

How Employers Can Inspire Plan Participants to Find Better Care for Less



DoctorGlobe

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Introduction

Self-funding (self-insurance), a strategy once used by large companies to contain the cost of employee healthcare coverage, is gaining popularity among small to mid-size companies. At a time when the annual cost of covering an employee has risen to \$12,000, self-funding can save employers as much as 12 percent.ⁱ

Equally important, self-funding gives employers greater control over their health coverage dollar, leaving more resources to be used at their discretion.

Health insurance has always been a question of risk versus reward, but with self-funding, companies can mitigate risk by purchasing stop-loss insurance to provide an added level of financial security, which is especially important for smaller businesses.

Whether fully or partially self-funded, however, companies face key challenges that can prevent them from taking full advantage of this opportunity to reduce healthcare costs. These key challenges are, on the one hand, lack of transparency and, on the other, limited plan member engagement.

Potential Solutions Versus the Real World

The healthcare industry has been resisting efforts to bring cost transparency to plan sponsors and members for years. In this country, prices do not necessarily reflect quality, and costs can vary dramatically even within geographic proximity.

In fact, a study published in the *Annals of Internal Medicine*, demonstrated no clear relationship between the cost and quality of healthcare,ⁱⁱ and that the most effective way to lower healthcare costs is to focus on where a patient accesses services. For example, ACL knee surgery might cost \$23,098 at one specific location, while priced at only \$6,498 on the other side of town.ⁱⁱⁱ

Why is this happening? Prices are determined on a hospital-by-hospital basis, with each hospital factoring different expenses from a master file of billable items, such as hospital services, medical procedures, equipment, drugs and supplies. Furthermore, accessing care outside of hospitals and large

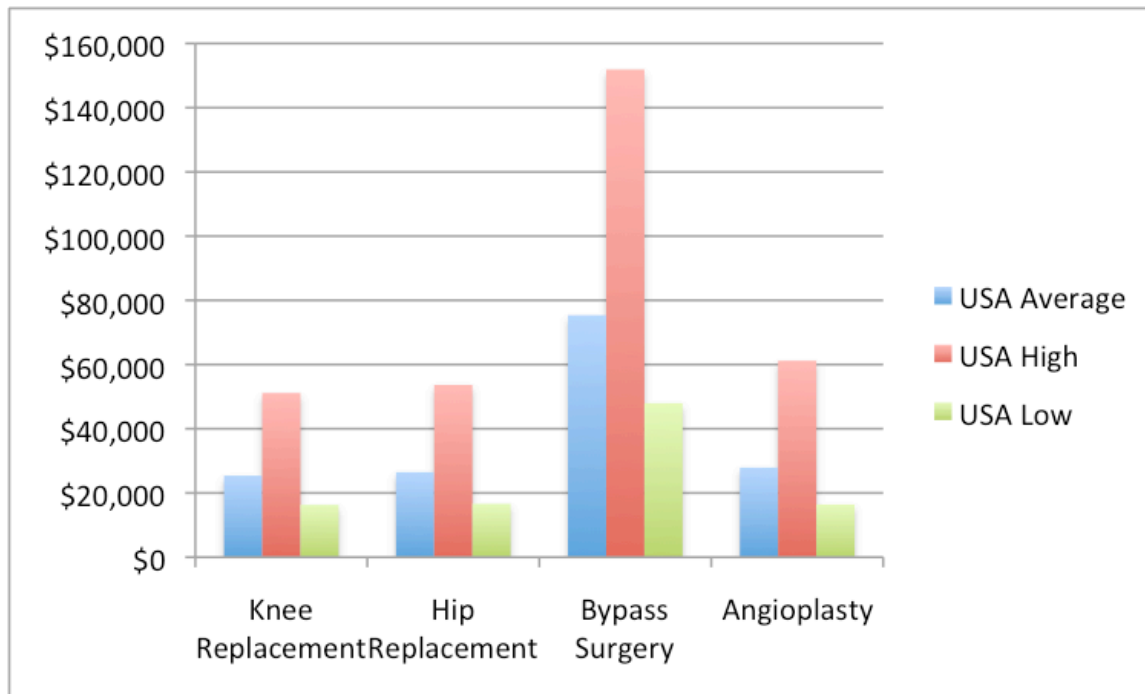
Why Healthcare Data Transparency Is Essential

In 2013, per-capita healthcare spending in the U.S. was more than two times that of other economically-developed nations,¹ making access to healthcare price information more important than ever.

For participants enrolled in high deductible health plans (HDHPs), it would give them the ability to compare prices across providers or facilities to help them make informed decisions about where to seek affordable care, and enable them to plan for future financial outlays – rather than being surprised by unexpected medical bills.

According to a 2015 TransUnion Healthcare survey, 80 percent of respondents said that upfront cost estimates are a factor in choosing a provider, while 79 percent said they were more likely to pay their bills if they received a price estimate prior to receiving care.¹

health systems tends to cost less because larger organizations charge higher fees than private physician offices to cover overhead costs and operational expenses.^{iv}



Source: International Federation of Health Plans - 2013 comprehensive price report

Bundled payment programs have shown positive results in terms of savings because they encourage providers to collaborate on improving the efficiency and quality of individual care episodes, empowering them to focus on the unit cost of care. At the moment, however, few doctors or healthcare systems provide bundled pricing unless they are participants of a Centers of Excellence (COEs) program or ambulatory surgery centers (ASCs).

Sending plan members to COEs for high quality, more-affordable surgical procedures or episodes of treatment is a strategy that has been adopted by large retailers, such as Wal-Mart, Lowe's, Jet Blue and others.

The reality for most small to mid-size companies and their health plan members, however, is that they tend to continue to seek healthcare at the nearest hospital or the one recommended by their doctor or friends.

Online Revolution and Healthcare Consumerism

Consumerism has been completely revolutionized since the beginning of this third millennium. While in the late 1990s most consumers were still uncomfortable using their credit card online, within a decade and a half most were subscribed to Amazon Prime and booking the most complicated vacations online with no intermediary assistance.

This revolution created a new educated consumer who is savvy, self-reliant and proficient in online research and exploiting big data. Such proficiencies were once the reserve of licensed professionals with decades of experience. This online consumerism revolution, however, has not successfully affected healthcare consumerism. Why?

On the one hand, the lack of upfront price transparency in healthcare has been the main factor preventing entrepreneurial attempts from creating an Orbitz or Amazon equivalent for healthcare. The common belief has been that, just like in the case of a hotel room or product, without the ability to predict and display exactly what a procedure will cost, such an online marketplace cannot be built.

However, with healthcare pricing being so expensive and even more so inefficient, directing more patients to quality care that is priced below average should turn that average into the new ceiling, thus lowering the overall cost of care.

The purpose shouldn't be to win every battle, but rather win the entire war. Sometimes the worst enemy of the good is the excellent.

On the other hand, the fact that participants are not the payers of the full price of care has prevented the sense of consumerism from developing. Only a small portion of the more expensive healthcare procedures end up being paid by a covered patient, which makes the whole purchase experience very different from any other consumer marketplace.

This has led to some programs incorporating a waiver of participants' out-of-pocket cost participation, provided they select the right Center of Excellence or Ambulatory Care Center. That approach has been shown to create healthcare cost savings. However, in most cases, these programs haven't produced the full extent of engagement that they were expected to create.

There may be two reasons for this: People tend to overlook what they do not pay, so they forget to consider it as money saved; and once the out-of-pocket is waived on a select group of providers, there is no guarantee that the participant will choose the most efficient one in that group. The only way to create a consumer experience is to award the participants with a certain share of the savings they create by making a smart choice.

Nevertheless, meeting consumer demand in healthcare is simpler than many might believe. In fact, as more companies roll-out disruptive high-tech solutions to support the healthcare revolution, most consumers want simpler options, such as an easier way to schedule doctor visits or a central payment portal. According to a survey of 500 consumers, the four most preferred features included out-of-pocket cost estimators and online appointment scheduling. Therefore, employers who want to make the most of their healthcare investments should focus on basic digital products and solutions that align with their strategic goals.^v

Real Solutions in the Real World

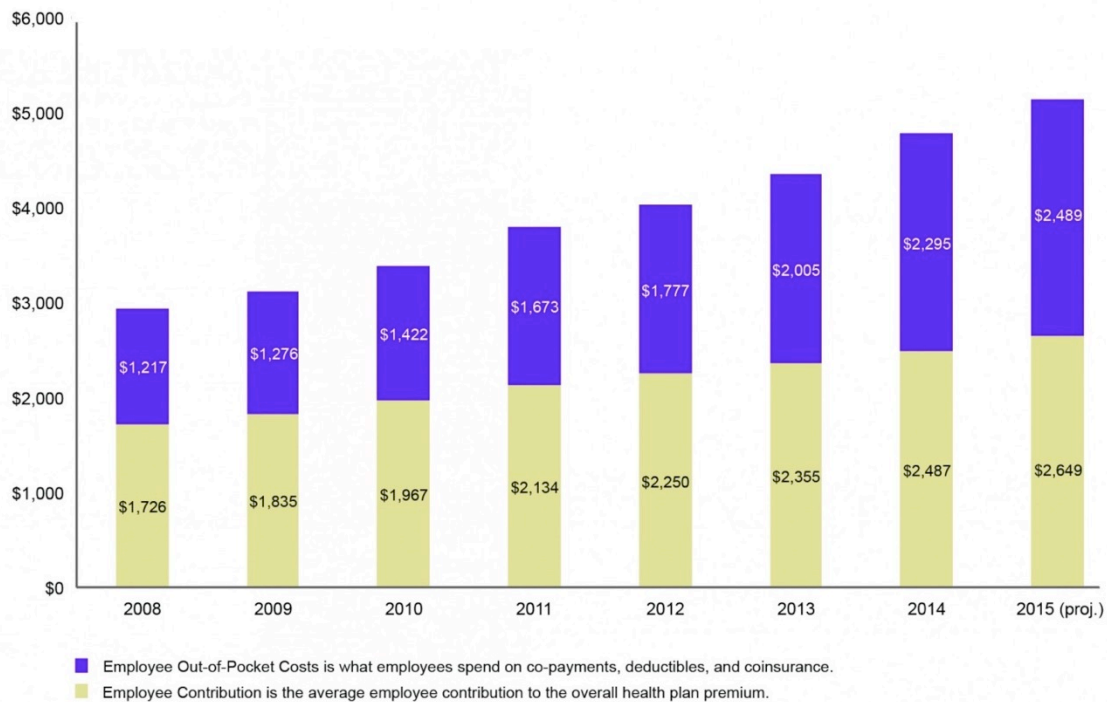
One such hospital-shopping platform, [DoctorGlobe](#), offers consumers a choice of over 120+ surgical procedures across over 2,800 U.S. domestic hospitals, meeting an essential consumer need in much the same way Amazon offers great deals on a quality blender or lawnmower. This platform identifies and exploits healthcare price inefficiency by finding and ranking quality hospitals that charge below the employee's area average price – helping participants find better care for less.

DoctorGlobe kills two birds with one stone: it neutralizes the price transparency issue and inspires plan members to make their own smart healthcare choices. With no upfront or hidden costs, the platform displays an estimated saved out-of-pocket cost by the plan participant, and the estimated cash bonus representing a share of the corporate savings. This approach is about rewarding plan members for making cost-effective selections, and is an ideal solution for self-funded employers looking to trim millions off of their healthcare costs.

Considering that out-of-pocket healthcare costs, including deductibles and coinsurance, have risen significantly in the past several years, this consumer-oriented hospital-shopping platform brings a positive, straightforward approach to the selection of healthcare providers, using a bonus incentive to replace the traditional out-of-pocket approach.

DoctorGlobe gives employers maximum flexibility by allowing them to work with their own provider networks, out-of-network – or both – while also displaying domestic providers from one mile to 2,500 miles away.

National Average Employee Contributions and Out-of-Pocket Costs



Source: <http://www.forbes.com/sites/brucejapsen/2014/11/13/worker-out-of-pocket-health-costs-have-doubled-in-five-years/#4f5be2964b12>

This solution also ranks what participants are most interested in, such as quality, distance and bonus amount, as well as finds and ranks quality care providers who charge below an employee’s area price. It is highly adaptable, as well, letting a company determine the best care available for the least amount of cost base on: average bill on an employee’s care, minimum desired savings on care, and desired employee bonus.

Furthermore, DoctorGlobe gives employers the option to choose between or combine a percent of whatever savings the solution creates and an amount based on per-employee-per month.

Ultimately, this level of choice, transparency, and plan member engagement, benefits the bottom line for employers, improves the quality of cost-effective care for plan members, and elevates the U.S. healthcare system as a whole.

About DoctorGlobe

DoctorGlobe, the first and only online U.S domestic hospital-shopping platform of its kind, helps self-funded companies and their employees to select better care for less. Utilizing a ‘big data’ and ‘crowd wisdom’ approach, coupled with a smart employee incentive program, DoctorGlobe’s proprietary algorithm ranks 120+ surgery procedures across 2,800 hospitals, ensuring that every plan participant can seamlessly find, compare, and reserve their care. Visit: www.doctorglobe.com.

About the Author, *Tibi Zohar, MSFS*



Tibi Zohar, the President and CEO of DoctorGlobe, co-founded the company in January of 2014 with Yori Landau, the former leader of the Orbitz Worldwide Israel’s R&D center. The company is headquartered in Oceanside California and it has R&D centers in Tel Aviv Israel and New Delhi, India.

Tibi is an accomplished financial professional with over 3 decades of experience in corporate and employee benefits in two different countries. Served as corporate executive, agency owner, founder of Custom Financial

Planning and Synergy Advisers. Million Dollar Round Table 3-time Top Of The table and 5-time Court Of the Table accomplishments, as well as TOT meeting speaker in Kauai (2009) and keynote address the 2010 Insurance and Finance annual conference in Eilat, Israel.

Tibi earned his Master of Science in Financial Services from the institute of business and finance in La Jolla California. Among his community contributions are board member at Fresh Start Surgical Gifts, a board member at T.E.A.M. and StandWithUs Israel advocacy organizations. He co-chaired Israel @ 60 San Diego, as well as co-founded and served as president of the San Diego Jewish Chamber of Commerce"

ⁱ Goforth, Alan; BenefitsPro; The Rise of Self-Funding; March 9, 2015; <http://www.benefitspro.com/2015/03/09/the-rise-of-self-funding>; accessed July 1, 2016.

ⁱⁱ Why Location Dictates the Cost of Your Health Procedure; Think Health, May 6, 2015; <http://thinkhealth.priorityhealth.com/why-location-dictates-the-cost-of-your-health-procedure/>; accessed April 11, 2016.

ⁱⁱⁱ Think Health, 2015.

^{iv} Think Health, 2015.

^v Fengler, Keith; What Consumers Most Want from Health Insurers’ Technology; Strategy + Business; June 29, 2016; <http://www.strategy-business.com/article/What-Consumers-Most-Want-from-Health-Insurers-Technology>; accessed July 1, 2016.