 1% of claimants represent 30% of your total costs? High cost claimants are the drivers behind every high claims costs year and large rate increase. The years following those high claims costs years are the years insurance companies make their largest profits.

The costliest conditions? Cancer, heart disease, live birth and perinatal conditions, and blood infections.

Self-funded plans provide you with complete, transparent, detailed information about your plan's claims. This enables you to execute the proper risk mitigation strategy for your company and your plan. Health insurance functions much

of credit than a true risk assumption pool. Overuse will drive your plan costs up, not down.

Characteristics of a Risk You Should Insure:

- The risk is not budgetable and the occurrence would break you
- The occurrence is not predictable based on the size or makeup of the group
- The occurrence is uncontrollable or unmanageable

Efforts you can incorporate include:

- Insuring unmanageable, not budgetable, risk while avoiding over-insurance resulting in unnecessary, wasteful costs

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KNOW YOUR PLAN

Are you familiar with your plan document's definitions? Your plan is only as strong as its language.

When you control the conditions of coverage, you control the costs. How your plan defines certain terms and exclusions drastically impacts the costs you and your employees will face.

Ensure you have total comprehension of what your plan document truly indicates when it uses the following words:

DEFINITIONS

- Child or children
- Clean claims
- Covered expense/service
- Legally Separated
- Leave of Absence
- Maximum Allowable Amount
- Preventive Care
- Charge vs. Reimbursement

EXCLUSIONS

- Illegal Activity
- Unreasonable
- Lack of Medical Necessity
- Experimental/Investigational
- Hazardous pursuit, hobby, or activity
- Occupational/Activity for Remuneration or Prize Money
- Medical Errors

Efforts you can incorporate include:

- Reviewing your plan's definitions and exclusions at length
- Ensuring plan members are also aware of relevant definitions

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MONITOR ELIGIBILITY

Guard your plan's efficacy by monitoring the eligibility of every plan member.

When you have ineligible members on your plan, you're taking on costs that are no longer your responsibility. The plan is providing little or no benefit to the ineligible member and unnecessarily driving up costs for the other members.

Stewarding your health plan for optimal savings requires closely monitoring member eligibility to remove members from the plan as soon as they no longer meet eligibility requirements.

Additionally, you should ensure alternate coverage advice and assistance is readily available for members affected by ineligibility.

Efforts you can incorporate include:

- Defining the parameters of member eligibility
- Coordinating plan member eligibility monitoring with your health plan administrator and internal personnel
- Documenting and filing any changes in member eligibility
- Enforcing member eligibility restrictions and remove ineligible members as soon as possible
- Providing direction for alternate coverages when appropriate

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MAKE THE 8 COMMITMENTS SIMPLER WITH A SELF-FUNDING PARTNER YOU CAN TRUST

As an employer, you have the power to change the trajectory of your health plan. Self-funding can help. Self-funding with the experts will make it simpler.

J.P. Farley delivers excellence in self-funded administration with the support you need to make savings a reality.

We're exceeding client expectations through:



COMPASSION

that humanizes every experience for a health plan worth having



CONNECTION

for fast and accurate claims and insightful, actionable data



CLARITY

in claims fees and contracts

The only constant is change. In our business, staying ahead of it is crucial for our clients' (and their members') success.

With over 40 years of effective management and innovative leadership, plus the most powerful benefits administration platform on the market, you can trust a partnership with J.P. Farley translates to savings, support and satisfaction for you and for your employees.

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