

# Health Insurance Reimbursement: The Good, The Bad and The Ugly

By Terry Bauer, CEO, Specialdocs Consultants

# Discussion Outline

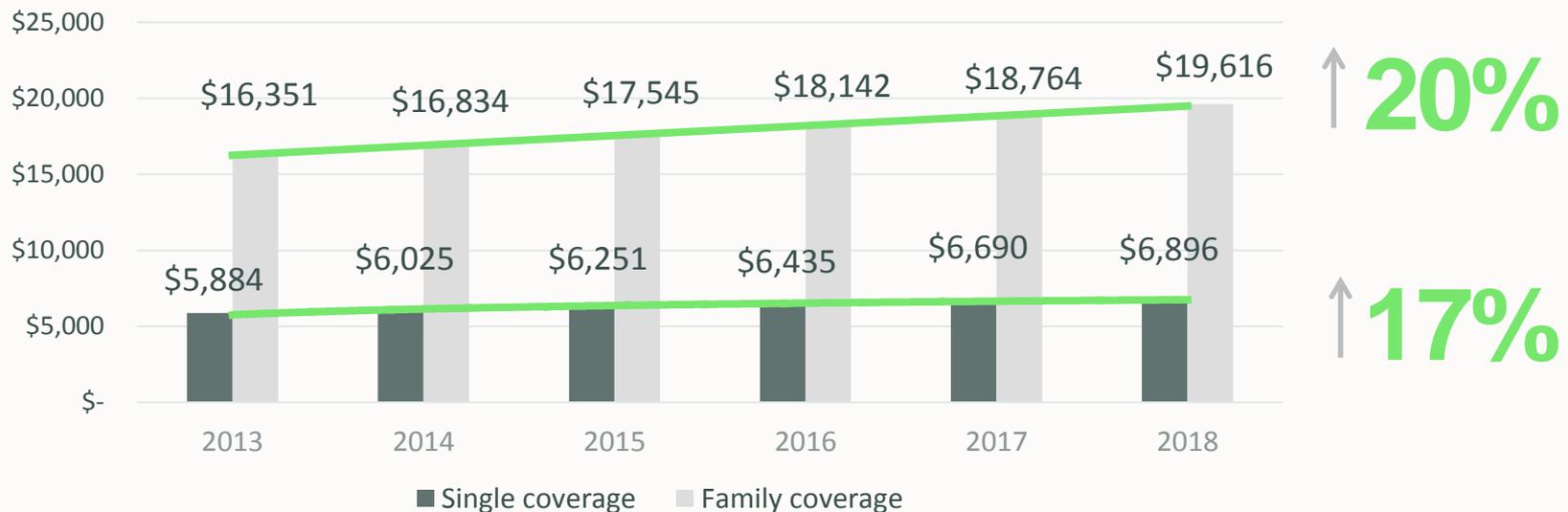
- Health insurance today
- Payor market overview and the future
- Is accepting health insurance worth the hassle?
- The true cost/benefit of accepting insurance
- The impact of not accepting insurance
- What this means to the size of your patient panel
- If you've already opted out of Medicare, what's next?
- What will the payors do after conversion?
- Q & A

# Health Insurance Today

# Health insurance premium increases over time

The average premium for single coverage has grown 17% since 2013.  
The average premium for family coverage is 20% over the same period.

Average Annual Premiums / Single and Family / 2013-2018

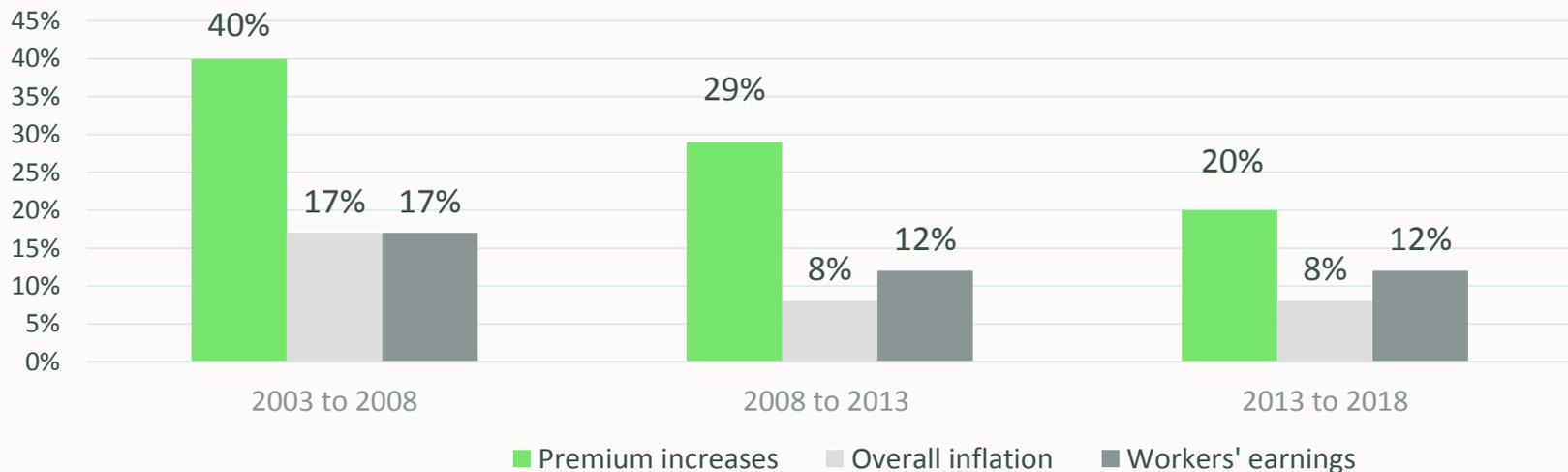


Source: Keckley, 2018 Kaiser Family Foundation Survey

# Comparing cumulative premium increases, inflation and worker earnings

Annual increases in premiums have slowed down 2003 to 2018, however they still outpace overall inflation and (covered) workers' earnings.

Cumulative premium increases, inflation and earnings for covered workers with family coverage 2003-2018



# Workers with high deductible plans



**43%**

Of workers had a high deductible plan in 2018, **up from 39% in 2017** (CDC)

**79%**

Of workers expect their deductible to increase

**80%**

Of workers think they're getting less value for high-deductible plans

Source: Keckley, 2018 Kaiser Family Foundation Survey

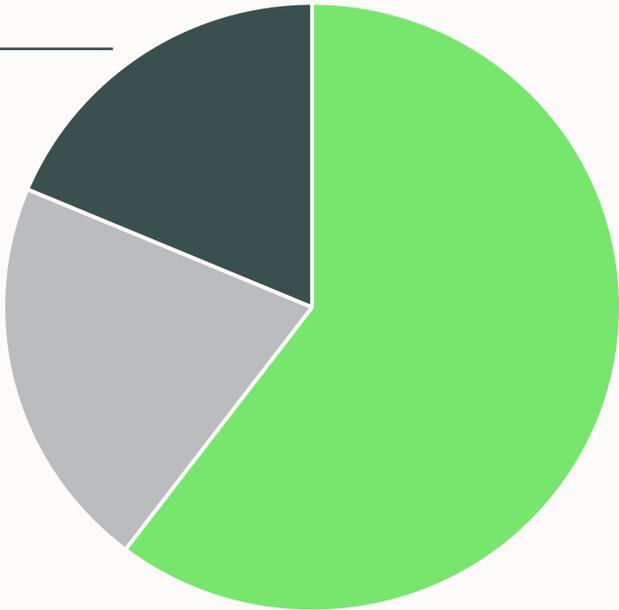
# Payor Market Overview

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## Government and Commercial

**56** Million  
Individuals covered  
by Medicare

**63** Million  
Individuals covered  
by Medicaid

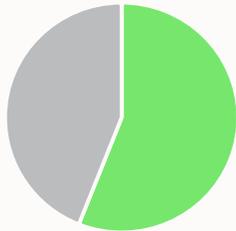


**181** Million  
Individuals covered  
by Commercial  
Insurance

Source: Keckley, 2018 Kaiser Family Foundation Survey

# Payor Market Overview Employers

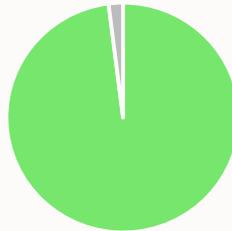
Small firms



**56%**

Of small US firms  
offer health benefits to  
employees

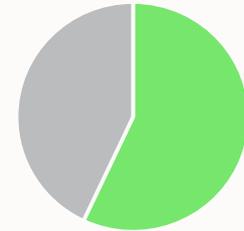
Large firms



**98%**

Of large US firms  
offer health benefits to  
employees

All firms



**57%**

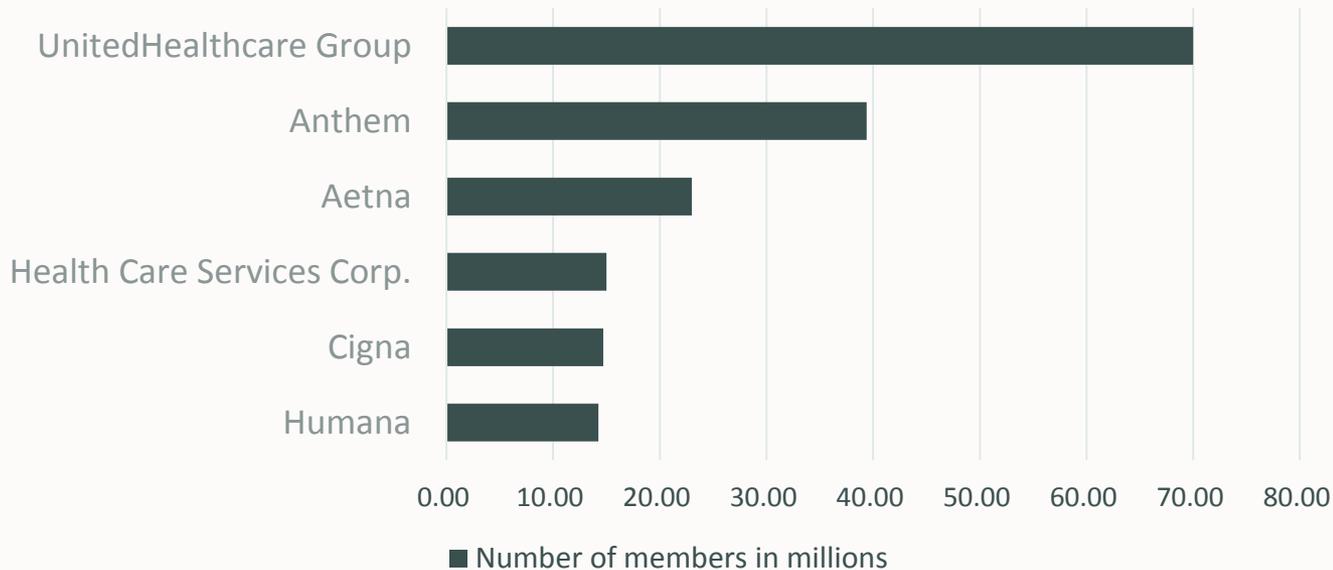
Of all US firms  
offer health benefits  
to employees

Source: Keckley, 2018 Kaiser Family Foundation Survey

# Payor Market Overview

## Market Share

The six largest US health insurance companies by membership (in millions) in 2017



Source: Becker's ASC Review

# Payor Strategic Actions

# Payor market strategic actions

## Aetna – CVS

### \$69 billion acquisition

- Combined revenues of \$245 billion
- Aetna - a health insurer with 22 million enrollees
- CVS - a pharmacy benefits manager with 90 million customers
- 9,700 retail locations
- 1,100 clinics

## Cigna – Express Scripts

### \$52 billion acquisition

- Cigna – a health insurer with 14.7 million enrollees
- Express Scripts – a major pharmacy benefits manager

Source: Keckley, New York Times

# Payor market strategic actions

## Optum (Unitedhealth) – DaVita Medical Group

\$4.9 billion acquisition

- Optum – a health services and IT company, part of Unitedhealth
- Unitedhealth – a health insurer with 70 million enrollees
- DaVita Medical Group – a provider of primary and specialist care
- 300 medical clinics
- 1.7 million patients
- UHC just announced that they will introduce an EHR in 2019

## Humana – Kindred Healthcare

\$4.1 billion acquisition

- Kindred at Home – a provider of home health, hospice and community care
- Humana – a health insurer with 14.2 million enrollees
- Humana becomes one of the largest providers of hospice services
- Acquisition comes amid speculation that Humana could be purchased by Walmart

Source: Health Leaders, UHC website

# Comparing Patient Panel Sizes and Physician Income

# Pro Forma Financials

Pro Forma Financial Statement with health insurance for M. Welby, MD

Note: All patient estimates are as of the start of the year

	Concierge Practice – Year 1 scenarios						Concierge Practice – Years 2 through Year 5			
	Traditional FFS	225 Patients	250 Patients	275 Patients	300 Patients	325 Patients	Year 2 310 Patients	Year 3 325 Patients	Year 4 340 Patients	Year 5 355 Patients
Patients	1,500	225	250	275	300	325	310	325	340	355
Annual membership	-	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
<b>Total membership revenue</b>	-	<b>\$450,000</b>	<b>\$500,000</b>	<b>\$550,000</b>	<b>\$600,000</b>	<b>\$650,000</b>	<b>\$620,000</b>	<b>\$650,000</b>	<b>\$680,000</b>	<b>\$710,000</b>
Insurance collections only (doesn't include other income)	\$527,450	\$112,500	\$125,000	\$137,500	\$150,000	\$162,500	\$155,000	\$162,500	\$170,000	\$177,500
Management fee	-	(\$99,000)	(\$110,000)	(\$121,000)	(\$132,000)	(\$143,000)	(\$136,400)	(\$143,000)	(\$149,600)	(\$156,200)
<b>Total net revenue</b>	<b>\$527,450</b>	<b>\$463,500</b>	<b>\$515,000</b>	<b>\$566,500</b>	<b>\$618,000</b>	<b>\$669,500</b>	<b>\$638,600</b>	<b>\$669,500</b>	<b>\$700,400</b>	<b>\$731,300</b>
<b>Operating expenses</b>	-	-	-	-	-	-	-	-	-	-
Overhead expense*	\$290,000	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000	\$281,000	\$287,000	\$293,000	\$299,000
<b>Total direct operating expenses</b>	<b>\$290,000</b>	<b>\$275,000</b>	<b>\$275,000</b>	<b>\$275,000</b>	<b>\$275,000</b>	<b>\$275,000</b>	<b>\$281,000</b>	<b>\$287,000</b>	<b>\$293,000</b>	<b>\$299,000</b>
<b>Distributable income<sup>^</sup></b>	<b>\$237,450</b>	<b>\$188,500</b>	<b>\$240,000</b>	<b>\$291,500</b>	<b>\$343,000</b>	<b>\$394,500</b>	<b>\$357,600</b>	<b>\$382,500</b>	<b>\$407,400</b>	<b>\$432,300</b>

Key assumptions										
Number of patients	1,500	225	250	275	300	325	310	325	340	355
Annual membership fee <sup>^^</sup>	N/A	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Direct billing per patient per year (rounded)**	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Management fee % of membership revenue	N/A	22%	22%	22%	22%	22%	22%	22%	22%	22%
Overhead expense*	\$290,000	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000	\$281,000	\$287,000	\$293,000	\$299,000
Expense increase % per year	N/A	N/A	N/A	N/A	N/A	N/A	2%	2%	2%	2%

<sup>^</sup> Before payroll taxes and any hospital charges or allocations

<sup>^^</sup> Annual membership fee accounts for ability to offer discounted rates to a portion of paying patient members

\* When physician is unable to determine their overhead, an estimate is established at ~55% of collections

\*\* Assumes insurance reimbursement of \$100/ visit and 2.5 visits per year per patient and an annual physical of \$250

# Pro Forma Financials

Pro Forma Financial Statement without health insurance for M. Welby, MD Note: All patient estimates are as of the start of the year

	Concierge Practice – Year 1 scenarios						Concierge Practice – Years 2 through Year 5			
	Traditional FFS	150 Patients	175 Patients	200 Patients	225 Patients	250 Patients	Year 2 235 Patients	Year 3 245 Patients	Year 4 255 Patients	Year 5 270 Patients
Patients	1,500	150	175	200	225	250	235	245	255	270
Annual membership	-	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
<b>Total membership revenue</b>	-	<b>\$270,000</b>	<b>\$315,000</b>	<b>\$360,000</b>	<b>\$405,000</b>	<b>\$450,000</b>	<b>\$423,000</b>	<b>\$441,000</b>	<b>\$459,000</b>	<b>\$486,000</b>
Insurance collections only (doesn't include other income)	\$527,450	\$41,250	\$48,125	\$55,000	\$61,875	\$68,750	\$64,625	\$67,375	\$70,125	\$74,250
Management fee	-	(\$59,400)	(\$69,300)	(\$79,200)	(\$89,100)	(\$99,000)	(\$93,060)	(\$97,020)	(\$100,980)	(\$106,920)
<b>Total net revenue</b>	<b>\$527,450</b>	<b>\$251,850</b>	<b>\$293,825</b>	<b>\$335,800</b>	<b>\$377,775</b>	<b>\$419,750</b>	<b>\$394,565</b>	<b>\$411,355</b>	<b>\$428,145</b>	<b>\$453,330</b>
<b>Operating expenses</b>	-	-	-	-	-	-	-	-	-	-
Overhead expense*	\$290,000	\$235,000	\$235,000	\$235,000	\$235,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000
<b>Total direct operating expenses</b>	<b>\$290,000</b>	<b>\$235,000</b>	<b>\$235,000</b>	<b>\$235,000</b>	<b>\$235,000</b>	<b>\$235,000</b>	<b>\$240,000</b>	<b>\$245,000</b>	<b>\$250,000</b>	<b>\$255,000</b>
<b>Distributable income<sup>^</sup></b>	<b>\$237,450</b>	<b>\$16,850</b>	<b>\$58,825</b>	<b>\$100,800</b>	<b>\$142,775</b>	<b>\$184,750</b>	<b>\$154,565</b>	<b>\$166,355</b>	<b>\$178,145</b>	<b>\$198,330</b>

Key assumptions										
Number of patients	1,500	150	175	200	225	250	235	245	255	270
Annual membership fee <sup>^^</sup>	N/A	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Direct billing per patient per year (rounded)**	\$500	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275
Management fee % of membership revenue	N/A	22%	22%	22%	22%	22%	22%	22%	22%	22%
Overhead expense*	\$290,000	\$235,000	\$235,000	\$235,000	\$235,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000
Expense increase % per year	N/A	N/A	N/A	N/A	N/A	N/A	2%	2%	2%	2%

<sup>^</sup> Before payroll taxes and any hospital charges or allocations

<sup>^^</sup> Annual membership fee accounts for ability to offer discounted rates to a portion of paying patient members

\* When physician is unable to determine their overhead, an estimate is established at ~55% of collections

\*\* Assumes insurance reimbursement of \$50 / visit and 2.5 visits per year per patient and an annual physical of \$150

# Medicare: stay in or opt out?

# What's happening in Washington?

# House acts to improve HSAs

**On July 27, 2018 the House of Representatives approved several measures to expand the availability and use of Health Savings Accounts (HSA) across two pieces of legislation.**

- Along with relief measures on several long-term taxes implemented by the Affordable Care Act (ACA), a key highlight proposed is focused on changing direct primary care provisions for HSAs.

**The legislation proposes HSA usage for Direct Primary Care (DPC) service arrangements and allowance of fees to be treated as qualified medical expenses.**

- DPC is first defined in the legislation as “an arrangement under which an individual is provided medical care consisting solely of primary care services provided by primary care practitioners compensated solely through a fixed periodic fee”.
- The amendment allows fees to be treated as qualified medical expenses (**\$150 per month for an individual; \$300 per month for a family**).
- Certain services remain excluded from treatment as primary care services: **(i)** procedures that require general anesthesia, **(ii)** prescription drugs other than vaccines, and **(iii)** lab services not typically administered in an ambulatory primary care setting.

**The legislation (H.R. 6199 and H.R. 6311) must still be considered by the Senate**

**When the payors call after the conversion...and they likely will...**

# Membership Medicine Impact on Healthcare Costs

A study published by the American Journal of Managed Care showed that membership medicine providers reduced Medicare Advantage healthcare spending by \$3.7 million through lower hospital utilization.

Featured 4,600 patients equally divided into two groups: those who transitioned into a membership medicine-affiliated practice and those who had been patients of the same physicians that did not opt to join in the membership medicine model.

## Reduced Medical Utilization for Membership Medicine Patients

Medicare Advantage: Savings Per Patient Per Month



Resulted in a \$3.7 million savings over two years

## Case study: other key findings

Compared to their counterparts in traditional primary care, membership medicine patients saw tangible medical and financial benefits:

↓ **19%**

Reduction in inpatient admissions for membership medicine patients

↓ **20%**

Reduction in ER visits for membership medicine patients

# Summary and Q & A

**Thank you.**

**For more information, please contact  
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