

HEALTHCARE TRENDS AND COST CONTAINMENT STRATEGIES

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WHAT IS DVHT?

- Self-insured risk pool serving Municipalities, School Districts, Counties, and Authorities in Pennsylvania and Delaware
- Non-Profit, Tax Exempt
- Formed in 1999 under the PA Intergovernmental Cooperation Law
- Now covers over 166 public entities and over 9,700 employee lives (over 25,000 member lives)
- Formed by local government for local government
- Greater than 95% group retention rate since inception



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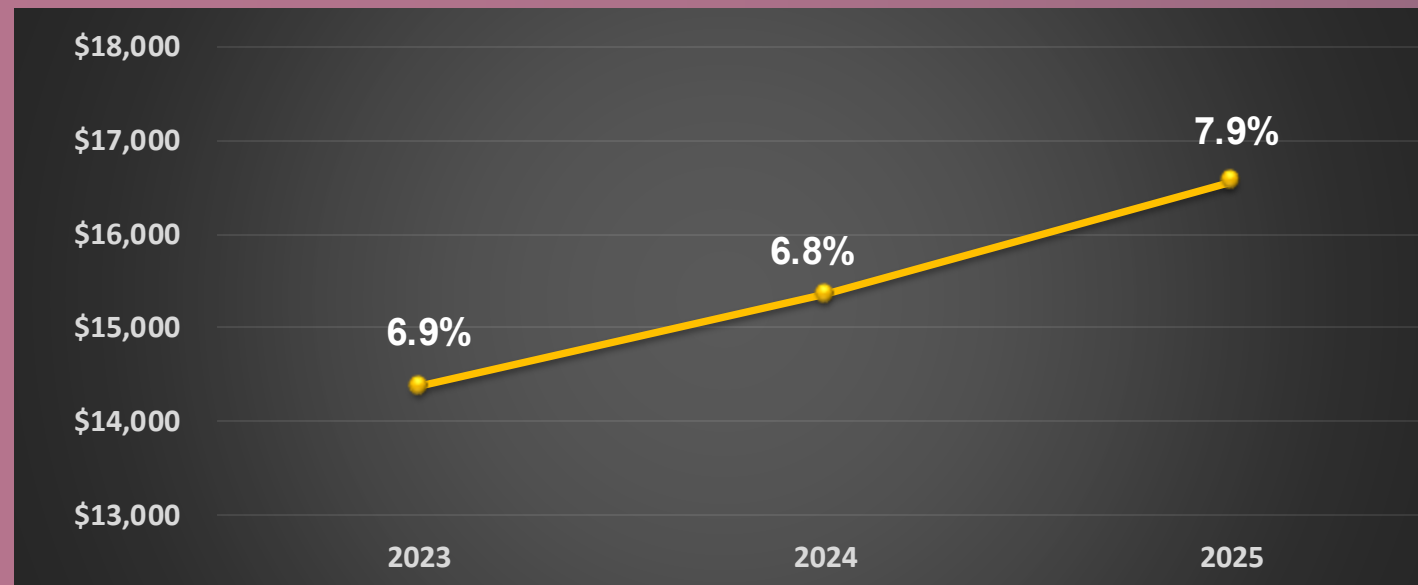
FACTORS IMPACTING AVAILABILITY OF COST CONTAINMENT OPTIONS

- Group Size
- Geography
- Organizational Philosophy
- Collective Bargaining Commitments
- Attracting and Retaining Talent

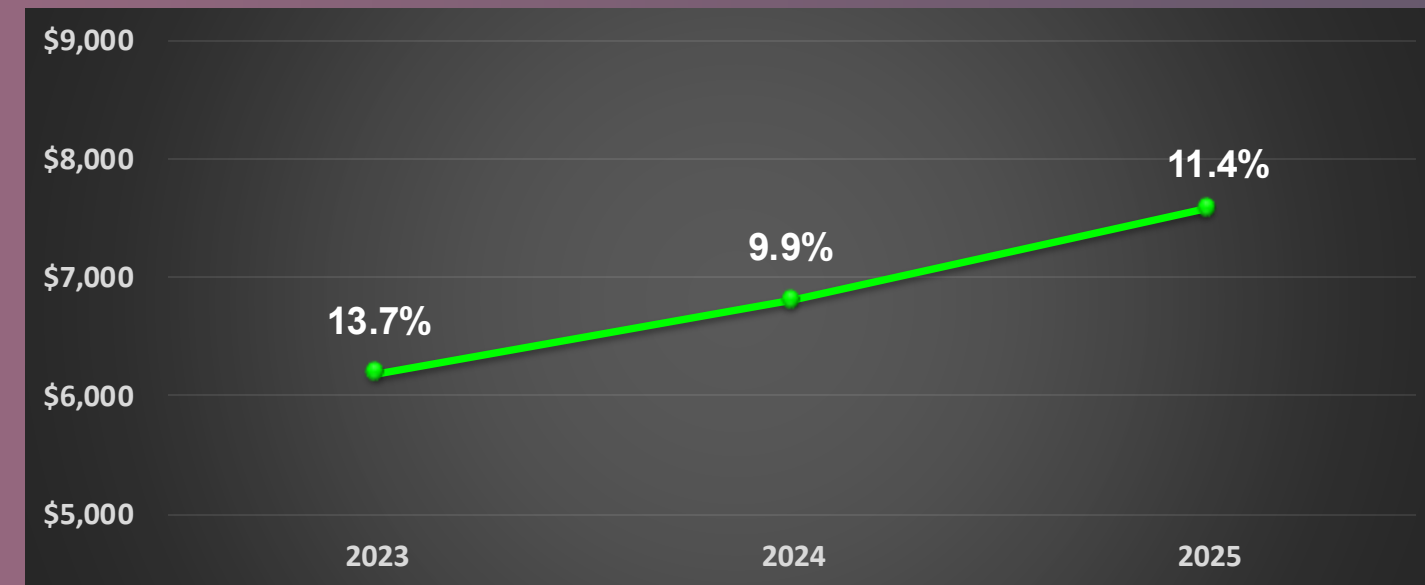


HEALTHCARE TRENDS AND THE SUSTAINABILITY QUESTION

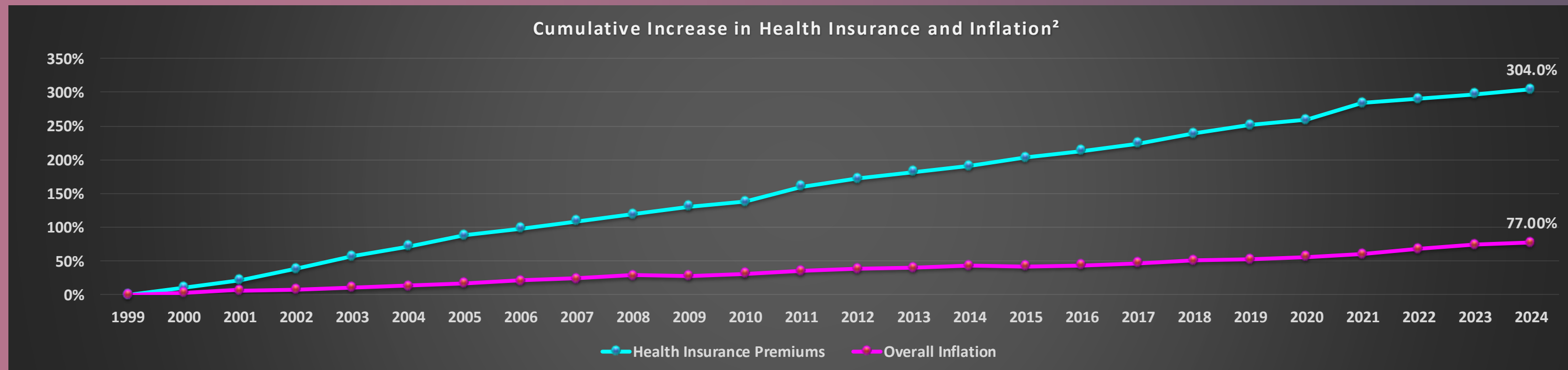
Medical (PPO Plans)¹



Rx¹



Cumulative Increase in Health Insurance and Inflation²



¹ Trend protectory based on Segal Annual Trend Survey

² Data based on Kaiser Family Foundation Health Benefits Survey

FACTORS DRIVING Healthcare COSTS:

MEDICAL

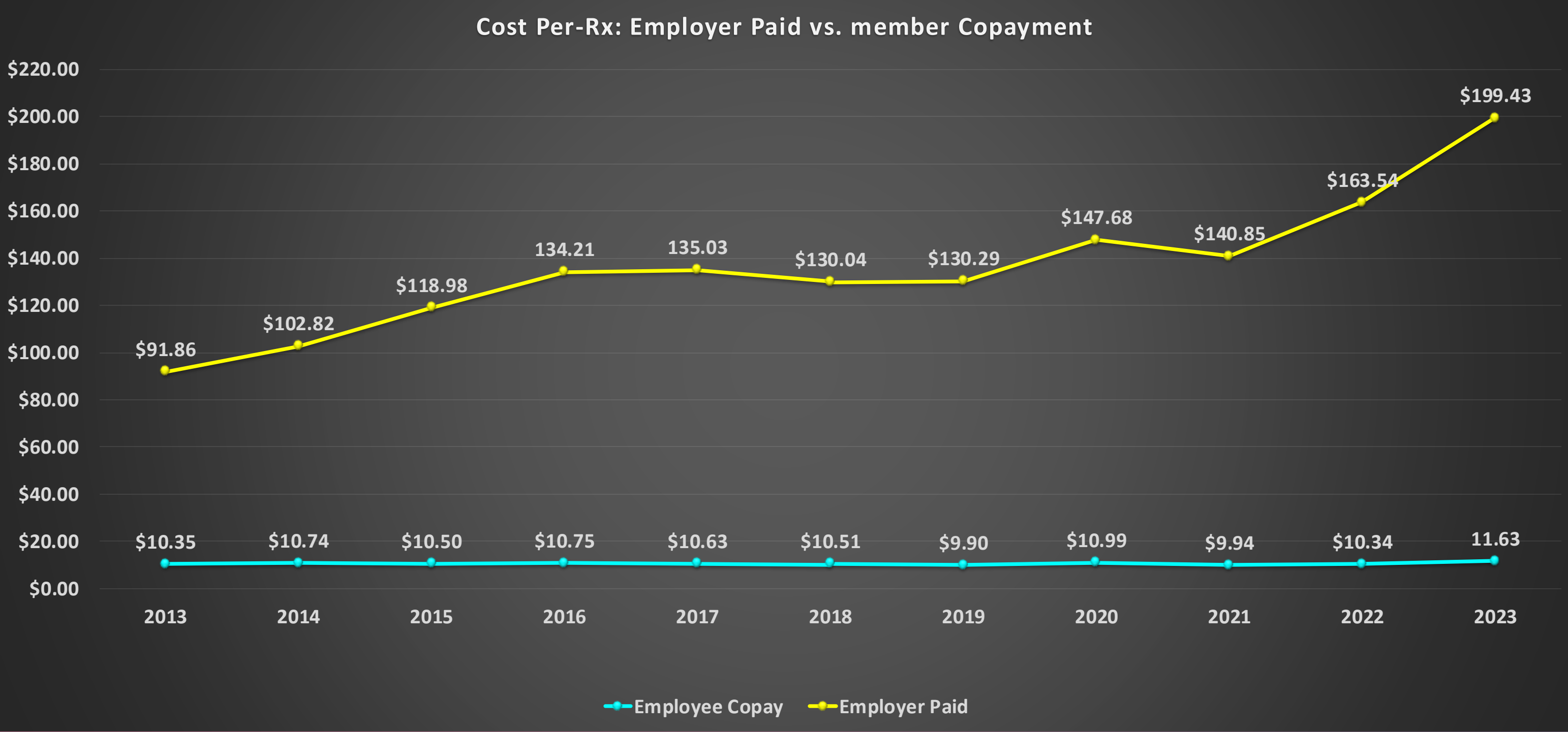
- Increased prevalence and cost of chronic disease
- Demographics
- Inflation/Increased Provider Reimbursement
 - Provider consolidation
- State and federal legislation and coverage mandates
 - *No Surprises Act*
 - *Inflation Reduction Act*
- Demand for behavioral health services
- Reactive care/Sub-optimal site of care (ER/Urgent Care)
- Increase in \$1 million+ claims – impact on stop loss premiums

FACTORS DRIVING Healthcare COSTS:

PHARMACY

- GLP-1s
 - Anti-Diabetic and weight loss drugs
- Specialty Drugs: 1-2% of members drive 40 – 50% of drug spend
 - Stelara (Psoriasis) and Humira (Rheumatoid Arthritis/Crohn's/Psoriatic Arthritis)
 - New indications for existing drugs
- New Gene Therapies (\$1 million+)
 - High cost, low frequency
- Incremental price hikes on existing drugs
- As Rx costs increase, member cost share erodes
 - Flat copay plan design shifts the impact of inflation to the plan sponsor

EROSION OF FIXED PHARMACY COPAYS



ALIGN YOUR HEALTHCARE PURCHASING DECISIONS

Consider Self-Funding or Pooling

- Determine organizational risk/change tolerance
- Balance the risk/reward of fully insured vs. alternative funding

Does Carrier/Administrator share your values and objectives

- Short term (1 year-?) savings vs. long term cost control
- Programs to lower healthcare costs or just a pass through
- Excess premium returned
- Ownership model

Evaluate the Impact of "Hidden Costs"

- Broker commissions and hidden sources of revenue
- Risk margin
- Premium tax
- Applied trend and other rate multipliers

CONTRACT NEGOTIATIONS – HEALTHCARE PARTNERS

- Demand partnership in managing the cost of healthcare
 - Negotiate coverage enhancements such as wellness credits and other “value added” benefits and services
- Stop loss or pooling point options? Trade a reduction in fixed costs for more retained risk (over reinsured?)
- Require full disclosure of all commissions and other revenue sources.
 - Stop loss commissions
 - Withholding of pharmacy rebates
 - Per claim fees (Rx)
- Data without an action plan is meaningless

CONTRACT NEGOTIATIONS - UNIONS

- Make benefits a priority in collective bargaining
- Retain the ability to change carriers, modify plans, make prescription drug formulary changes, etc.
- Quantify the cost/trends of benefits and make cost share a priority
 - Increase member engagement/consumerism
 - “Modernize” plan design and address the impact of Healthcare inflation
- Defined contribution model
- Avoid status quo by default
- Prepare for the worst-case scenario



PLAN DESIGN STRATEGIES

- Goal to create a plan design that balances employee **benefit** with employee engagement
 - Public sector employee contribution levels generally lag behind the private sector
- Consumer driven plans (HRA, HSA)
 - Be aware of the short-term savings trap with fully funded High-Deductible Health Plans
 - Can be an effective way to encourage employee engagement
- Base and Buy-Up Plan
 - Employees pay the difference in premium between two or more plans
 - Employees weigh cost vs. benefit of plan options

COST CONTAINMENT STRATEGIES

- Virtual care
- Wellness programs
- Chronic disease management
- Disease-specific target programs
 - MSK, Cancer, Diabetes
- Out of Network claim caps and backstop Networks
 - Beware of Out of Network mental health/substance abuse medical tourism
- Catastrophic claim mitigation
- Narrow/"High Performance" networks- not all narrow networks reduce costs

DEFINED CONTRIBUTION HEALTHCARE MODEL

- ICHRA (Individual Coverage HRA)
 - Considered a “break glass option”
 - Not practical for most municipal groups
 - Shifts cost and decision making to individual employees
 - Can provide savings and limit rate of increase for employer (defined contribution)

PRESCRIPTION DRUG COST CONTAINMENT STRATEGIES

- Optimize plan design – goal is member cost share of 15-20%
- Cost share drives behavior change and member engagement
- Evaluate Pharmacy Benefit Manager and Carve-out vs. Carve-in
- Optimize formulary to adjust to market changes
- Clinical programs
 - Prior Authorization
 - Specialty Drug Networks
 - Step-therapy
 - Exclusions
- Drug Manufacturer's Assistance



PHARMACY PLAN DESIGN

- Position the plan to take advantage of *biosimilars* to lower specialty drug spend
 - FDA approved biological reference drugs with no clinically meaningful difference in safety or efficacy
 - Biosimilar alternatives to *Humira*, *Stelara* are now available with more to follow
- Develop a high-performance network to manage cost of Gene Therapy treatment
 - Treatments can range from \$1 million to \$3 million or more if not properly managed. (Luxturna® {genetic retinal disease} and Zolgensma® {spinal muscular atrophy})
 - New gene therapies in the pipeline

PUBLIC POLICY

- Stay engaged in Key Public Policy issues impacting healthcare costs & deliver
 - Leverage collective voice
- Hospital System expansion and integration is one of the leading cost drivers of healthcare inflation
 - Harvard/NBER* study: Consolidated Healthcare systems cost 31% more than private care providers and physician prices in large systems are 12-26% higher than private practices.
 - Quality improved only marginally
 - Scale has not translated into lower costs but instead market clout
- Prescription Drug Costs
- Benefit Mandates (State and Federal)
- Mental Health capacity and availability

* *National Bureau of Economic Research*



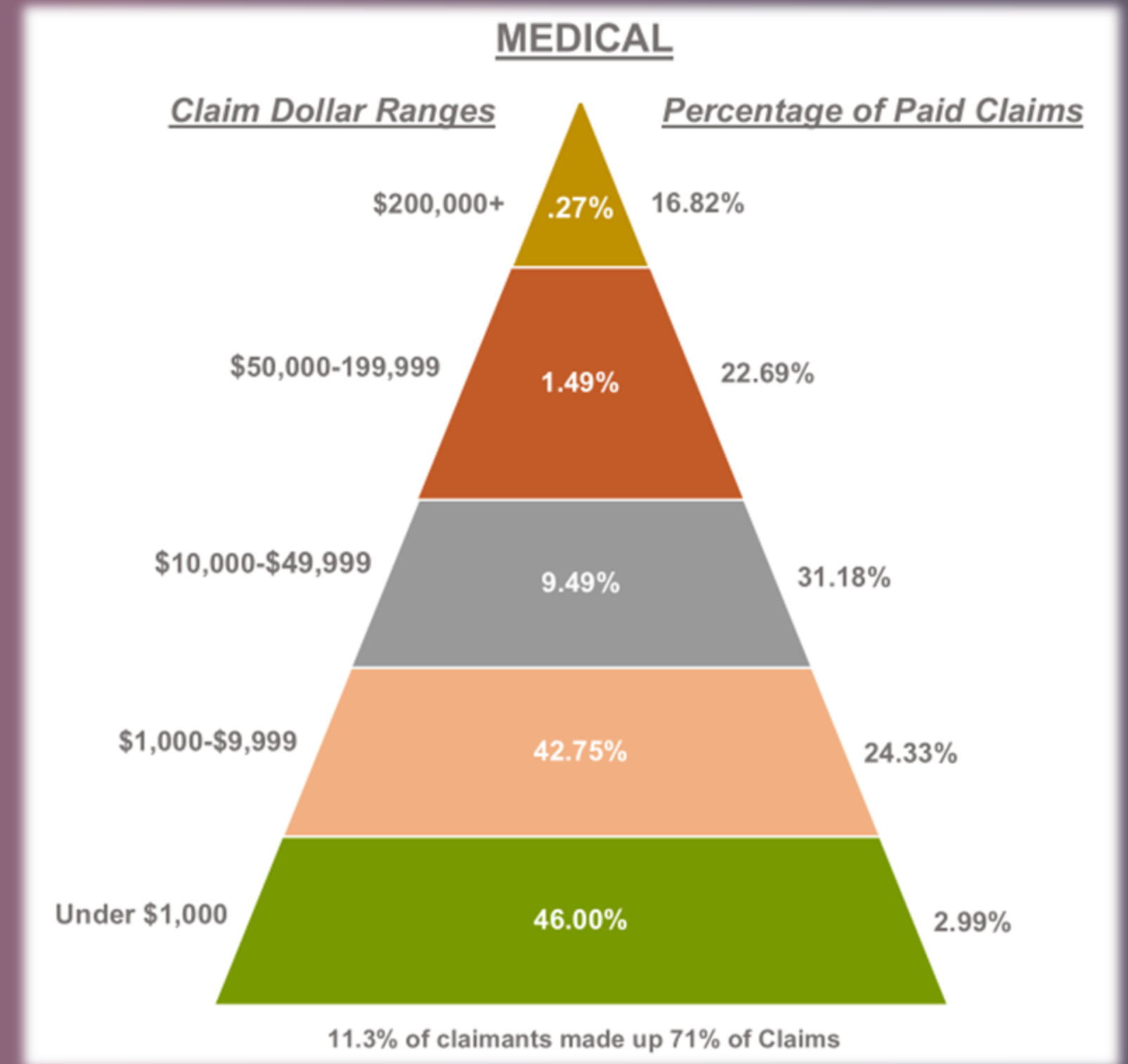
TAKING ADVANTAGE OF TECHNOLOGY & VIRTUAL CARE

- The COVID pandemic accelerated the adoption of virtual care
- Virtual care can include:
 - Virtual Primary Care and Specialty Care
 - Telehealth to supplement Primary Care
 - Behavioral Health
 - Health and Wellness education and coaching
- Risk mitigation and data analytics to direct care to target populations
- Low cost, high yield



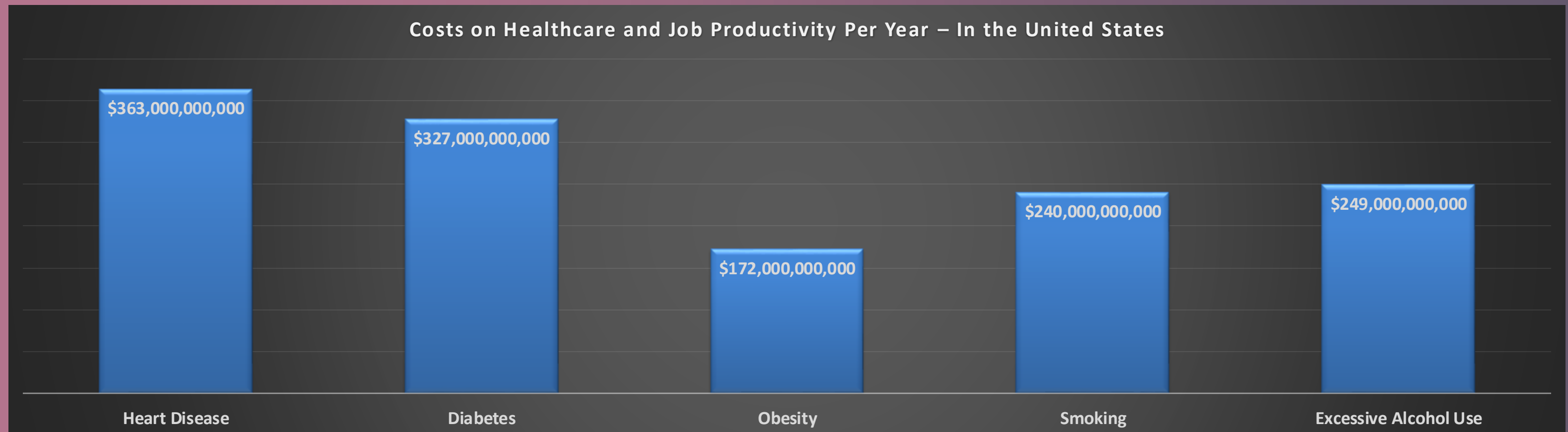
POPULATION HEALTH MANAGEMENT

- 80% of claims are driven by 20% of population
- Chronic Disease and members with multiple-morbidities represent the greatest risk to ongoing claims
- Non-Chronic, large claims include Cancer, Autoimmune disease, Gene Therapy, and Specialty



IMPACT OF CHRONIC DISEASE COSTS FOR EMPLOYERS

- According to the National Institutes of Health (NIH), 50% of the US population have a chronic disease
- 86% of Healthcare costs are linked to these chronic diseases
- Healthcare has not yet evolved to adjust to the increase in chronic disease and burden it places on the Healthcare system
- This has led to inadequate care for those with a chronic disease and increases in Healthcare costs



POPULATION HEALTH MANAGEMENT

- Chronic Disease Management (targeted member strategy)
 - Identify – Biometric Screening and Data Mining
 - Manage
 - Nurse case manager
 - Coaching
 - Education and Resources/Tools
 - Prevention
 - Wellness programs provide education, resources and support
 - Early detection and intervention is the key
- Cancer screenings - educate, promote and incentivize
 - Significant savings when detected early
 - Financial, productivity and human capital
- Disease-specific target programs (MSK, Cancer, Diabetes etc.)



THE BENEFITS OF HEALTH PROMOTION AND EDUCATION

HEIDIS-based medical preventative				
Screenings	2021	2022	2023	Benchmark
Breast Cancer	72.1%	75.7%	77.9%	71.0%
Cervical Cancer	73.9%	77.2%	77.3%	69.8%
Colorectal Cancer	61.8%	64.4%	63.5%	55.1%

Key health screening rates 2021-2023 vs. national HEIDIS benchmark.

BIOMETRIC SCREENING RESULTS SUMMARY

Participation



↑ Total Participation:
30% (4,364 of 14,435)

42% (1,813)

Physician Results Form

38% (1,672)

On-Site Screening Event

20% (880)

Patient Service Center

Top 3 Risk Areas (Moderate to High Risk)



1. ↓ Body Mass Index: **78%**

2. ↓ Blood Pressure: **65%**

3. ↓ LDL Cholesterol: **52%**

Metabolic Syndrome Report



↑ **24%** of the participants are at risk for Metabolic Syndrome.

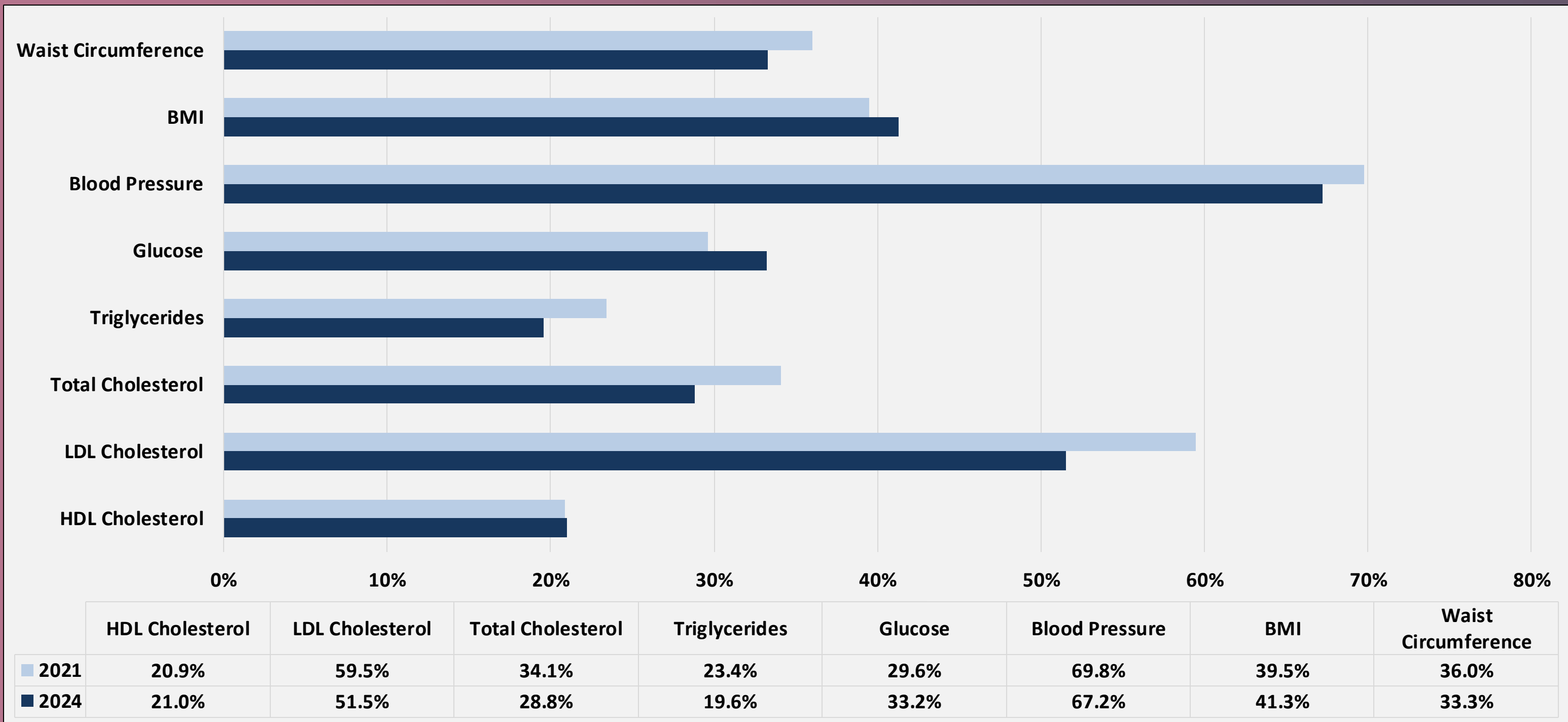
An individual at risk for Metabolic Syndrome has three or more of the following 5 conditions which increase the risk of heart disease, type 2 diabetes, and strokes.

- High blood pressure
- Increased blood sugar
- Abnormal cholesterol
- Elevated triglyceride levels
- Excess body fat around the waist

<https://www.heart.org/en/health-topics/metabolic-syndrome/about-metabolic-syndrome>

BIOMETRIC SCREENING COHORT RESULTS

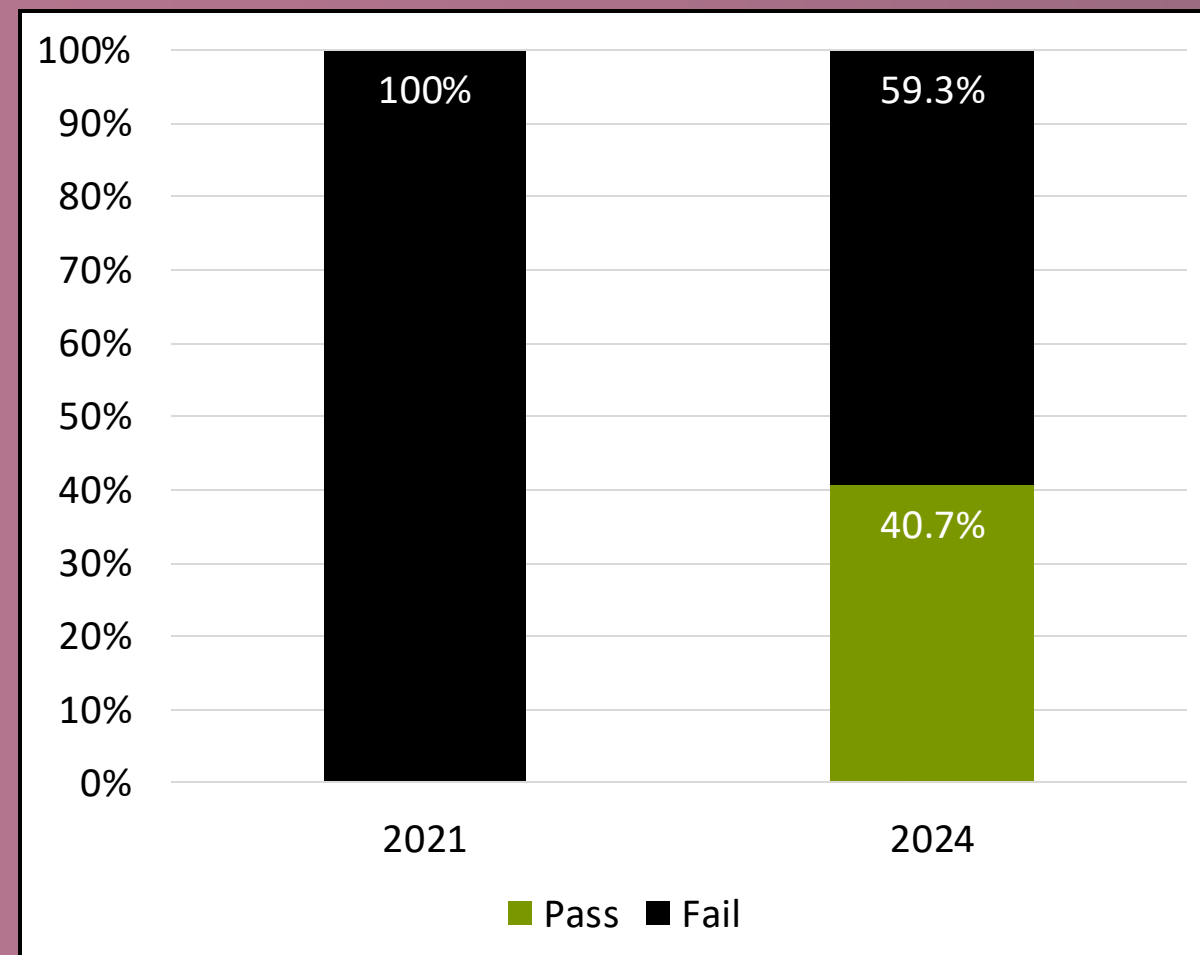
SUMMARY



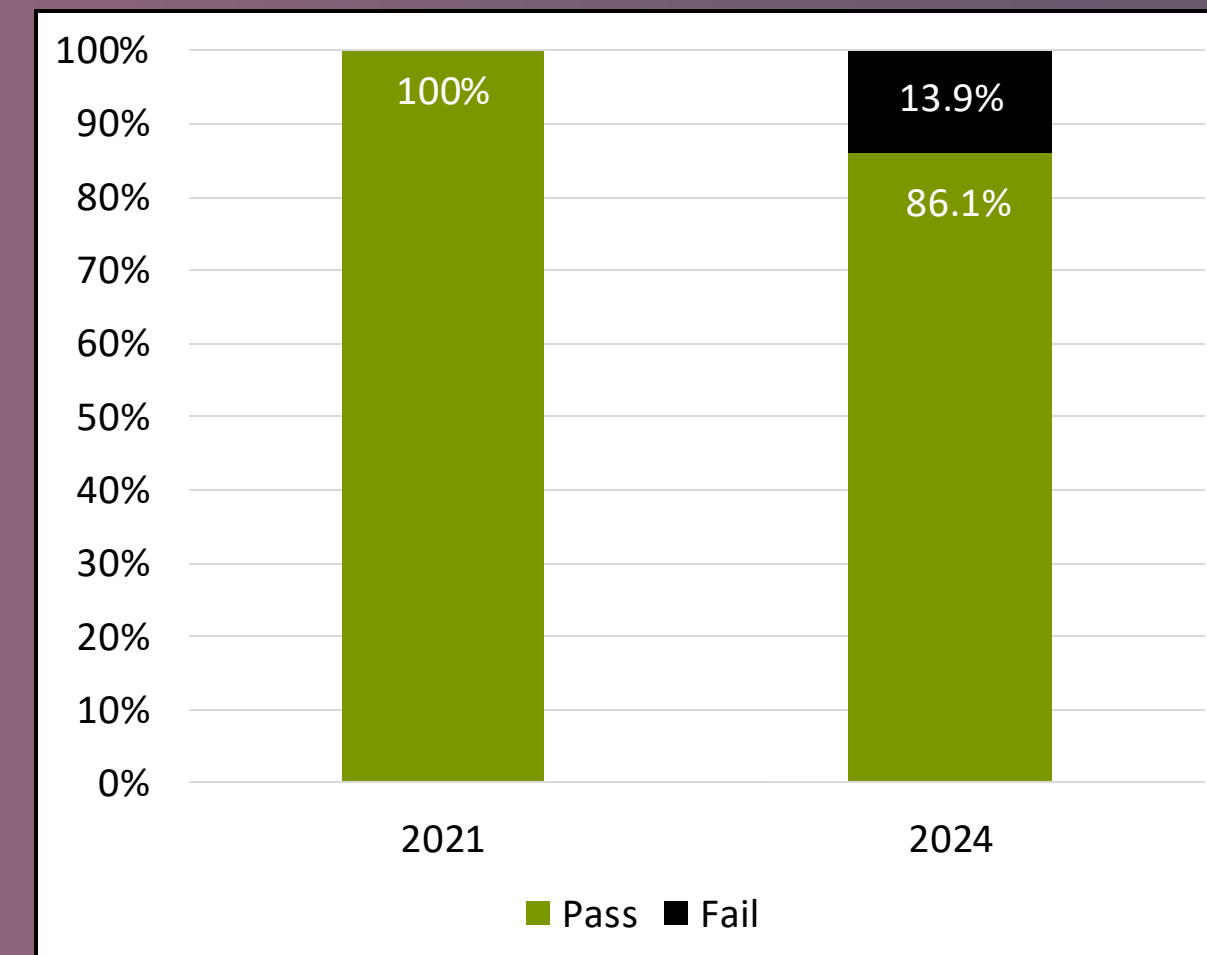
BIOMETRIC SCREENING COHORT RISK ANALYSIS

(METABOLIC SYNDROME RISK 2021 VS 2024)

Tracking Participants That Failed
Metabolic Syndrome in 2021
(N=354)



Tracking Participants That Passed
Metabolic Syndrome in 2021
(N=1,215)



Reducing Risk – Of the 354 participants that were at risk for Metabolic Syndrome in 2021, 144 are no longer at risk for Metabolic Syndrome in 2023.

Keeping Healthy People Healthy – Of the 1,215 participants that were not at risk for Metabolic Syndrome in 2021, 169 are now at risk for Metabolic Syndrome.

MEMBER COMMUNICATION

- Communicate the value of Benefits package
 - Total rewards statements
 - Improve member literacy
- Educate members on “why and how” to reduce costs (Discretionary care)
 - Prescription Drug Alternatives
 - Generic vs. Brand
 - Formulary vs. Non-Formulary
 - Mail order vs. retail
 - Urgent care vs. Emergency room
 - Healthcare costs and quality transparency
 - Healthcare costs vary greatly and not always a case of higher cost = better quality
 - Shifting care from hospital-based to free-standing outpatient facility can save significant amounts of money without compromising quality
- Shared savings – shift site of care for select big target items



DVHT HCBB: PROCEDURE SPECIFIC COST COMPARISON – IMAGING (17110)

Knee MRI (no contrast)

The Fair Price™ for Knee MRI (no contrast) is \$759 in 17110.



[About the Fair Price](#)

UPMC Pinnacle Harrisburg 717-782-3131	111 S Front St Harrisburg, PA 17110 same zip	\$\$\$
PinnacleHealth Tristan Radiology Specialists - Linglestown 717-652-5840	2808 Old Post Rd Harrisburg, PA 17110 ~ 2 miles	\$ \$100 Reward
Community General Osteopathic Hospital 717-652-3000	4300 Londonderry Rd Harrisburg, PA 17105 ~ 3 miles	\$\$\$
Geisinger Holy Spirit Hospital 717-763-2100	503 N 21st St Camp Hill, PA 17011 ~ 5 miles	\$\$\$
Orthopedic Institute Of PA 717-761-5530	3399 Trindle Rd Camp Hill, PA 17011 ~ 6 miles	\$ \$100 Reward

DVHT HCBB: PROCEDURE SPECIFIC COST COMPARISON – SURGERY (17110)

Total Knee Replacement

The Fair Price™ for Total Knee Replacement is \$35,160 in 17110.

Fair Price **\$35,160**

Low **\$28,129** High **\$87,901+**

Facility = \$30,657 | Physician = \$2,991 | Anesthesia = \$1,512 [?](#)

UPMC Pinnacle Harrisburg 717-782-3131	111 S Front St Harrisburg, PA 17110 same zip		 \$1000 Reward
Geisinger Holy Spirit Hospital 717-763-2100	503 N 21st St Camp Hill, PA 17011 ~ 5 miles		
Grand View Surgery Center 717-731-5444	205 Grandview Ave Suite 101 Camp Hill, PA 17011 ~ 5 miles		
PennState Health Milton S Hershey Medical Center 717-531-8521	500 University Dr Hershey, PA 17033 ~ 11 miles		
Carlisle Regional Medical Center 717-249-1212	361 Alexander Spring Rd Carlisle, PA 17015 ~ 20 miles		 \$1000 Reward



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