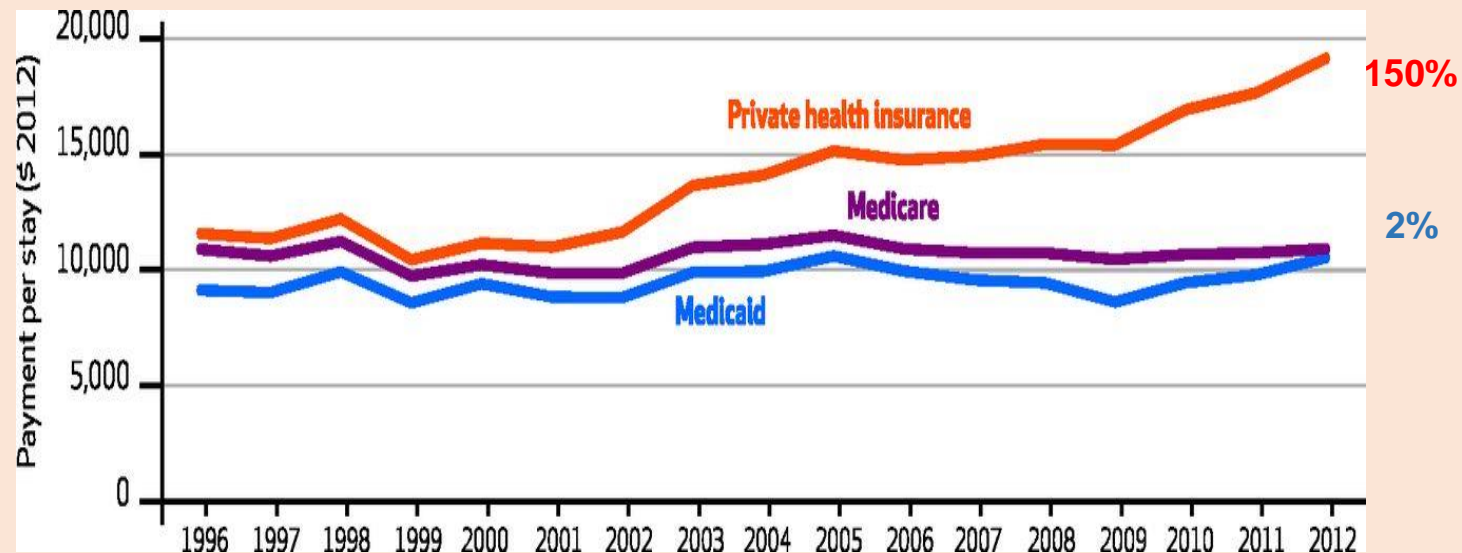Costs of healthcare are increasing each year.

The current healthcare system is broken.

There isn't much we can do to change this.

Are the costs of health care increasing each year?

No - Prices are increasing

Hospital Stay per Day

Source – MEPS: Using Medical Expenditure Panel Survey (MEPS) data, by payer (private health insurance, Medicare, and Medicaid).

Costs of healthcare are increasing each year.

The Current Healthcare System is Broken.

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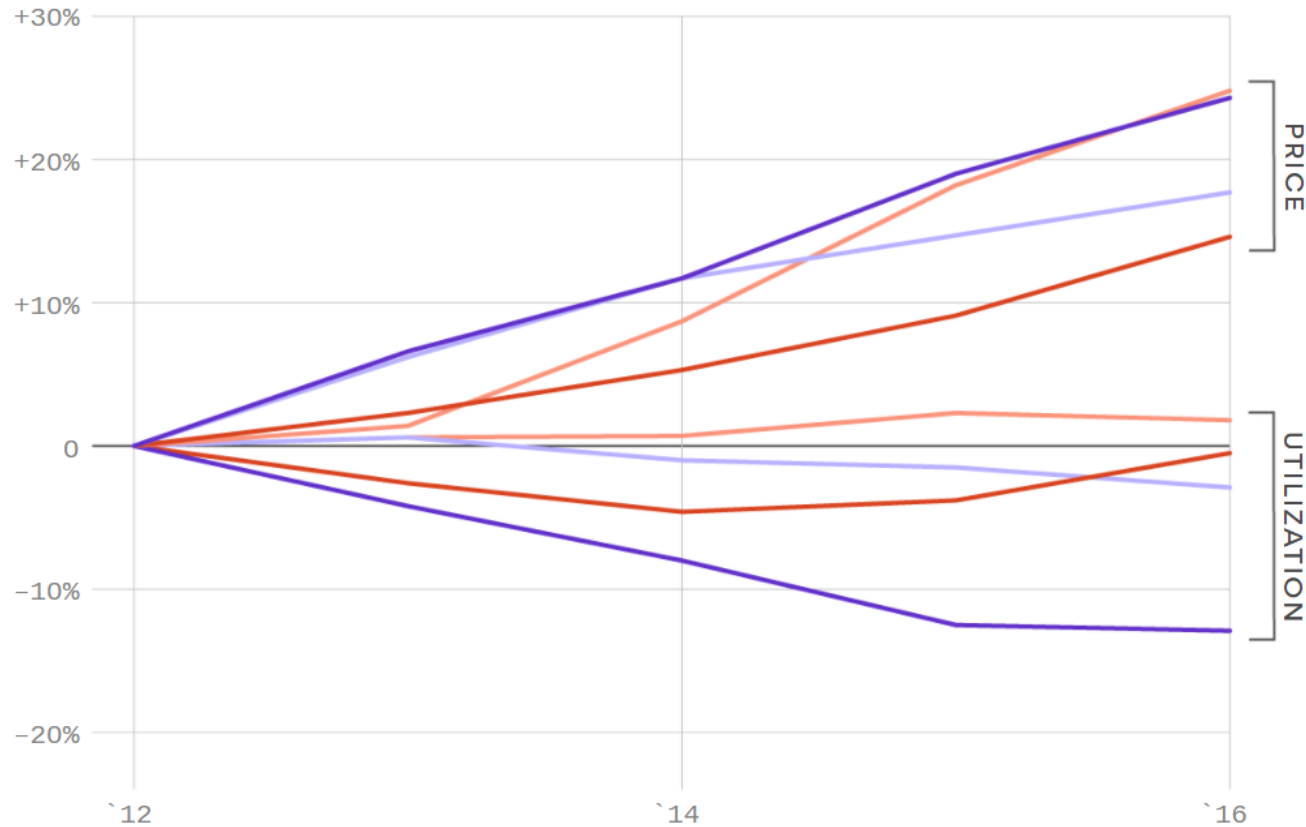Healthcare costs are increasing each year.

The Current Healthcare System is Broken.
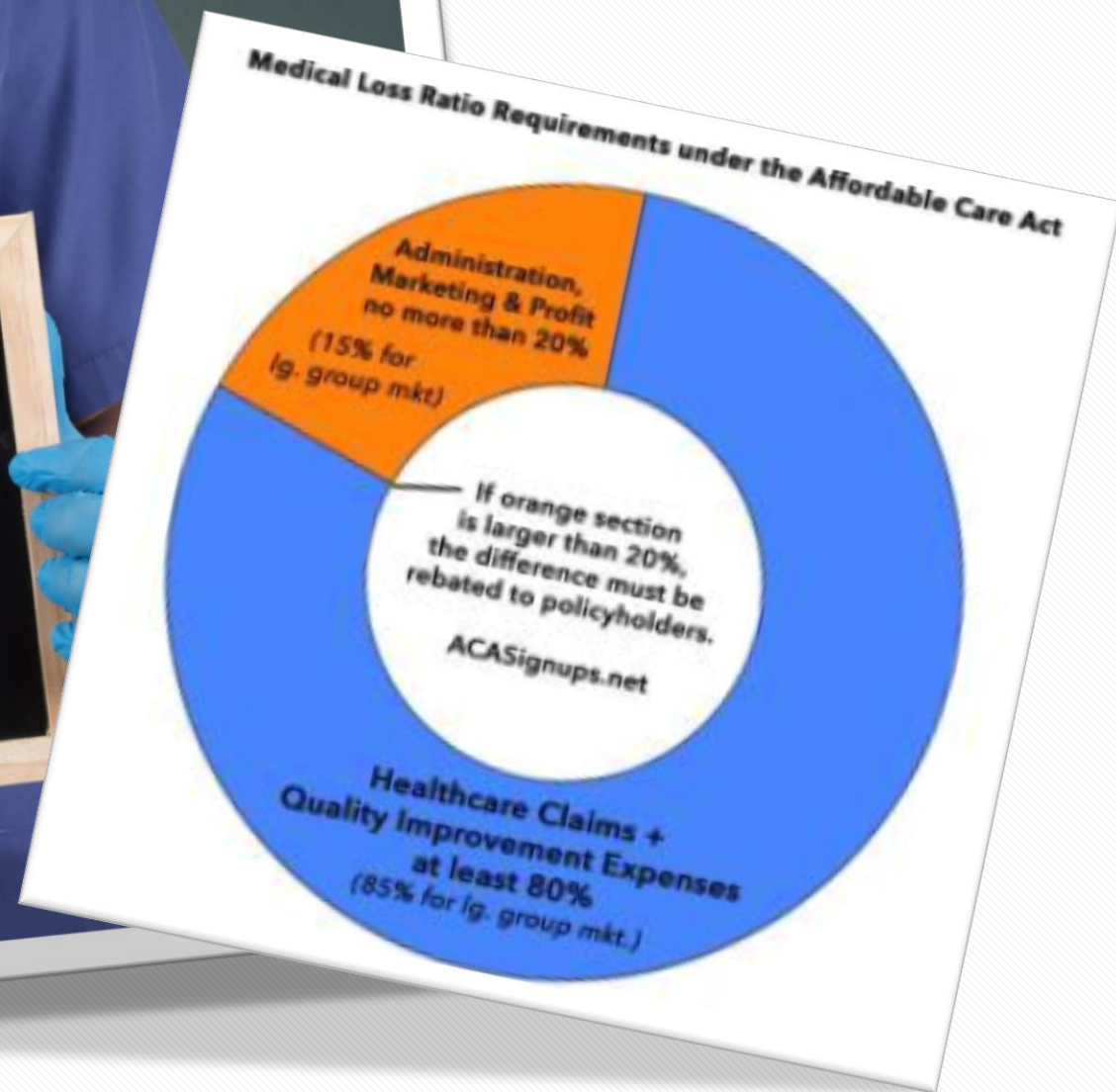
There isn't much we can do to change this.

Change in U.S. health care price and utilization, 2012-16

Reproduced from HCCI 2016 Health Care Cost And Utilization Report. Chart: Axios Visuals

The Problem is the Prices

AFFORDABLE
CARE ACT

Medical Loss Ratio Requirements under the Affordable Care Act

Administration, Marketing & Profit no more than 20%
(15% for lg. group mkt)

If orange section is larger than 20%, the difference must be rebated to policyholders.

ACASignups.net

Healthcare Claims + Quality Improvement Expenses at least 80%
(85% for lg. group mkt.)

MLR and Wall Street – 2 Reasons National Carriers Aren't Trying to Reduce Claim Costs

Health Insurance Company With High Claims

$80M

$100M

$20M

When an insurance company receives **$80M** in medical claims…

They are allowed to charge their customers **$100M** in premiums…

And they are allowed to keep **$20M** for overhead, administration, and profit.

The SAME Health Insurance Company After Reducing Total Claims by 50%

$40M

$50M

$10M

When that insurance company only receives **$40M** in medical claims…

They are only allowed to charge their customers **$50M** in premiums…

And they are only allowed to keep **$10M** for overhead, administration, and profit

THE BUCAAs STOCK PRICE GROWTH

	10-Year Stock Growth	Net Income (Dec. 2018)
Anthem/Blue Cross	**566%**	**$5.4 B**
United Healthcare	**961%**	**$17.8 B**
CIGNA	**857%**	**$3.6 B**
Aetna	**766%**	**$2.0 B**
Humana	**1,049%**	**$1.5 B**

SOURCE: Morningstar, FactSet, Financial Times. 2018.
SOURCE: Anthem Q4 Earnings Report. 2019.
SOURCE: United Healthcare Q4 Earnings Report. 2019.
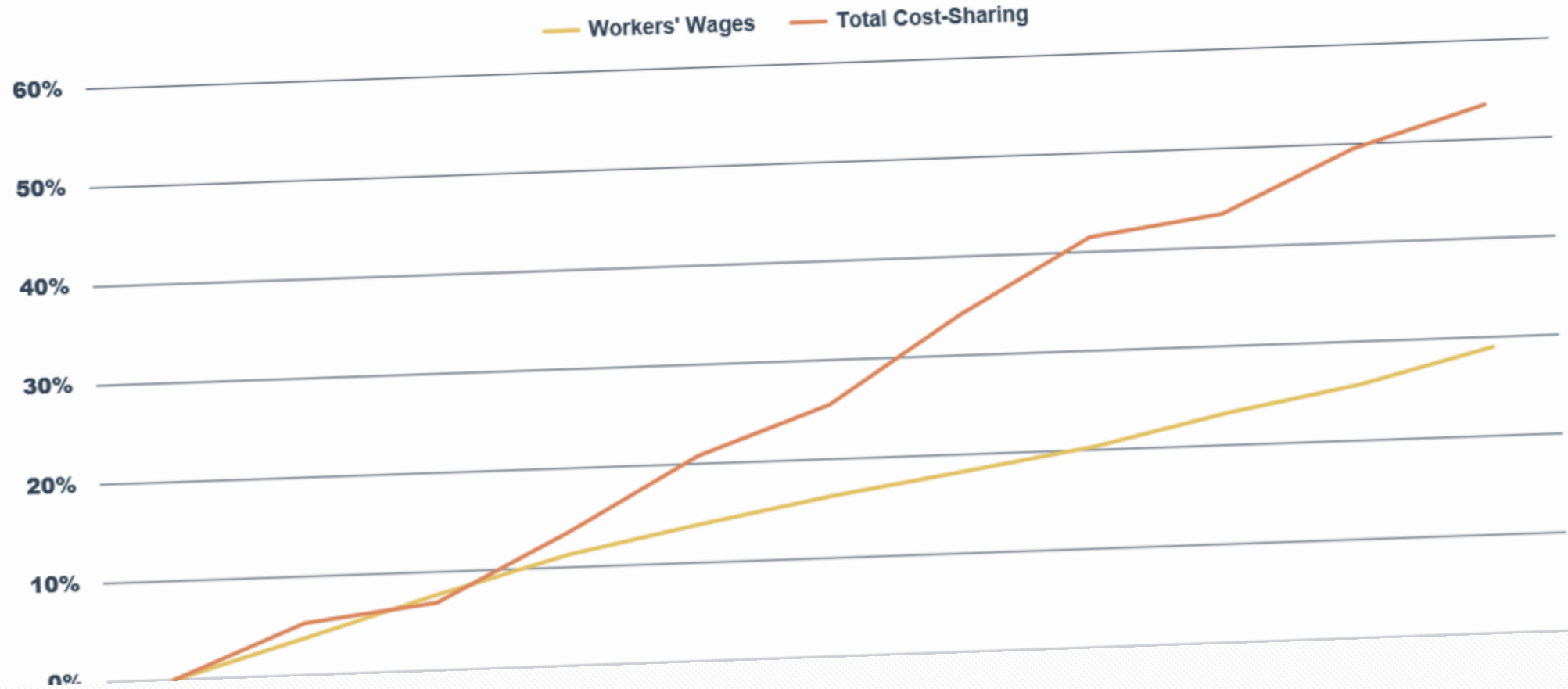**SOURCE:** Cigna Q3 Earnings Report. 2019. Prorated for full year.
SOURCE: Aetna Q4 Earnings Report. 2019.
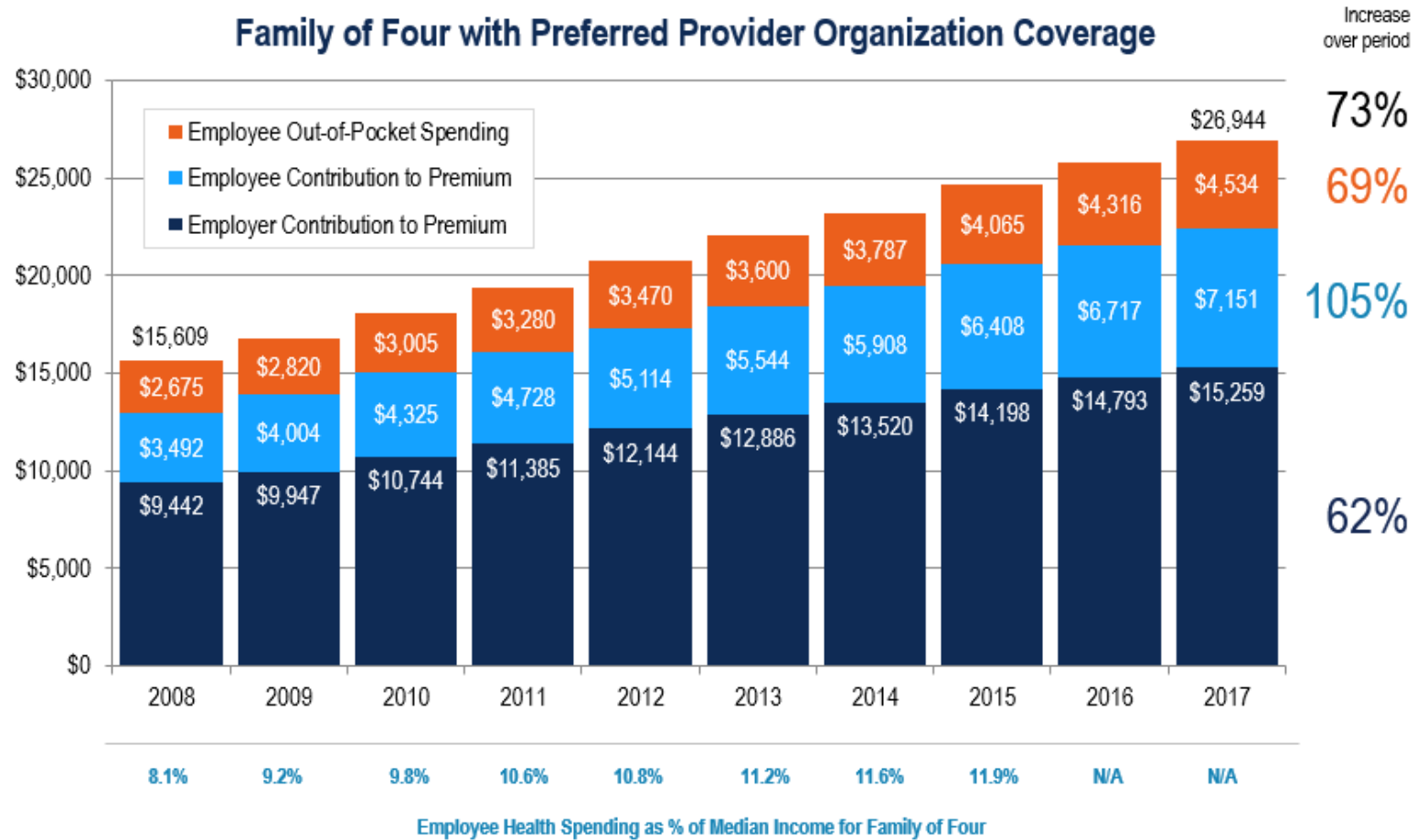**SOURCE:** Humana Q4 Earnings Report. 2019.

Annual Double-Digit Health Premium Increases Have Become the Norm

HEALTH BENEFIT COST SHARE IS RISING 2x FASTER THAN WAGES

Family of Four with Preferred Provider Organization Coverage

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Increase over period
Total	$15,609									$26,944	73%
Employee Out-of-Pocket Spending	$2,675	$2,820	$3,005	$3,280	$3,470	$3,600	$3,787	$4,065	$4,316	$4,534	69%
Employee Contribution to Premium	$3,492	$4,004	$4,325	$4,728	$5,114	$5,544	$5,908	$6,408	$6,717	$7,151	105%
Employer Contribution to Premium	$9,442	$9,947	$10,744	$11,385	$12,144	$12,886	$13,520	$14,198	$14,793	$15,259	62%
Employee Health Spending as % of Median Income for Family of Four	8.1%	9.2%	9.8%	10.6%	10.8%	11.2%	11.6%	11.9%	N/A	N/A	

THE WORLD WE HAVE CREATED IS A PRODUCT OF OUR THINKING; IT CANNOT BE CHANGED WITHOUT CHANGING OUR THINKING.

ALBERT EINSTEIN

HEALTHCARE+

SPENDING IN THE U.S.

IMPROVING OUR HEALTHCARE SYSTEM
IS CRITICALLY IMPORTANT TO OUR NATION'S
LONG-TERM ECONOMIC AND FISCAL WELL-BEING.

TOTAL HEALTHCARE SPENDING
(PUBLIC & PRIVATE)
IS PROJECTED TO RISE TO ONE-FIFTH OF THE ECONOMY BY 2025

THE INSTITUTE OF MEDICINE HAS ESTIMATED THAT

30% OF TOTAL HEALTHCARE SPENDING

GOES TO **UNNECESSARY, INEFFECTIVE,** OVERPRICED & **WASTEFUL** SERVICES

~~Healthcare costs are increasing each year.~~

~~The Current Healthcare System is Broken.~~

~~There isn't much we can do to change this.~~

But is there anything we can REALLY do about it?

The Only 3 Ways to Reduce Health Insurance Costs.

1. Negotiate Lower Rates.

Useful but a stop-gap measure (3%-7% savings and no impact on claims)
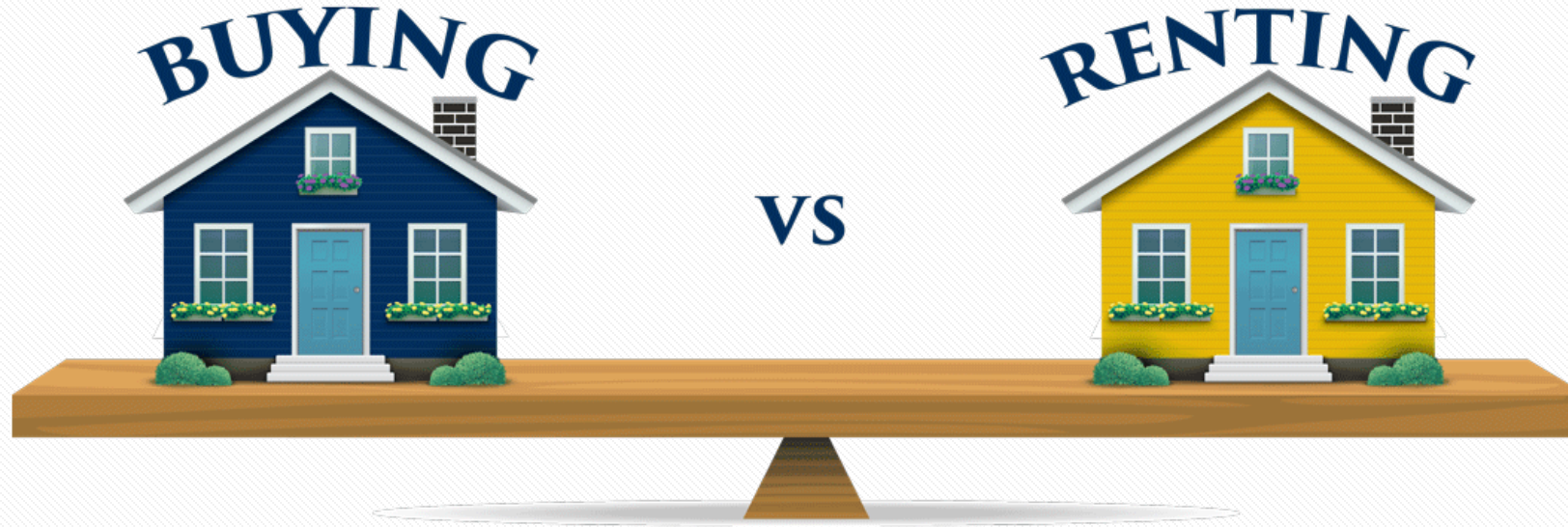
2. Pay Less For the Services You Receive.

Your employees making smarter healthcare buying decisions. (same claims at a lower cost)

3. Receive Less Services. (Wellness)

By fostering a healthier workforce you reduce overall costs. (lower claims)

Comparing Self Funding to Fully Insured Plans

- Flexibility in Plan Design
- Removal of State Premium Taxes
- Greater Impact from Engagement
- Removal of Carrier Profit Margin
- Enhanced Population Management Tools

- Ownership by Carrier
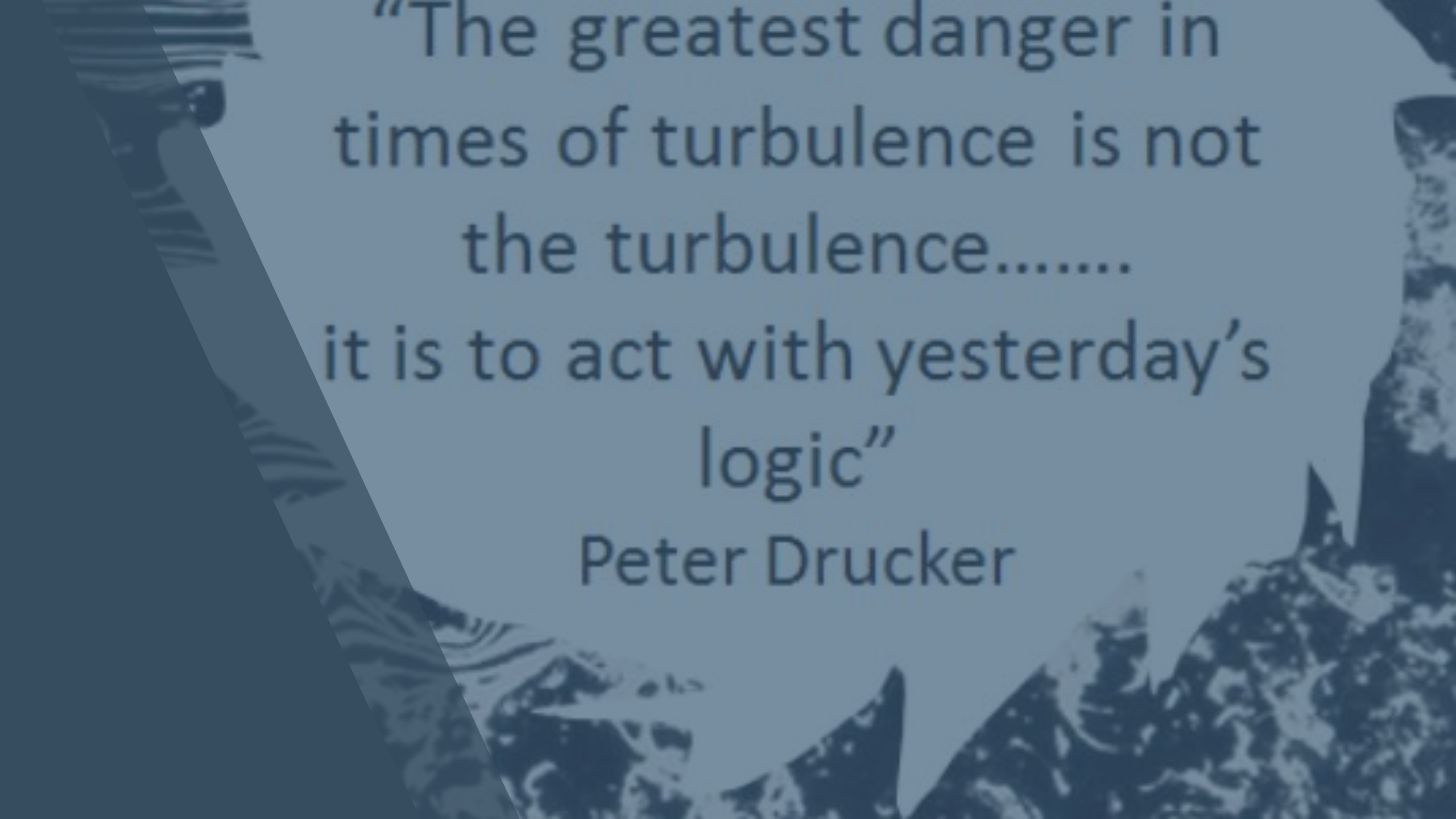- Less Administrative Oversight

FBMC
BENEFITS MANAGEMENT TM

STARBUCKS NOW SPENDS MORE ON HEALTH CARE THAN IT DOES ON COFFEE BEANS

WILL MARSHALL

FBMC
BENEFITS MANAGEMENT ™

Evaluate moving to a benefit program and ecosystem that is <u>optimized for managing your costs</u> – not for optimizing the Share Holder Value of the Carriers

The <u>right programs</u> with the <u>right partners</u> can decrease annual costs by 15%-25% with no increase in claims risk to the employer and no reduction in employee benefits.

What's happening in your district?

FBMC
BENEFITS MANAGEMENT ™

Thank You.

Please let us know if we can provide more information.

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