



HM STOP LOSS

HM InSights: Direct Contracting

Many large, national self-funded employers (i.e., Wal-Mart, Lowe's, Boeing) are contracting directly with high quality specialty care providers for specific treatment for employees based on the providers' track record of care, cost and quality. This growing trend is the employers' attempt to have more control over the costs of high-dollar, complex surgeries or procedures. Mid-sized firms of around 500 lives also are showing interest in the benefits of direct contracting with providers for cost savings on primary care expenses.

Gain Reduced Expenses & Proven Results

By direct contracting with health care organizations with proven outcomes above national averages, like the Cleveland Clinic, Johns Hopkins or the Mayo Clinic, employers look to avoid variations in costs and outcomes. With this process, they pay a fixed, bundled cost for each episode of care, usually for certain heart, spine or transplant procedures. Employers agree to cover the costs of medical, travel and lodging expenses for certain high-risk procedures because centers of excellence like these can deliver the best results to patients at lower overall costs.

Achieve Savings with Primary Care Direct Contracting

When direct contracting is used for primary care, groups or individuals can pay a flat fee ranging from \$50 to \$80 per month with no co-pays or deductibles (since a self-funded health plan is not considered an insurance product from the employer's perspective).^{1,2} The emphasis is on saving approximately 20 percent on health care costs for the contracted services and reducing the variability of the outcomes.³ Typical services in such an arrangement include annual exams, flu shots, lab tests and chronic disease management, among others.

Provide Consultation to Interested Groups

As this trend continues, producers and consultants are expected to play a growing role in advising employers about where and when direct contracting may work best. Consulting firms also will help in contract negotiations. However, direct contracts have seen slow rates of adoption due to the newness of the relationships between employers and providers. It is advisable, however, for employers to combine direct primary care contracting with a wraparound plan for emergencies, catastrophic events and other services not considered to be part of primary care.

Awareness is essential to remaining relevant in the business as the health care market continues to evolve and new cost reduction options come into play. It is important for producers and groups to evaluate each approach and plan for its merits and drawbacks when advising clients about the best options for their circumstances.

ABOUT HM INSIGHTS

HM developed InSights to provide producers and their clients with information about industry trends that impact Stop Loss insurance. The information is intended to empower readers with market knowledge that can help them to better make coverage decisions in the changing health care environment.



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¹ On Retainer: Direct Primary Care Practices Bypass Insurance, California HealthCare Foundation, April 2013.

² Health Plan Rorschach Test: Direct Primary Care, Forbes Pharma & Healthcare, July 6, 2013.

³ Narrow Networks in Today's Health Care Climate, Employer Alter, NBGH, November 2013.

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