



May 3, 2019

SJVIA Board Meeting: Consultant’s Report on PPO Discount Analysis and Reference-Based Pricing Analysis

PPO Discount Analysis

Keenan conducted a PPO network discount analysis based on 2018 data as a due diligence exercise to see if the SJVIA would be able to save claim dollars by aligning itself with another carrier. This analysis excluded claims covered under the 2017 HMO capitation fee. Since the HMO was replaced with the EPO for 2018, the 2018 data includes all claims paid under the self-funded plan. Our analysis included the following carriers:

- Anthem Blue Cross
- Blue Shield of California
- United HealthCare
- CIGNA HealthCare
- Aetna HealthCare

Keenan provided each carrier with the SJVIA’s 2018 de-identified PPO and EPO claims data (no PHI nor HIPAA protected information was included). Keenan requested the carriers reprice these claims based on their provider contracts. The following table illustrates the results:

SJVIA	Total Billed Charges	624	837	422	595	121
IP Facility	\$ 29,912,084	56.5%	60.3%	60.1%	58.8%	52.9%
OP Facility	\$ 50,349,918	67.8%	57.1%	58.1%	67.3%	53.0%
Professional	\$ 48,935,449	56.5%	57.4%	56.3%	56.1%	54.4%
Total	\$ 129,197,452	60.9%	57.9%	57.9%	61.1%	52.7%
Total Discount		\$78,664,255	\$74,859,244	\$74,766,565	\$78,939,643	\$68,087,057

One of the carriers required that the analysis be done on an unidentified basis; therefore, all carriers are deidentified. Carriers 624 and 595 offer the strongest discount with the other three carriers showing discounts substantially lower. Please note, the SJVIA’s current vendor Anthem is one of the two higher discounts.

Based on the results of the provider discount analysis, SJVIA Staff recommends the SJVIA renew with Anthem and not conduct an RFP for replacement.

Reference-Based Pricing

As an alternative to network discount pricing Keenan also reviewed Reference-Based Pricing (RBP). The difference between the two approaches is as follows:

- Network discount pricing pays claims based on the negotiated contract rates between the provider and the carrier.
- Reference-based pricing:
 - Pays high cost claims (typically inpatient facility claims) based off of a reference-based price determined by the RBP vendor.
 - Pays all other claims based on a network discount pricing basis.
 - Can lead to balance billing for the claimant requiring the RBP vendor to manage the claim for settlement with the healthcare provider.
 - Creates the opportunity for fixed cost savings in claim cost and fixed administrative/network access costs.

Keenan conducted an RBP analysis based on 2018 data as well. The results from the three vendors were as follows:

SJVIA	Total Billed Charges	HealthSmart	WellRithms	ELap
RBP Pricing Discount				
IP Facility	\$ 29,912,084	62.7%	69.0%	65.0%
<u>OP Facility</u>	<u>\$ 50,349,918</u>	<u>66.4%</u>	<u>76.2%</u>	<u>65.0%</u>
Total	\$ 80,262,002	65.0%	68.2%	65.0%
Discount Savings				
Total Discount		\$52,170,302	\$54,738,686	\$52,170,302
<u>Current Discount</u>	63.6%	<u>\$51,033,132</u>	<u>\$51,033,132</u>	<u>\$51,033,132</u>
Additional Savings		\$1,137,170	\$3,705,554	\$1,137,170

The three RBP vendors all showed greater savings than the current Anthem contract pricing arrangement by \$1.1 to \$3.7 million. Additional savings would also be realized by lower fixed costs for administration and for a PPO access fee for professional services.

SJVIA staff is not recommending the SJVIA move to Reference-Based Pricing as a complete replacement for Anthem. Communication to the Counties and members would take considerable effort and time (12 to 18 months).