

14 strategies to lower health care costs

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LIKE IT OR NOT, THERE ARE SOME COMPELLING REASONS WHY MORE BROKERS WITH SELF-FUNDED CLIENTS ARE EXPLORING MEDICAL TOURISM.



Reference-based pricing: a panacea for high drug prices?





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medical tourism, or medical travel, historically appealed to either wealthy travelers or those unable to access experimental treatment in the U.S. Now, more brokers with self-funded clients are exploring medical travel as a benefits package option. It isn't for everyone, but in the instances where it does fit, employers and employees can both realize consideration savings without settling for lower quality care.

Medical travel for plan sponsors falls into three basic buckets: domestic, foreign and pharmaceutical. All represent opportunities for substantial cost savings. If a broker is aligned with a plan sponsor seeking innovative answers to plan design, all three options could be exercised, depending upon the risk profile of sponsor and plan members.

"The very first item to be discussed with health care travel is all about employer culture and the level of risk tolerance," says Margaret Hare, vice president of strategic business services and benefit technology officer at Holmes Murphy. "We have very few employers who have chosen to implement this type of program. We try to take any other approach first, as we know that domestic and international tourism can be disruptive. But if they are ready to do innovative solutions, it's something that we look at."

Domestic travel offers the most immediate opportunity, and with the emergence of centers of excellence (COEs), it is attracting the attention of more employers. Unpredictable pharmaceutical prices are also propelling services that offer cheaper foreign-sourced drugs. Although foreign travel for surgery and treatment are still seldom used by plan members, more brokers want to know how they work and are educating themselves about the details of foreign medical travel.

And well they should, as foreign medical travel—or medical tourism—is clearly on rise. A recent article in the American

Journal of Medicine, "Medical Tourists: Incoming and Outgoing," by two doctors with the University of Arizona predicted a 25 percent annual increase in foreign medical tourism by U.S. citizens.

According to the authors: "Of course, U.S. hospitals and physicians have also long cared for medical tourists from other countries. Now, many medical tourists are going the other way—from the United States to other countries to receive health care."

For example, they cite the dramatic increase in Americans traveling to other countries for health care between 2007, when an estimated 750,000 Americans did so, and 2017, when more than 1.4 million Americans sought health care abroad.

"The reason more Americans have become medical tourists is simply that they are seeking less expensive health care," the doctors write. "Because we have the most expensive health care system in the world, it is not difficult to find countries that offer various procedures at 30 percent to 65 percent of the cost of care in the United States. Other countries can charge less because of lower pay to physicians and other health care workers, much less overhead because patients pay cash, and subtraction of the substantial cost of malpractice insurance."

Employers, too, are seeking less-expensive health care. And as the opportunities for safe, effective medical travel continue to grow, it is only a matter of time before more plan sponsors integrate

it, where appropriate, into their benefits offerings. Medical travel represents yet another way for creative brokers to better serve their clients—and improve the health care experience of plan members.

Before you book...

Brokers who want to include medical travel in their toolkit should know they will encounter several major objections from sponsors and plan members. Studies have reported that few patients will willingly travel more than 25 or 30 miles for treatment, while sponsors may be wary of the risks of foreign travel in particular. In addition, including medical travel in a benefits package requires a willingness to innovate and take risks, something most employers are not known for.

Before embarking on a benefits strategy that includes medical travel, brokers should consider the following checklist that can lead to successful matchmaking with a client:

1. Self-funded clients. The financial incentives are greatest for self-funded sponsors and plan members, and these plan sponsors tend to be more open to creative solutions.

2. Targeted situations. The service as a benefit should be available but not heavily promoted, since its application will be case by case. The ideal candidate would be someone with a definite medical diagnosis for a procedure that will clearly be less expensive in a foreign or distant domestic facility. The candidate must be willing to travel for health care—something studies have shown most patients will not do.

3. Strong educational component. Do not rely on the plan sponsor to explain or promote medical travel to members. Jim Blachek of the Benefits Group recommends using a medical management team to explain the process to the plan sponsor and to any plan members willing to travel for medical care.

4. Clear cost savings. The difference in cost should have a true impact on plan sponsor and plan member spending.



Foreign medical travel

Foreign travel for health care will be the toughest sell for the broker, but it does hold the promise of considerable savings for plan sponsors and employees. As a broker, Jim Blachek says he has an obligation to understand where foreign medical travel fits into his benefits toolkit. To that end, he and Eric Silverman of Voluntary Disruption flew to El Salvador in 2018 to test the medical travel services offered by SkyMedicus, a Roswell, Georgia, company that specializes in managing health care journeys for clients.

SkyMedicus began promoting its service to self-funded plans a year ago. The company provides a complete service for patients, from booking flights and surgical time to managing patient travel to and from the airport, hotel and medical facility. El Salvador is just one of its medical travel destinations.

"It's an option for employees," says Tom Garner, vice president of operations. "We don't want to over-incentivize somebody or steer people to it. But for the right case, the employer will be saving a significant amount of money."

For example, a coronary bypass for which Blue Cross quoted a price of \$127,000 would cost \$23,000 in El Salvador.



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—Medical Tourism Association



Blachek and Silverman visited a dentist in El Salvador and were told the cost of a tooth implant was \$900, compared to up to \$4,000 in the U.S.

"It's a win-win," Garner says. "The employer realizes a substantial savings and it's a value-add for the employee."

Silverman and Blachek found the experience eye-opening. Medical facilities were clean and modern, security was first rate, the staff spoke English, and the cost of a variety of basic surgical procedures was far lower than a patient (or plan sponsor) would pay in the states.

"If you had asked me a year ago would I go to El Salvador for medical care, it would not have been on my list," Silverman says. "SkyMedicus works just through brokers and advisors—that's the key. It's an extremely well-run operation with medical care at a fraction of the cost in the states."

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"It's going to fit into any plan with employees who are willing to take a risk," Blachek says. "It is one of the arrows in the quiver. In the future, you will have to have it in the toolbox."

Domestic medical travel

Blachek realizes selling employers and plan members on foreign medical travel will likely be just a sliver of his business. But domestic travel is another matter.

As brokers and employers become

privy to, and begin to understand, the waves of medical outcomes data now available, centers of excellence around the nation are emerging. Employers can now compare outcomes by location. With a few exceptions, plan sponsors are not requiring employees to take their business to a designated COE. But if they have crunched the numbers of potential savings, they are increasing the incentives for employees to choose to travel for certain medical care.

A survey of major employers by the National Business Group on Health reported a 6 percent increase from 2018 (14 percent) to 2019 (20 percent projected) in including COE care availability in plan design. It's a trade-off for employees: Those who opt for COE medical care instead of a surgical procedure at a local facility are rewarded with lower copays and reduced premiums.

As the COE concept catches on, large employers in particular are including distant facilities in their plans. Benefits Group's Blachek says there's a \$50,000 difference between what hospitals in his area (Scranton, Pennsylvania) charge for a knee replacement, and what facilities in Bethesda, Maryland charge.

"We can provide the employee with a hotel room for several days with their spouse, and a \$3,000 cash bonus. Why would you not do that?" he asks.

Centers of excellence represent a truly robust option for employers with the vision and resources to take advantage of them, says Dave Chase, co-founder of Health Rosetta.

"If employers can't obtain high value in their own community, smart benefit plans will encourage travel that may range from driving an hour to another town to hopping on a plane to a domestic center of excellence," he says. "In a given year, it's common for 5 percent to 8 percent of employees to consume 50 percent to 80 percent of the overall costs of an employer health

plan. With shocking levels of misdiagnosis and overtreatment in the U.S., it's not hard for an employer to cut their health care spending by 10 percent to 20 percent by guiding employees to high value health care organizations." And that includes foreign health care providers, he adds.

Pharmaceutical travel

The major savings here lie in foreign sourcing of the most expensive drugs—ones that treat diabetes, hepatitis, certain types of cancer and other drug regimen treatments. While prices vary locally and regionally by pharmacy, plan sponsors who are willing to pay for plan members to travel to purchase high-cost drugs can save thousands of dollars on a single employee's drugs.

Gary Becker, founder of ScriptSourcing, manages pharmaceutical travel for an increasing number of self-funded plans. Becker has found it cost-effective to fly an employee prescribed an expensive drug to San Diego, put the employee and spouse up in a hotel, transport them across the border to Tijuana, Mexico, supervise the purchase of the drug, and fly them back home. He says his clients routinely save 70 cents on the dollar, a considerable sum in the case of an employee whose medication costs \$100,000 a year or more.

David Henka, CEO of ActiveRADAR, which specializes in reference-based pricing consulting, understands why employers are willing to fly employees around the globe to purchase costly drugs. But he cautions that prescription travel is not without its risks.

"The foreign manufacturers say they monitor production and distribution. They say the drugs are from the same manufacturer. But how do we know? You are in a foreign country with different licensures. Both you and plan sponsor are taking a risk."

But that risk must be weighed against the potential reward: a savings

of potentially hundreds of thousands of dollars on behalf of a seriously ill person who might not otherwise get the proper treatment anyway.

"The trouble with medical tourism for pharmaceuticals is that it does not address the real problem: Why is there such a wide cost variance for the same drug, even within the U.S.?" Henka says. "That is the issue we need to be addressing."

Clearly, medical tourism, both foreign and domestic, will be embraced by more self-funded plan employers as they battle the most obvious demons of runaway medical costs. Sadly, medical tourism is not driven primarily by the desire to visit an exotic land for free or by the lure of far superior medical facilities to those in the U.S. Instead, as Dave Chase points out, the rise of medical travel is yet another symptom of the sorry state of the U.S. health care system.

"While most of the attention for medical tourism is focused on international medical tourism, the majority is happening domestically," he says. "The benefits are clear. Higher-value care due to dramatically lower rates of misdiagnosis and overtreatment when the medical tourism plan is well structured. The downsides really only come into the picture if the plan isn't well designed."

And, absent true health care reform in the U.S., medical travel will continue to grow in popularity among plan sponsors and their members.

"Every traditional health care system should take the rise of medical tourism as a wake-up call," Chase notes. "Old, ineffective solutions that are wildly overpriced have forced employers to look outside of their own communities for high-value health systems."

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—Medical Tourism Association