

Utilizing Direct Contracting Approaches

Michelle Zettergren

President of Labor and Public Sector and
Chief Sales and Marketing Officer

MagnaCare
New York, New York



The opinions expressed in this presentation are those of the speaker. The International Foundation disclaims responsibility for views expressed and statements made by the program speakers.

International Foundation
OF EMPLOYEE BENEFIT PLANS 

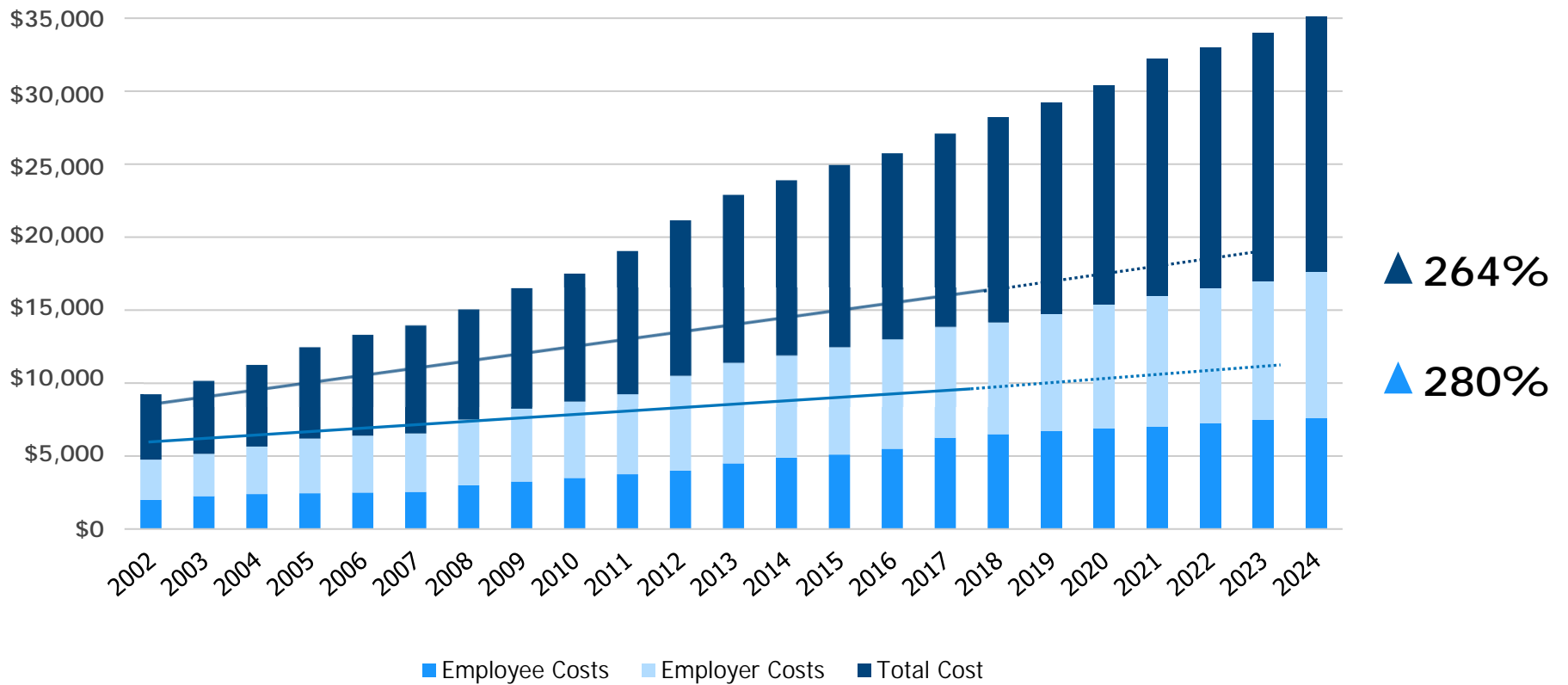
Learning Objectives

- Examining healthcare costs trends
- Understanding direct contracting
- Pros and cons of direct contracting approaches
- Market interest in direct contracting
- Case study examples of direct contracting success



Health Benefits Are at a Crossroads

National Healthcare Costs on the Rise



Source: Milliman/Scionera

Healthcare Spending Continues to Rise



Average **medical trend** rate for 2024 is expected to be **10.1%**¹



That's up from **9.2%** in 2023, with **every region** showing an increase

Family health coverage costs averaged nearly \$24,000 in 2024.²

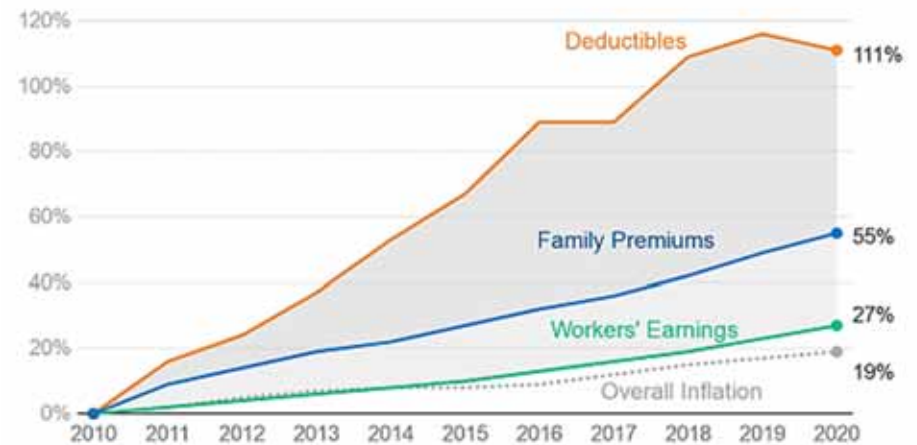
Healthcare spending is set to hit a 13-year high.

¹ <https://www.aon.com/en/insights/reports/the-global-medical-trend-rates-report>

² <https://www.kff.org/health-costs/press-release/benchmark-survey-annual-family-premiums-for-employer-coverage-rise-7-to-nearly-24000-in-2023/>

Rising Costs Unsustainable for Funds and Their Members

SEIU 32BJ estimates **members could have earned \$5,000 more annually** if healthcare costs had actually risen at the rate of inflation from 2014 to 2023.¹



NOTE: Average general annual deductibles are for single coverage and are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

*Graph from Kaiser Family Foundation.

¹32BJ Health Fund. (2022). Hospital Prices: Unsustainable and Unjustifiable. [White paper]. SEIU 32BJ. https://32bjhealthfundinsights.org/wp-content/uploads/2022/12/HospitalPrices_screen-pages-final.pdf

Site of Service Matters

Service **prices vary widely** by location,
although the **standard of care** remains the same.



Outpatient colonoscopy:
ranges from
\$1,945 to \$10,368¹



Inpatient C-section:
ranges from
\$17,681 to \$55,077



Total joint replacement:
ranges from
\$24,666 to \$50,639+

¹32BJ Health Fund. (2022). Hospital Prices: Unsustainable and Unjustifiable. [White paper]. SEIU 32BJ.
https://32bjhealthfundinsights.org/wp-content/uploads/2022/12/HospitalPrices_screen-pages-final.pdf

Member Compliance: An Issue for Many Funds

- ⊘ **Poor care coordination** by providers leaves members unmanaged
- ⊘ **Weak relationships** with providers hinder compliance with treatments
- ⊘ **Non-adherence to medical advice** leads to missed care
- ⊘ Delayed or underutilized preventive services create **gaps in care**
- ⊘ **Difficulty accessing providers** and navigating care leads to member dissatisfaction
- ⊘ **Long-term costs increase** due to higher acuity of care

Members Dissatisfied With Healthcare



- **Low Net Promoter Score (NPS)** for most healthcare organizations
- Members **struggle to access providers** and navigate care
- Care is **fragmented** and **uncoordinated**
- **Frustration and confusion** hinder members from getting needed care

Challenges Facing Labor Funds



Healthcare costs are **unsustainable** for Labor funds



Funds **need alternatives to:**

- Contain costs
- Enhance member experience
- Increase care coordination and provider access
- Improve member health outcomes

Labor Fund Goals

- Provide **high-quality healthcare** to members
- **Empower members** to be good consumers
- Improve **member experience**
- Manage the Funds' **long-term financial viability**
- Maintain **competitive healthcare benefits** for members



Challenges With Traditional Healthcare Models

- **Fragmented** network of hospitals and providers
- Driven by **fully insured business**
- Traditional carriers **afraid to disrupt** the status quo
- **Limited cost transparency:**
Hard to find high-quality, lower-cost care
- **Member dissatisfaction:**
Navigating care is a struggle
- **Limited plan and network flexibility** or customization
- **Carriers act as middlemen** to providers
- **Misaligned provider incentives** focus on volume over quality



Direct Provider Contracting: A Better Alternative?

Direct Contracts Offer a Network Alternative

- Labor funds are exploring **contracting directly with providers** as a better alternative to traditional network models
- Funds are seeking **different provider partnerships** to contain rising costs, address member dissatisfaction and improve outcomes



What Is Direct Contracting?

- ✓ Self-funded plan sponsors **partner and contract directly** with providers and facilities
- ✓ Negotiate **special provider rates and/or direct care** to preferred providers
- ✓ Create unique networks with preferred providers based on **quality and cost**
- ✓ **Prioritize needs of member population**, including high-cost services and preventive care
- ✓ Providers can be financially **accountable for outcomes and efficiency**, delivering higher-value care

How It Works

Self-insured labor funds **contract directly** with providers

All or most of members' care guided to contracted provider organization

Best-in-market rates

Tailored on-site programs for members

Benefit plans that support utilization within provider organization

Increased member engagement and satisfaction

Enhanced provider/patient relationship

Improved member health outcomes

Direct-to-Provider Contracts

The diagram features a central grey circle labeled 'Direct-to-Provider Contracts'. Two thick blue lines extend from the top of this circle, one to the left and one to the right, connecting to two main text blocks. From each of these main blocks, three lines branch out to point to specific benefits or features. On the left side, the benefits are: 'Best-in-market rates', 'Tailored on-site programs for members', and 'Benefit plans that support utilization within provider organization'. On the right side, the benefits are: 'Increased member engagement and satisfaction', 'Enhanced provider/patient relationship', and 'Improved member health outcomes'.

Cutting Out the Traditional Middleman

- More **choice** over provider partners
- More **control** over healthcare spending
- More **transparency** for members
- Higher **quality** care for members



Why Providers Are Going Direct



Integrated health models are not promoted through traditional insurance



Providers are rewarded for executing on quality commitments



Providers willing to lower rates in exchange for **increased patient volume**



Providers can tailor services for Funds based on their member needs



Benefits offerings can **steer and/or direct care** to facilities and providers

Types of Direct Contracts

Integrated Health Systems or Integrated Delivery Networks (IDNs)

- Patient services provided within an **integrated care delivery** model
- Hospitals and physicians combine all services to deliver **comprehensive healthcare**
- IDNs **coordinate the patient journey** across care transitions
- Providers can **coordinate care and reduce waste**, leading to **better value**



Hospital Contracts

- Direct contracts with **selected hospitals** and **surgical centers**
- **Tiered network and benefit design directs members to high-performing facilities**
- Strategy may include traditional network access to **national labs, radiology facilities, or national travel network**
- **Hospital rates based on services provided** and can include hospital-based providers



Centers of Excellence

- **Preferred rates** for specific high-cost condition(s)
- **Highly skilled** specialists follow evidence-based treatments
- High **quality, safety and patient experience** standards
- **Coordinated care** among providers
- Covers **the total episode of care**, including post-care treatment
- **Lower costs** with no surprise billing



Health Centers or Onsite Providers

- Onsite, near site and virtual **health clinics or centers**
- **Primary care only, or full service**
- May include health risk assessments, lifestyle management, behavioral health support
- Focus on **early intervention, direction of care**
- Improve member access, boost satisfaction, cut costs
- Help **reduce missed workdays**



Primary Care Networks— Advanced Primary Care

- Direct contracting with **primary care providers**
- **Enhanced services:** Real-time access to physicians, extended visits, home visits
- Highly personalized, **coordinated and comprehensive care**
- Provider compensation **based on outcomes** instead of volume



Select Service Contracting

Direct contracts with providers who don't typically accept traditional insurance

Example: First responder union with locations across the country

- Contract with specific **behavioral health services** not in its network
- **High-stress work** environment that impacts family of first responders, too
- High rate of **substance abuse**, alcohol abuse and traumatic injuries
- Direct contracting helped address a **unique set of health needs**





Benefits of Direct Contracting

Higher-Quality, Better Coordinated Care

- Strengthens the **provider/patient relationship**
- Holistic, **higher-value care**
- Collaborative provider networks better **prioritize patient health outcomes**
- Real-time data **engages patients** in wellness programs
- **Greater transparency** into healthcare costs and quality and **more access to data**
- ACO patients report greater ease in getting specialist appointments and **fewer ER visits.**¹



¹Commercial ACO Patient Experience Survey - Joanne M Graham, PhD, David W Cowling, PhD, Hui Zhang, PhD, 2021

Opportunity to Increase Member Engagement



Accessible and Timely Communications

- Custom provider directories
- Telehealth visits
- Personalized communications



Trusted Clinical Care

- Personalized experience for members
- Collaborative care and high provider-patient engagement



Concierge Response

- Dedicated customer service
- After-hours care management services
- Proactive member outreach
- Appointment setting

Market Interest in Direct Contracting

HR Dive Survey of 150 Benefits Executives

- **Nationwide survey polled**
 - Retail, services, construction, technology and other industries.
- Participants reported working in HR (55%), finance (31%) and operations (14%).
- **64% were self-funded**, and 24% were considering self-funding for the future.



Market Moving to Direct-to-Provider Health Plan Solutions

75%

Benefits execs **already engaged** in some form of direct contracting

41%

Benefits execs **likely to consider direct contracts by 2025**, if not already in one

Perceived Benefits of Direct Contracting

49%

Improved
Benefits

47%

Improved
Cost Control

37%

Improved Member
Health and Quality of
Care

What Type of Provider Organizations Are Benefits Execs Partnering With?

Among those currently or previously engaged in direct provider contracting:

74%

Contracted with
**Primary Care
Networks**

69%

Contracted with
**Integrated
Health Systems**

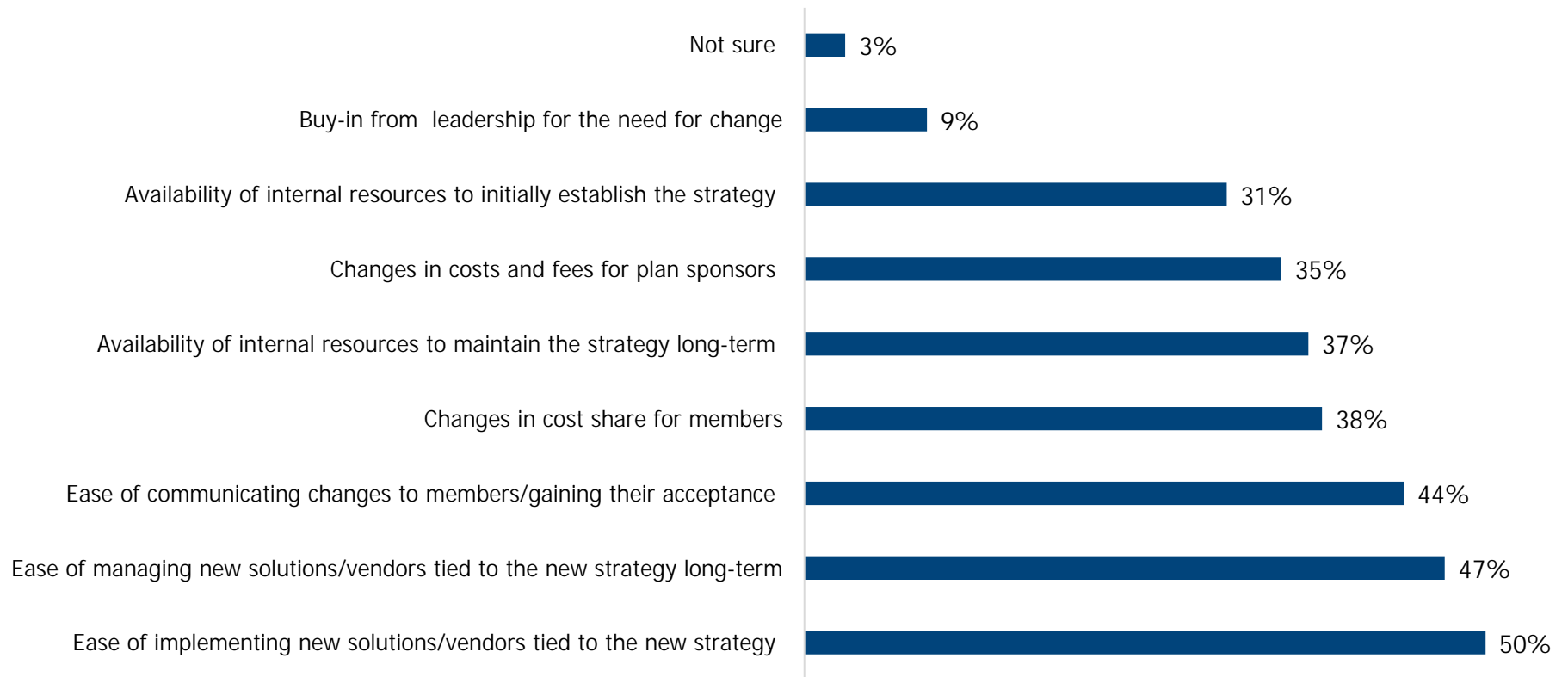
30%

Contracted with
**Near-Site/
Offsite Clinics**

27%

Contracted with
**Centers of
Excellence**

“Extremely Important” Factors When Moving to a New Network Strategy

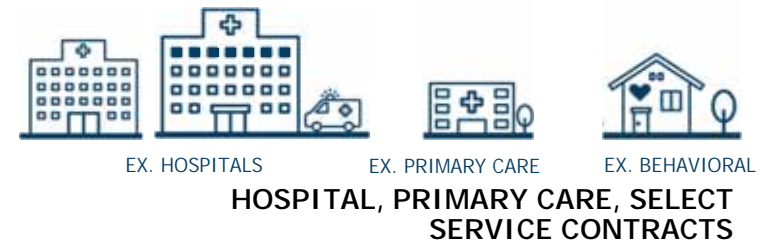
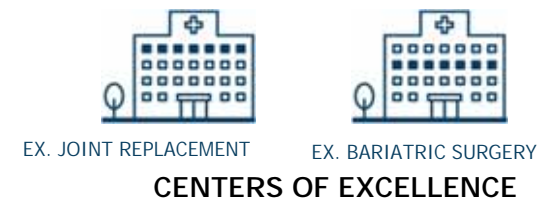


Labor Fund Case Studies

Labor Funds Directly Contracting With Providers

Whether IDNs, hospital contracts, health centers or Centers of Excellence, **Funds have several options.**

- Many Labor Funds are already engaging in some form of direct contracting
- Contracts being customized to fit Funds' requirements



SEIU 32BJ

- Saves ~\$100 million yearly by cutting high-cost providers and **contracting with price-transparent** ones
- Certain high-cost hospitals removed from the network
- Focus on **primary and preventive care** to address issues early
- Direct contracts with Centers of Excellence enhance savings
- Savings led to record wage increases and \$3,000 bonuses for each member



Joint Industry Board of the Electrical Industry

- **Centers of Excellence**

- Mount Sinai's Centers of Excellence for Bariatric Surgery and Total Joint Replacement Surgery
- Guides participants to JIB's preferred provider for high-quality bariatric and joint replacement care
- Programs include:
 - Direct scheduling
 - Pre- and post-surgery education, assistance and support groups
 - Help coordinating post-surgery care
 - Vouchers for transportation and at-home grocery delivery



Joint Industry Board of the Electrical Industry

- **Health Center**
 - Onsite health center in **Flushing, NY**
 - Open to JIB members and their families
 - Doctors see at most 8 patients per day, rather than the 20-35 commonly seen elsewhere
 - Services range from annual check-ups to radiology



Hotel Trades Council

- **Health Centers**

- **5 health centers and pharmacies in NYC**
- Open to 35,000+ members and their families
- Offers primary care, specialty care, lab tests, dental and optical care
- Emphasizes preventative care, reducing long-term healthcare costs and improving overall member wellness
- Comprehensive in-network coverage; no deductibles or co-pays



Culinary Health Fund


- **Culinary Health Centers**
 - **2 full-service health centers and 3 pharmacies** for Culinary Health Fund participants in Las Vegas, NV
 - Primary care, pediatric care, dental, vision and mental health counseling
 - Extended hours, same-day appointments, little to no copays
 - Emphasizes preventive care and early detection
- **Direct Hospital Contracts**
 - **Maintains its own provider network** with 19 local hospitals (some with multiple campuses) and specialists
 - 58,000 participants and their dependents in Las Vegas, NV
 - Focuses on high-quality, cost-effective healthcare services








How to Get Started With Direct Contracting


Identify Areas of Opportunity

 Focus on **high-cost utilization** or **member dissatisfaction**

 Identify areas where members need **extra support**

 Collaborate with **trustees and consultants** to develop a direct contracting strategy

 Choose partners based on **quality** and **program customization**

 **Start small** with specific contracts like Centers of Excellence contracts before expanding

What Do Funds Need for Direct Contracting?

1. **Self-funding** is the first step
2. Funds must **collect and analyze data**
3. **Set benchmarks** to track progress and goals
4. **Change can be gradual**; take step-by-step actions
5. Direct contracting **can integrate with traditional insurance models**

Considerations for Administering Direct Contracts

- ✓ **Negotiate/renegotiate** favorable terms and conditions
- ✓ **Consider member access and gap-fill** provider network if needed
- ✓ **Digital tools and concierge services** to drive members to contracted providers
- ✓ Enrollment, eligibility, claims and **administrative tasks**
- ✓ Management of **multiple fee schedules and provider reimbursement**

Communication With Members



Member Understanding is Key:

Communicate the benefits of new contracted providers clearly.



Highlight Improvements:

Explain how these providers enhance previous structures.



Educate on Benefits:

Show members the advantages of using directly contracted providers.

Direct Contracting Offers Something for Everyone



Labor Funds

- Improve cost and **member outcomes**
- Tailored member programs and better **member compliance**
- Increased transparency and **access to data**
- **Direct partnership** with health system



Members

- **Excellent provider access** with both local and national providers
- A simpler plan with **fewer barriers** to receiving care
- **High quality, coordinated care** without confusion



Providers

- Improved **patient-provider** relationships
- **Financial benefits** for executing on quality commitments
- Improved patient experience and outcomes across **continuum of care**
- Additional revenue

Questions?

Your Feedback
Is Important.
Please Scan
This QR Code.

Session Evaluation

