



Is Your Firm Missing the Boat on Non-medical Revenue Generation?

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A LOOK INTO EXPRESS SCRIPTS PHARMACY BENEFIT MANAGEMENT

Advantages of Carving Out

- 1 Cost control
- 2 Direct decision-making power
- 3 Increased flexibility to modify employee cost sharing
- 4 Increased member and plan satisfaction
- 5 Accountable pharmacy benefit expert backed by extensive resources
- 6 Demonstrated clinical and cost management
- 7 Benchmarking and experience available
- 8 Extensive operational and clinical connectivity relationships
- 9 Enhanced pharmacy reporting

The Advantages of Remaining Carved Out

PLAN DESIGN	CONSULTATIVE TREND MANAGEMENT	INTEGRATED PLAN
<ul style="list-style-type: none">• Complete flexibility	<ul style="list-style-type: none">• Expert, experienced pharmacy team• Data drives plan design decisions	<ul style="list-style-type: none">• Connectivity already exists• Data plan management

PBM Essentials »

DATA

- 140+ reports available monthly
- Monthly, quarterly, and annual reporting
- Custom ad hoc reports

ADMINISTRATION

- Quick, expert issue resolution
- Consultation
- Overall performance guarantees

Rx Benefit Carve Out Can Yield Substantial Savings

“Unbundling – or “carving out” – the pharmacy benefits presents substantial savings opportunities for plan sponsors... It is not uncommon for a carved-out health-care plan to yield savings of 12% to 15% in total annual pharmacy spend.”

CFO

TODAY'S KEYS FOR LOWERING DRUG COSTS

The top tip for keeping active-employee costs in check: separate your medical and pharmacy benefits into different plans.
BY BARRY EYRE

Pharmacy benefits for active employees and Medicare-eligible retirees present an excellent opportunity to drive out unnecessary costs and improve risk management, driven by market dynamics as well as regulatory and tax changes. Right now, drug costs are in flux. Over the next three years, brand-name drugs expected to drive \$1.93 billion in revenue for drug makers during that time period will lose patent protection. That will generate downward pressure on prescription drug costs.

Unfortunately for the bottom lines of corporate health-plan sponsors, the “Unbundling – or “carving out” – the pharmacy benefits presents substantial savings opportunities for plan sponsors... It is not uncommon for a carved-out health-care plan to yield savings of 12% to 15% in total annual pharmacy spend.

savings will be at least partially offset by the increasing use of specialty pharmaceuticals. These new-age drugs frequently cost tens to hundreds of thousands of dollars per year, and they also spur cost inflation for brand drugs prior to their patent expiration.

By optimizing retiree health benefits and pharmacy benefits for active employees, companies can both

improve their financial performance and achieve superior clinical outcomes for employees and their dependents. The strategies and tactics outlined below will help plan sponsors toward both objectives.

ACTIVE EMPLOYEE PHARMACY BENEFITS

Many employers unwittingly leave significant amounts of money on the table in the provision of pharmacy benefits for active employees as well as pre-Medicare retirees on “active” plans. In many cases, active employee pharmacy benefits are accessed through an employer’s contracted health plan. But unbundling – or “carving out” – the pharmacy benefits presents substantial savings opportunities for plan sponsors.

As anyone who has analyzed a pharmacy benefit manager (PBM) contract will attest, these contracts are both complex and opaque. To maximize cost savings and risk management opportunities available through “carving out,” it is essential to understand and clarify all aspects of the contract while also embedding comprehensive audit rights and the ability to implement appropriate clinical programs.

To maximize their leverage when carving out pharmacy benefits, plan sponsors should structure a request for proposal (RFP) that results in a comprehensive contract with clearly defined terms, competitive discounts and rebates, market price checks before the final contract year, and most importantly, a full range of audit rights to ensure that the agreed-upon contract terms are being delivered.

A well-negotiated PBM contract, followed by comprehensive auditing and clinical program oversight, can help improve outcomes for employees

and their dependents, while simultaneously reducing excess costs. It is not uncommon for a carved-out health-care plan to yield savings of 12% to 15% in total annual pharmacy spend.

Many health-care plans argue that carving out the pharmacy benefit will negatively affect disease-management programs. It is more difficult, the argument goes, for doctors to account for all medications being taken by a patient when some drug claims run through the medical plan and some through a separate carved-out drug plan. Disease-management programs ostensibly remove cost from both medical and drug benefit plans.

These claims are self-serving at best. Plan sponsors can mandate that both providers establish protocol for sharing data to ensure effective disease-management programs, regardless of how prescription drugs are procured.

Now, though, many health plans are actually “carving in” PBM revenue in their contracts. That’s because of the Affordable Care Act’s minimum-loss ratio – the minimum percentage of premium income insurers must pay out in claims and health-care-quality improvements – slated to take effect in 2014.

In a “carved-in” arrangement, the health plan acts as a middleman between the PBM and the plan sponsor. This structure drives up the price of drugs for the plan sponsor. The health plan contracts with the PBM to supply the drugs at one price and then marks up the drugs as it contracts with individual self-funded plans as a third-party administrator for medical administrative services. This is referred to in the industry as a “spread” or “traditional” pricing arrangement, when prescription drugs are

*“carved in,” plan sponsors often lack the ability to effectively audit drug claims that provide important insights into utilization patterns and avoidable costs.

Retiree Drug Subsidy	“B00-series” EGWP
Does not provide catastrophic coverage	Catastrophic coverage provided through Federal govt. funded reinsurance covering 80% of large claims
Beginning in 2013, RDS will lose its beneficial tax treatment	From 2011 to 2020 the Federal govt. will provide additional coverage eventually filling 75% of the coverage gap in Part D
Public sector employers not allowed to include RDS subsidy when calculating their accrued Actuarial Liability (AL) on their financial statements	Public sector employers are permitted to incorporate EGWP subsidy when calculating AAL
Unpredictable cash flow	Predictable cash flow
Pharmaceutical industry discounts do not apply	Allowed to participate in pharmaceutical manufacturer discounts
Does not Access Part D improvements	All requirements including formulary enhancements and beneficiary communications have been approved by CMS
Employer responsible for MS compliance & reporting and subject to CMS audit	The EGWP plan sponsor (Typically the PBM or FID, not the employer) is responsible CMS compliance & reporting
No low-income subsidy payments	Receive low-income subsidy payments
Employer must pass gross and net actuarial equivalence test to qualify for subsidy	No actuarial equivalence tests required

Source: Source: KTP Advisors and \$6,500 in 2012. In the EGWP plan, sponsors benefit from a base subsidy of approximately \$607 (as compared to an average RDS reimbursement of \$310, plus federally funded 80% reinsurance for “catastrophic” costs, defined as those expenses an individual retiree generates in excess of a CMS-set threshold (\$6,627.50 in 2013) in a given plan year. Barry Eyre is vice president of business development at KTP Advisors, an advisory firm on pharmacy benefits for active employees and on retiree health benefits.

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To learn more about Express Scripts solutions for covering out the pharmacy benefit visit www.Express-Scripts.com or email PBM-Services@Express-Scripts.com

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Program and Services

A longstanding relationship provides individualized attention and superior service to your members.

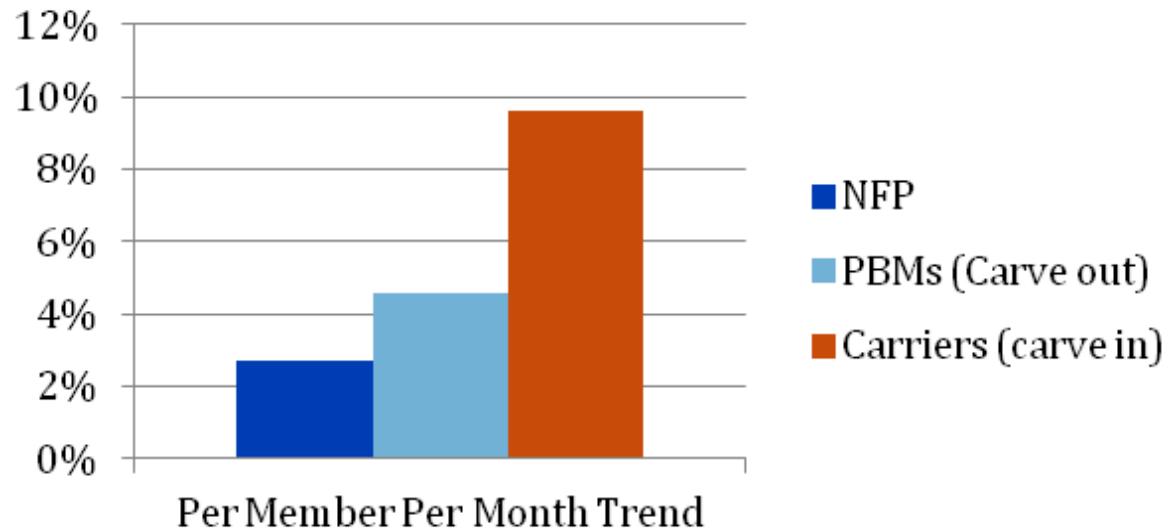
- A client base that includes top mid- and large-market self-insured companies in a variety of industries
- Flexible contract terms with one and three-year agreements available
- Consulting available to assist in managing long-term trend
- Detailed reporting and benchmarking offers clear visibility into trend results

A Strong History of Performance

Advantages of a Strong Partnership

Dedicated NFP consultant to provide balanced review and feedback for program selection, analysis, pricing, plan design, contract terms

- PMF: \$5 per member
- Annual market check
- Implementation: \$10 per household
- Performance guarantee: \$20 per household



Executing on Our Promise



The NFP and Express Scripts relationship has proven to be an invaluable piece of our portfolio health care procurement efforts. The competitive fixed costs combined with the expert consulting to manage trend have driven hard dollar savings on the pharmacy spend.



The NFP and Express Scripts relationship has not only allowed us to experience greater Rx savings success, but has also enhanced our knowledge on Rx trends and drug management. This relationship has provided invaluable education for our benefits team.



Presented by:

Joel Ray, New Benefits

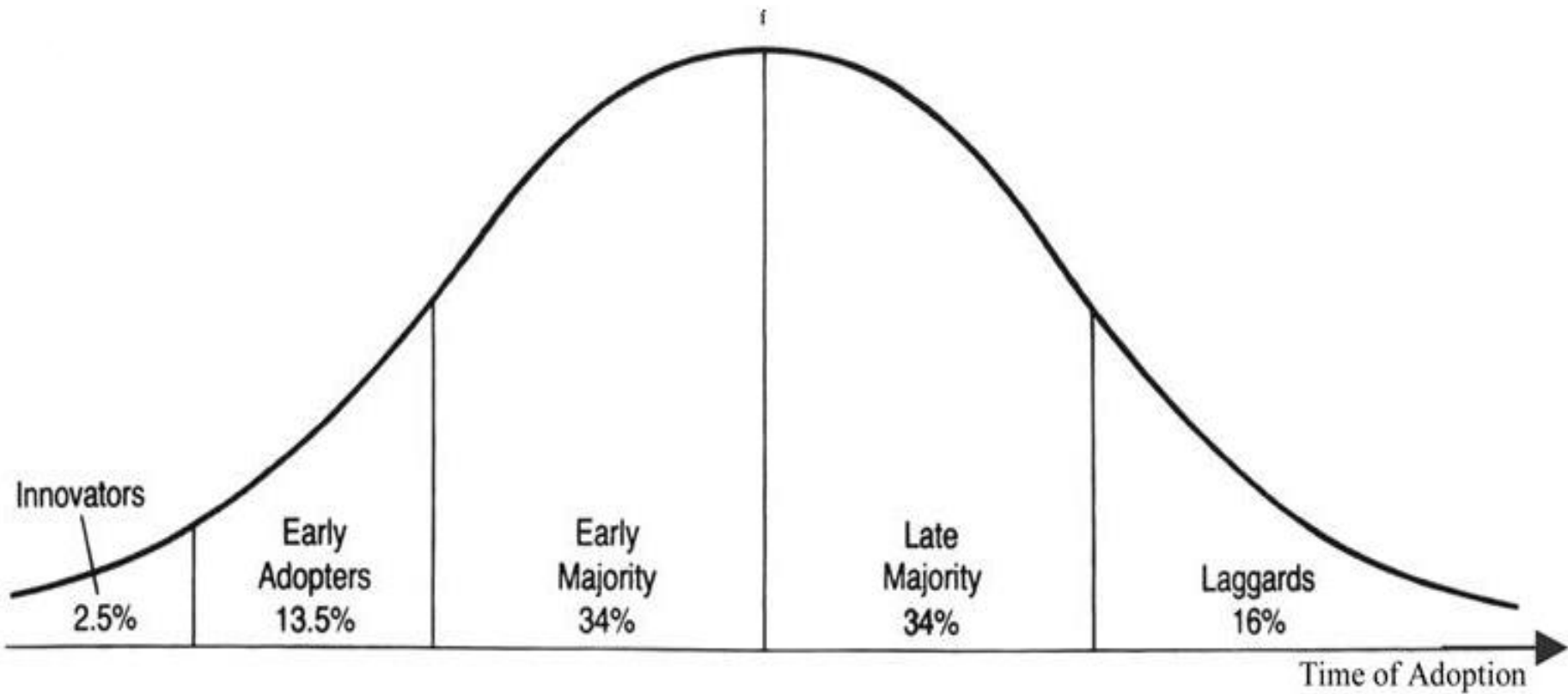
NON-INSURED BENEFITS CAN BOOST YOUR BOTTOM LINE



“What if we don’t change at all ...
and something magical just happens?”



Where do you belong?



Non-insured Benefits

Teladoc

- Speak to a physician anytime, anywhere
- Avoid unnecessary doctor, ER and urgent care clinic visits
- Treatment for common ailments such as upper respiratory infections, flu, allergies
- Get a prescription, when necessary

Health Advocate

Personal Health Advocates

- Navigate the complex healthcare and insurance systems
- Save time, money, and get the most out of health benefits
- Team of nurses, medical directors, administrative and insurance experts

Nurse Advice

- Experienced registered nurses available 24/7 help employees understand self-care options based on doctor-approved guidelines

Bill Negotiation

- Lower out-of-pocket costs on medical bills not covered by insurance
- Advocates work directly with doctors, hospitals and dentists to lower the balance on uncovered medical or dental bills over \$400

Non-insured Benefits

Doctors Online

- Email and telephone access to doctors, dentists, pharmacists, psychologists, and nutritionists
- Online medical library
- Healthy Lifestyle Assessment to help employees monitor their current health status
- Personal Health Record provides secure storage for health information
- Weekly Health Tips authored by physicians and delivered by email

Health Wealth Connection

- Wellness program for managing physical health and personal finances with tips from Suze Orman, Deepak Chopra, Geneen Roth, Dr. Mark Hyman and more
- Weekly insights on health, money and managing stress
- Guided assessments provide a customized experience
- Interactive tools for recording insights, setting goals and tracking progress
- Prevention and retirement planning reminders
- Member forums provide essential community advice and real-time support

The **TIME** *is*
NOW



How to Get Started

Email - info@newbenefits.com*

Phone – 800.800.8304

Ask for Raygin Burris, Business Development Manager
or dial extension 1834

**Reference you are an NFP Agency*



Presented by:

Megan Jackson, Alterity

ALTERITY GROUP: PRIVATE EQUITY CONSULTING

Who is Alterity?

- A healthcare and benefits consulting firm focused on the private equity market
- We provide health and welfare consulting and procurement to PE Firms and their portfolio companies to help firms understand and manage their portfolio health and welfare spend
- Alterity is broker agnostic and works across the entire portfolio – partnering with HR teams and their broker/consultant

Why Do PE Firms Care About Health Care?

- Health and welfare benefits are widely recognized as the second largest expense for a company, after payroll.
- Healthcare costs continue to rise, with trend currently around 8 percent.
- Lack of expertise and dedicated resource in the healthcare space.
- You can't manage what you can't measure.

Why work with Alterity?

- As of mid 2013, there were nearly 2,800* PE Firms in the United States, backing more than 17,000 companies
 - These companies are your clients
- Alterity can engage at the PE level and across a portfolio where there is no BOR opportunity
 - Cross-portfolio analytics
 - Cross-portfolio procurement programs (*Life and Disability, Stop Loss, Rx Carve-Out, Medical Administration*)
 - Individual portfolio company consulting
- Revenue is driven by consulting fees and procurement program participation
- Alterity's model is unique in the industry – all others require broker of record and/or do not include consulting

*Source: Private Equity Growth Capital Council - <http://www.pegcc.org/>

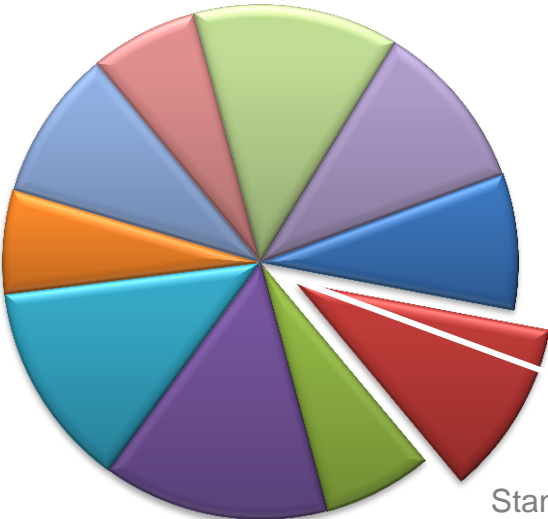
When to work with Alterity

- You have relationship with a PE Firm, but there is no appetite for a full broker replacement
- There is need for specialized consulting work (i.e. acquisition or spin off support)
- Support for establishing a procurement program
- You need a market differentiator to get in the door

Procurement Program Example

TOTAL PORTFOLIO STOP LOSS SPEND: \$10,000,000

TRADITIONAL BROKER COMPENSATION (SINGLE PORTFOLIO COMPANY)

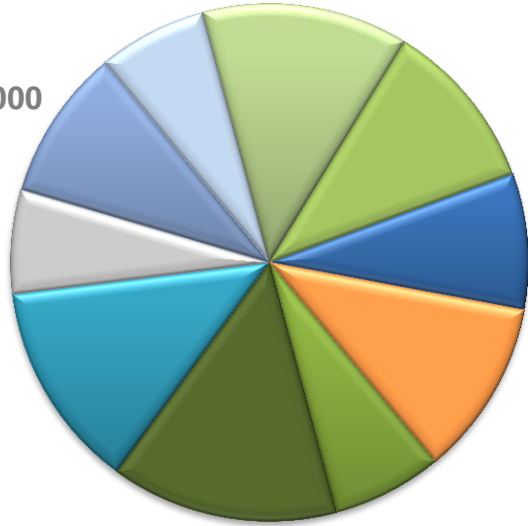


Standard Broker Compensation:
10% = \$50,000


SUCCESSFUL IMPLEMENTATION OF ALTERITY CROSS-PORTFOLIO PROGRAM

15% of Alterity's Compensation = **\$75,000**

Your Total Compensation:
\$125,000



Broker compensation range negotiated based upon opportunity.



Presented by:
Sharla St. Rose, NFP

Service Model

- Nimble service model
- Selective choice of vendor partners
- Deep resources and expertise
- Customized enrollment materials
- Well trained enrollment counselors
- Superior client service teams
- Post-enrollment assistance
- Toll-free number for employees to call for benefits coverage questions and claims assistance

What You Get With Us: Freedom, Flexibility, Service, Transparency



What Our Clients Are Saying:

“Experts in the field; personal touch; cater to the client’s needs.”

“A highly customized approach to client service.”

“You make us feel that we are all one big team working together, as if you are an extension of our in office team.”

“No matter the situation you feel like you are the only client.”

“Always going the extra mile.”

“Deep knowledge of my company’s benefits programs.”

The Power of Relationships

- NFP works with all the major voluntary benefit carriers throughout the industry
- Thanks to our successful enrollments, we have access to competitive pricing and favorable underwriting concessions
 - High Guarantee Issue amounts
 - Waiver of pre-existing condition limitations for employees who are covered under existing plans
 - Guarantee issue from 1st application so employees will not have to answer health questions



MUTUAL of OMAHA



Enrollment Management

Complex Case Enrollment Management Is Our Specialty

- We work closely with our clients to select enrollment methods that will make their program successful
- We understand that large employers may have a variety of corporate cultures across their office locations, and recognize the need to build an enrollment strategy that will be appropriate for each facility's needs and culture
- As a company, we are agile enough to offer this flexibility to ensure a successful case
- We employ a robust group of highly trained enrollment counselors, all of whom work directly for NFP rather than for the voluntary benefit carriers who provide the benefits
- This distinction is important, as it allows us to:
 - Tightly control the enrollment process
 - Ensure that employment counselors are knowledgeable about both core and supplemental benefit offerings

Case Studies

Industry	# of Employees	Enrollment Method	Projected Commission	Expenses
Health Care	12,000	Prescheduled One on Ones	\$1,449,073.20	\$300,473.57
Manufacturing	3,000	Prescheduled One on Ones	246,302.85	\$37,000.00
Agricultural	242	Prescheduled One on Ones	\$43,839.00	\$8,957.40
Retail	185	Prescheduled One on Ones	\$17,036.66	\$4,293.80
Finance	4,000	Electronic	\$176,275.00	\$1,000.00
Business Processing	8,000	Electronic and Call Center	\$309,000.00	\$19,860.00
Hospitality	3,000	Call Center - Active	\$101,082.00	\$23,125.00
Fitness	6,000	Electronic and Call Center - Passive	\$56,747.00	\$5,610.00

One on One Enrollment Sessions

- Employer Scheduled
 - Maximum participation
- Employee Scheduled
 - Minimum- Moderate participation
- Most opportunity to educate
- \$\$\$

Call Center

- No control over volume of incoming calls
- VB gets less attention during high call volume
- \$\$

Electronic

- Fewer resources needed
- Less opportunity to educate employees
- \$