



ELAP Overview with Blinded Savings Data

Monday, July 06, 2015



Part 1: The Problem



Irrational Billed Charges – The Root of the Healthcare Problem



TIME follows the money right down to the 10,000% mark-up on acetaminophen

Irrational Billed Charges – The Root of the Healthcare Problem

Princeton Professor Uwe E. Reinhardt *on American Employers*

“...the sloppiest purchasers of health care anywhere in the world...”

...have passively paid just about every health care bill that has been put before them, with few questions asked.”

The New York Times, June 7, 2013



June 2015 Study: Many hospitals mark-up more than 1,000%

“There is no justification for these outrageous rates, but no one tells hospitals they can’t charge them...What other industry can you think of that marks up the price of their product by 1,000% and remains in business?”

- Gerard F. Anderson, Johns Hopkins Bloomberg School of Public Health

Key Points

- The top-50 overcharging hospitals in the country charge 10x Medicare rates
- National average is 3.4x Medicare
- Because it is difficult for patients to compare prices, market forces fail to constrain hospital charges
- Out-of-network claims often required to pay full amount without any discount, leading to personal bankruptcy and credit impairments



Sample Co Provider Environment- Hospital Cost-to-Charge

Provider	In/Out Patient Charges for Sample Co	CTC Ratio*	Avg Mark-Up %
For Profit Provider	\$1,285,828	0.120	833%
Non Profit Provider	\$1,145,447	0.138	723%
Non Profit Provider	\$1,052,168	0.316	317%
Non Profit Provider	\$696,521	0.326	306%
For Profit Provider	\$676,728	0.078	1280%
Non Profit Provider	\$613,443	0.246	407%
For Profit Provider	\$902,155	0.364	274%
Non Profit Provider	\$254,198	0.235	426%
Non Profit Provider	\$236,294	0.225	445%
Non Profit Provider	\$209,950	0.329	303%
Total	\$7,072,733	0.224	446%

*Source: American Hospital Directory (self-reported by Provider)

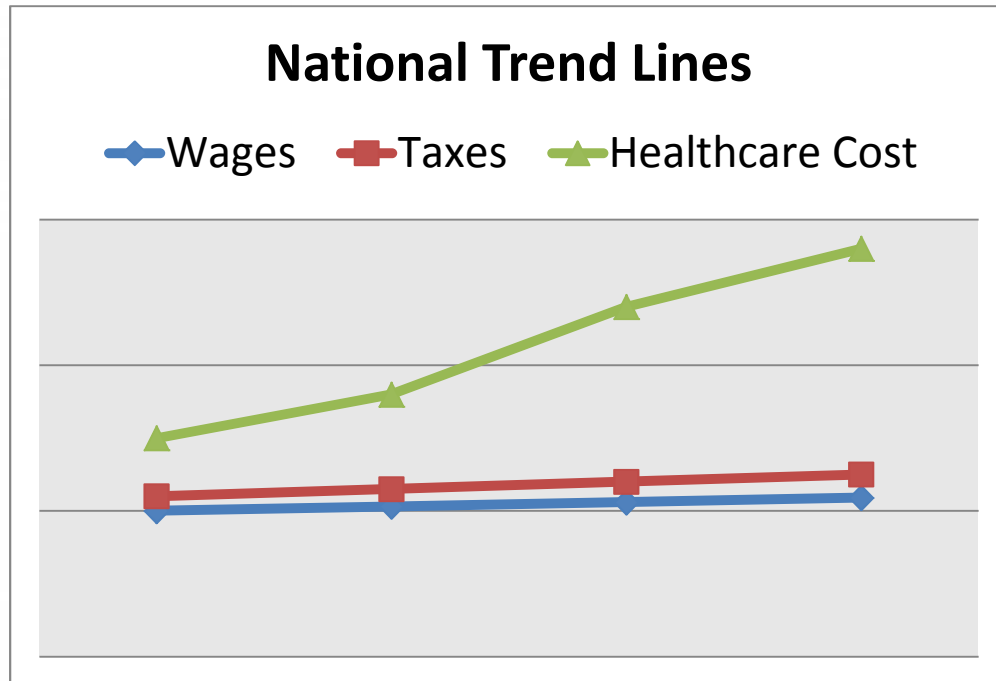


Today's Market- Unreasonable Pricing

	Hospital Price	Retail Price
Bacitracin (Antibiotic)	\$108.00 Each	Pack of 3 for \$12.33
Acetaminophe (Tylenol)	\$1.50 Each	Bottle of 100 for \$1.49
Gauze Pads	\$77.00 a Box	Pack of 50 for \$4.90
Diabetes Test Strip	\$18.00 Each	Box of 50 for \$27.00



Unsustainable Trend in Healthcare Costs



Healthcare costs are increasing at a much higher rate than wages and tax contributions

Credit Impairments Due to HC Costs

“62% of US bankruptcies are related to medical bills, 75% of those filing for bankruptcy were fully insured.”

- Medical Bankruptcy in the United States... a study by Harvard University (2007)

“Mounting evidence shows that chaos in medical billing is not just affecting our health care but ding the financial reputation of many Americans.”

“... of 5,000 applicants [reviewed by Rodney Anderson of Supreme Lending, a mortgage initiator], 40% had medical debt in collection with the average around \$400... the credit record of one in five Americans is affected”

“... unpaid medical bills in collection “frequently end up on consumer credit reports,” as an outgrowth of “very complex and confusing systems of figuring out who owes what after a medical procedure.”

- When Health Costs Harm Your Credit, The New York Times (2014)

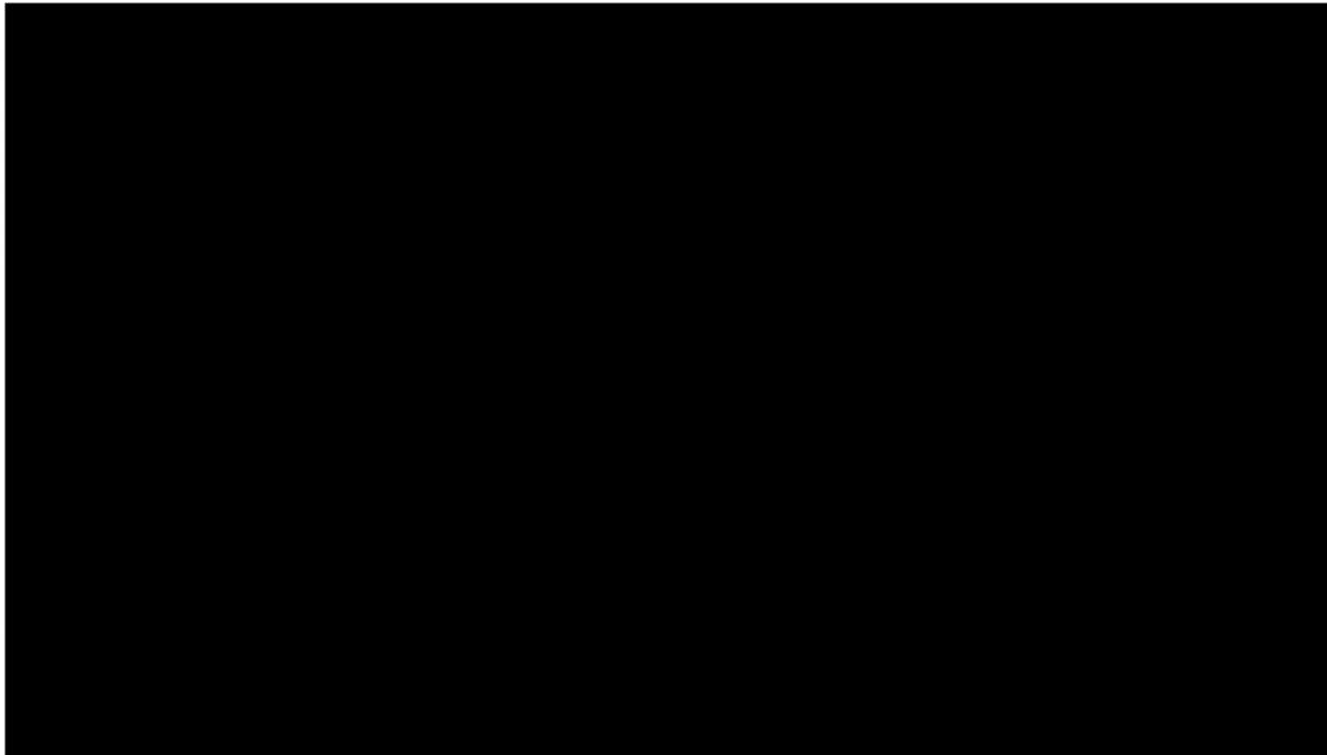




Part 2: Treating Healthcare like a normal business expense



ELAP Overview Video



Company Overview

Founded in 2003, **ELAP Services** is a pioneer in health plan cost management that delivers a comprehensive solution for self funded employers that combines:

- expert cost reduction
- employee advocacy services
- legal defense for both the plan and members
- analytics to measure and maximize impact

Mission - To recognize a medical provider's actual cost in delivering services and to allow a fair margin above that cost



Our Solution

Simply Stated...

We give our clients the opportunity to treat their medical costs in the same manner that they would any other business cost



Our Solution: Review and Understand Costs -- (Forensic Approach)

Hospital Stay for DRG 025: Endovascular Brain Surgery

Bill Summary

PPO discounts only take this number into account and issue a flat rate, with no analysis of bill or understanding of cost

TPA	Audit Completion Date: 2/13/2014	
Group		
Claim #	Sample Audit	Total Amount Billed: \$ 157,209.33
Provider	Medical Center - Los Angeles, CA	
Patient		Reduction: \$ 104,716.07
Pt Act #	1059526000	
DOS	09-11-2013 to 09-17-2013	Allowable Claim Limit Total \$ 52,493.26
NPI#:		
DRG:	025	DRG Desc: CRANIOTOMY & ENDOVASCULAR INTRACRANIAL PROCEDURES W MCC

Select Line Items

Rev Code	Item Description	QTY	Total Charge	C-C/R Adjusted Allowance	Cost Ratio
200	Intensive Care	5	\$52,200.00	\$23,297.90	0.3985
272	Sterile Supply	31	\$630.30	\$428.15	0.6065
351	Ct Scan Head	3	\$6,000.00	\$880.32	0.1310
360	Operating Room	2	\$36,332.00	\$11,080.39	0.2723
370	Anesthesia	1	\$8,580.00	\$2,616.69	0.2723
610	MRI	1	\$4,693.00	\$688.56	0.1310
611	MRI_Brain	1	\$6,270.00	\$919.93	0.1310
920	Other DX	16	\$11,271.00	\$1,653.68	0.1310

ELAP looks at bills line by line and uses Medicare and the actual cost to deliver the service to determine fair payment for the Provider and paid at 67% off billed charges



ELAP's Program

Our Leadership

PLAN DESIGN

ELAP assists in developing plan language that contains clearly stated and rational limits of reimbursement based on the providers actual cost of delivering a service, not the inflated billed charges.

DIRECT CONTRACT

ELAP structures direct contracts between employer groups and healthcare providers to maximize employees' use of the health system in exchange for economic and wellness incentives

CLAIMS AUDIT

ELAP audits provider claims, line by line, and recognizes the medical provider's actual cost to deliver the service and allows a fair margin above that cost

DESIGNATED DECISION MAKER

ELAP serves as co-fiduciary ensuring that all terms and conditions of plans are enforced in a consistent manner

MEMBER ADVOCACY AND DEFENSE

ELAP will defend the plan and the member to assure plan assets are protected against unfair billing and collection practices

ANALYTICS

Comprehensive analytics on claims data to measure performance, detect trends and identify opportunities





Part 3: The Results



Redacted – Sample Company Actual Claim Data

Provider	Billed Charges
Hospital # 1	\$3,652,553.80
Hospital # 2	\$923,478.90
Hospital # 3	\$487,231.00
Oncology Center # 1	\$278,772.74
Hospital # 4	\$68,338.50
Ambulatory Center # 1	\$23,965.43
Hospital # 5	\$8,925.00
Hospital # 6	\$6,966.00
Home Health Care # 1	\$3,500.00
Hospital # 7	\$1,659.00
Home Health Care # 2	\$750.00
Total	\$5,456,140

PPO Savings: 47.1%
Plan Paid: \$2,887,080

- ✓ Total Billed Charges = **\$5,456,140**
- ✓ Reflects sample of actual billed charges for 1,000 life group across a range of Providers



Sample Co – Re-Priced Actual Claims Data vs. Current PPO Network

Billed Charges	
Facility Claims Only	\$5,456,140
ELAP	
<i>ELAP % Savings</i>	<i>ELAP Allowed</i>
62.0%	\$2,073,333
PPO (Per Data)	
<i>PPO % Savings</i>	<i>PPO Allowed</i>
47.1%	\$2,887,080
ELAP Savings	
% Cost Reduction <i>(off Allowed)</i>	<i>Projected Savings</i>
28.2%	\$813,747

- ✓ ELAP repriced the claims at 62.0% off billed charges, 14.9% more than PPO
- ✓ This does not represent the full ELAP savings, as stop/loss quotes are also reduced as a result of working with ELAP

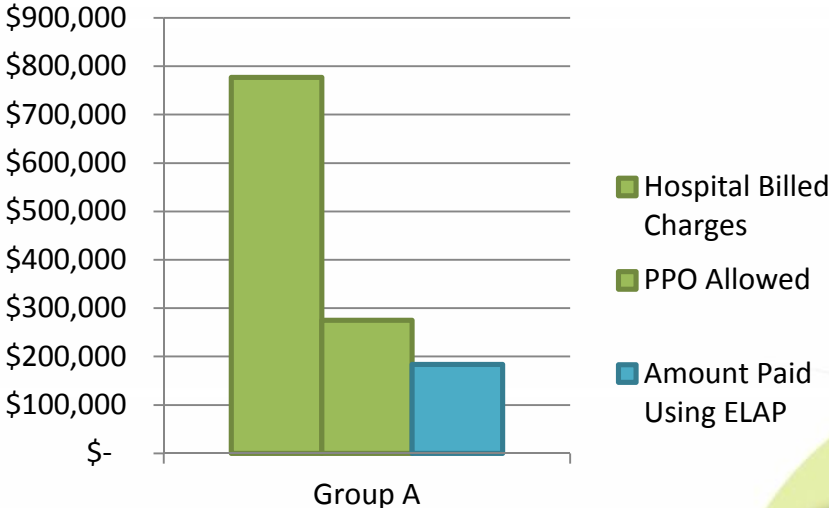


Growth and Savings: A Great Combination

Restaurant
Total Enrollees: 762
Effective Date: May 2007

Problem: Despite continuous growth, reduced profit margins and increased healthcare costs were putting a strain on the business.

The Solution: Company reduced healthcare spend by \$500k in 6 months. Hasn't seen an increase of more than 1-2% in healthcare spend in 8 years.



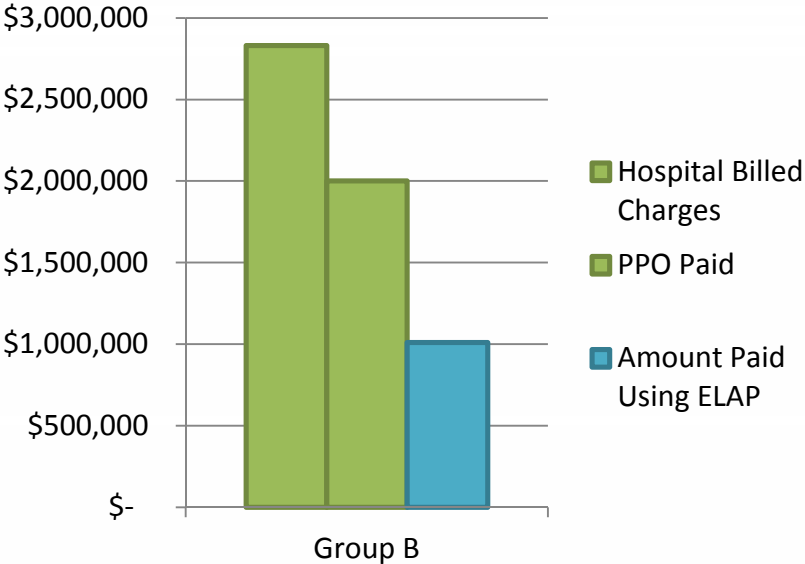
Government Can Save Money Too

Municipality
Total Enrollees: 251
Effective Date: January 2013

Problem: \$5.2M deficit due to declining property taxes and increasing healthcare expenses.

The Solution:

- 15% discount off of billed charges
- The city had a 59% savings year over year
- City now enjoys a bond rating of A-, which is up 3 levels from the previous fiscal year's BBB rating
- Per employee per year cost for group plan declined in year 2013 from \$17,000 down to \$11,000

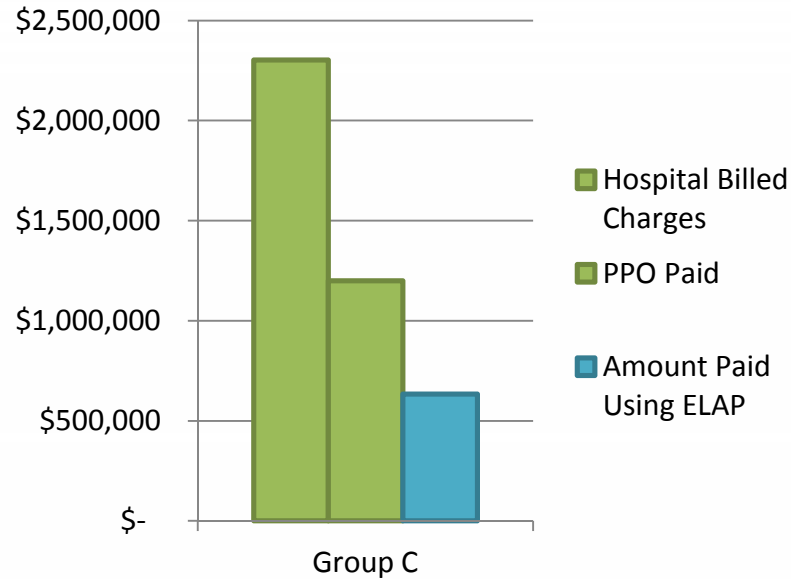


In Economic Downturn, Saving is Key

Public Energy Supply Company
Total Employees: 405
Effective Date: January 2012

The Problem: Given the peaks and valleys in construction, this company needed a better way to manage their health care spend consistently.

The Solution: Since 1/1/12, company has saved 57% in 2012 and 55% in 2013 at an average of almost 800 claims per year.



Consistent Performance: ELAP Services, LLC Audit Program Delivers

Medical Cost Transparency and Control

62% Savings from Billed Charges

Average Savings of \$150,000 per 100 employee lives in year 1

25-30% reduction in overall spend

Demonstrated Value

94% Renewal Rate



What our client members are saying about our support and defense...

“I appreciate all ELAP does. Helping people like me maneuver through the maze of insurance do's and don'ts is a godsend. ”

- Employee at a Health Clinic

“I don't think words can adequately express what a relief it was having you on our team. I have been able to take the time I needed to heal properly instead of letting the stress of complicated and unfair billing detract from my wellness. ”

-Employee at a University

“Without ELAP Protection, and the help of such excellent staff, we would be so lost and overwhelmed.”

-Employee at a School District

“The response times really brought a lot of peace, and showed that our concerns really matter to ELAP.”

-Employee at a Manufacturing Company

“Thank you so much. I don't feel so alone now in standing up against entire hospital!”

-Employee at a Mental Health Center



In The News: Thought Leaders in the Industry

“In many ways, ELAP is on the frontlines of the war against escalating medical costs. Kelly says part of his company's mission is to de-mystify medical bills, working to figure out a fair price for a given medical service.”

– **Newsworks (WHYY/NPR affiliate)**

“If an employer can get to the table with local providers and begin to have dialogue, good things happen” – **Steve Kelly on Newsmax TV**

Featured in pieces by:

The New York Times



The Philadelphia Inquirer



Newsweek

Money



“The biggest problem is that there is no link between the cost on the bill that you receive and the actual cost to deliver the service”

– **Steve Kelly on Fox & Friends**





QUESTIONS

