

2015 MEMBER GROUP MEETING

FOR MEMBERS OF ADVANTAGE HEALTH PLANS TRUST

MODERATED BY:

Jay Kempton, Administrator
Maria Robles Meyers, Esq.

GUEST SPEAKER

Rick Ferguson, CEO
Oklahoma Surgical Hospital

BOARD OF TRUSTEES:

Chairman Roi Nelson
Trustee Guy Sims
Trustee Jeff Nunn
Trustee Lynn Kinder

Trustee AB Bayouth
Trustee Kirk Pittman
Trustee Robert Jennings
Advisor Trustee Paul Freeman



AGENDA

- 1) Introductions
- 2) What Free Market Healthcare Means For Your Community And Your Plan by Rick Ferguson
- 3) Free Market Accomplishments For Your Plan by Jay Kempton
- 4) Avoiding Operational Employee Benefit Traps by Maria Robles Meyers
- 5) Plan Design Discussion by Jay Kempton
- 6) Questions & Discussion



BOARD OF TRUSTEES

Chairman Roi Nelson
First National Bank
Muskogee, OK



Trustee Jeff Nunn
Citizen's Bank
Claude, TX



Trustee Guy Sims
Shamrock Bank
Coalgate, OK



AB Bayouth
Exchange Bank
Skateok, OK



Trustee Kirk Pittman
Selling State Bank
Selling, OK



Advisory Trustee
Paul Freeman
Anchor D Bank
Tehoma, OK



Trustee Robert
Jennings
The People's
National Bank
Checotah, OK



Trustee Lynn Kinder
Payne County Bank
Parkton, OK



SPEAKERS

| | | |
|--|---|---|
|  |  |  |
| Maria Robles Meyers Trust Counsel Health Law Advisors, PLLC Oklahoma City, OK | Jay Kempton Administrator The Kempton Company Oklahoma City, OK | Rick Ferguson CEO Oklahoma Surgical Hospital Tulsa, OK |

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SPEAKER

What does the Free Market
mean for your Plan?

By

Rick Ferguson
Oklahoma Surgical Hospital

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OUR GOALS

- » Educate buyers and sellers of healthcare goods and services to embrace the free market and transparency
- » Reduce claims costs, while increasing freedom of choice
- » Incentivize employees and their dependents to make value-based healthcare buying decisions

IT IS WORKING!

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ACCOMPLISHMENTS – ADVANTAGE PREMIER PROVIDERS 2011-CURRENT

APP Utilization **1,374** Procedures

APP Aggregate Savings **\$5,843,443**

Average Savings per Procedure **\$4,253**

Highest Amount Saved **\$92,787.24** in one procedure!

All of this, with NO out-of-pocket cost to participants!

**Data as of July 31, 2015




WE CAN DO MORE! TOTAL MISSED **\$5,888,372.81**

Total Possible Savings: \$5,888,372.81
Dates Included: 01/01/12 through 08/15/15

| Possible Savings by Year | | |
|--------------------------|----------------------|------------------|
| Year | Dates Included | Possible Savings |
| 2012 | 03/01/12 to 12/31/12 | \$1,203,224.01 |
| 2013 | 01/01/13 to 12/31/13 | \$1,800,715.48 |
| 2014 | 01/01/14 to 12/31/14 | \$1,913,195.94 |
| 2015 | 01/01/15 to 08/15/15 | \$971,237.38 |



ADVANTAGE PREMIER PROVIDERS High quality, low cost providers are being added regularly; check our website for most up to date list!

Oklahoma

- Ardmore Regional Surgery Center
- Breast Imaging of Oklahoma
- Cancer Specialists of Oklahoma
- Comprehensive Diagnostic Imaging
- Diagnostic Radiology, PLLC
- Envision Imaging of Tulsa
- Gastroenterology Specialists, Inc.
- HealthCheck Screening
- McBride Orthopedic Hospital
- Norman Endoscopy Center
- Oklahoma Heart Hospital
- Oklahoma Surgical Hospital
- Oklahoma Kidney Stone Center
- Optim Oncology
- Robert Reynolds, MD, PC
- Servant Medical Imaging
- SleepSTAT, LLC
- Southwest Eye Surgery Center
- Surgery Center of Oklahoma
- Triad Eye Institute, PLLC
- Tulsa Endoscopy Center
- Weightwise Bariatric Program



ADVANTAGE PREMIER PROVIDERS High quality, low cost providers are being added regularly; check our website for most up to date list!

| | |
|--|--|
| <p>Texas</p> <ul style="list-style-type: none"> • CHRISTUS Santa Rosa • HawkEye Open MRI • MDI of Abilene • North Texas Endoscopy Centers • Pine Creek Medical Center • South Austin Surgery Center | <p>Illinois</p> <ul style="list-style-type: none"> • Forest City Diagnostic Imaging <p>Kansas</p> <ul style="list-style-type: none"> • Premier Surgical Institute Stateline Surgery Center <p>South Carolina</p> <ul style="list-style-type: none"> • Synergy Spine and Surgery Center |
|--|--|



Providers may be willing to price match & compete!

Check out the Consumer Driven Pricing Agreement handout!



FREE MARKET MEDICAL ASSOCIATION

- » Focuses on the pillars of the free market to affect necessary change.
- » Finding a road to recovery through freedom of choice by the consumer/buyer and the physician/seller:
 - Willing buyer
 - Willing seller
 - Market clearing price
 - Facilitator (optional)
- » 2015 Annual Conference
 - Nearly 200 attendees from all over the U.S.
 - Physicians, surgery centers, self-funded employers, and facilitators in attendance
- » 2016 Annual Conference



**Avoiding Operational
Employee Benefit Traps**
 by
Maria Robles Meyers





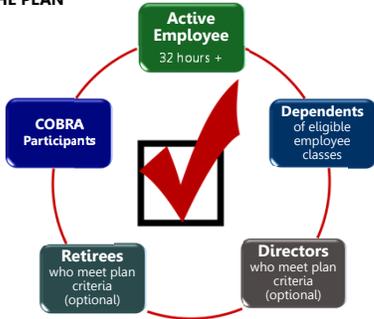
OPERATIONAL COMPLIANCE IS IMPORTANT

Banks are responsible for providing information on eligibility.

Coverage is based on the WRITTEN TERMS of the plan.



PERMISSIBLE COVERAGE CATEGORIES UNDER THE PLAN



OPERATIONAL COMPLIANCE IS IMPORTANT

Plan Terms for Eligibility:

- » Five classes of eligible persons:
 - Active employees working 32 hours or more
 - Retirees who meet plan criteria, if employer selected retiree coverage
 - Directors who meet plan criteria, if employer selected director coverage
 - COBRA Participants – those who elect to continue coverage and provide timely payments
 - Dependents of the above

If a person does not fit into one of these classes, he/she is not eligible for benefits under the plan.



OPERATIONAL COMPLIANCE IS IMPORTANT

Plan Terms for Duration of Coverage:

- » Eligible employees' coverage starts *after* waiting period selected by each bank for its employees
- » Eligible employees' coverage *ends* when they no longer meet 32 hour requirement
 - Termination of employment
 - Reduction in hours

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OPERATIONAL COMPLIANCE IS IMPORTANT

Plan Terms for Duration of Coverage:

- » Written Plan exceptions for extension of coverage for employee not working 32 hours:
 - FMLA – if an employee is on an approved FMLA leave, the plan provides up to an additional 90 days – leave must be documented
 - If a participant elected COBRA coverage
 - Extended 18 to 36 months depending on circumstances,
 - If election is timely made, and
 - If payments are timely made.

There is no written exception that allows for more than 90 days total extended coverage.

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OPERATIONAL COMPLIANCE IS IMPORTANT

October 15 = Term Date = Last day 'actively at work' for 32 hrs/week.

Coverage eff. until last day of month

COBRA offered November 1

Pay = coverage retroactive to first day coverage is lost

Emp pays Nov 30

60 days to elect 45 days to pay

COBRA available for 18 months

COBRA offered Feb 1st for FMLA or "authorized leave"

IF FMLA or "authorized leave" per the Plan, the 90 day period begins on Nov 1.

Termination dates & FMLA/Auth leave dates fall on an exact date per the rules above. These dates CANNOT be moved / modified / postponed by the employer no matter the reason.

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OPERATIONAL COMPLIANCE IS IMPORTANT

Stop Loss carriers are reviewing claims closer and unwilling to make exceptions.

- » They ask eligibility questions.
- » Their payments are not automatic.
- » WHY: ACA expanded the risk to stop loss carriers
 - No lifetime or annual limits
 - No pre-existing conditions
 - Limitation on the out of pocket maximums
- » Deviations from written terms exposes AHP and the employer to liability for health expenses incurred by ineligible persons.

**This is not unique to AHP –
The result is the same in a fully insured plan.**



NEW HIRES

Plan operation requires banks to provide timely information about employees.

- » Eligible employees must be given an opportunity to enroll on a timely basis.
- » Important that they be enrolled at first entry date unless they choose to not enroll; otherwise they won't be eligible until open enrollment period.
- » Failure to provide timely notice:
 - Result in potential claim for non-coverage
 - AHP coverage is not retroactive
 - Employer is exposed



NEW HIRES

Waiting Periods must be honored to allow coverage to begin.

- » Cannot waive it for specific employees
 - If the employee is enrolled and coverage is provided too soon, AHP is exposed to large claims that stop loss carrier will not honor. The bank is exposed to claims for enrollment of an ineligible employee.
- » Creates potential discrimination issues for employer.
 - Employee may be required to include benefits paid in taxable income.
- » Alternative – pay the employee for the cost of the COBRA premiums on other plan until waiting period is satisfied.
 - Negotiable.
 - Taxable – so bank may wish to gross up amounts.



↑ TERMINATIONS

Termination of coverage and rights to extend coverage under COBRA

- » AHP provides a 90 day period for employees on FMLA, authorized leave or disability
 - when its used up, COBRA is available
 - Only one 90 day period allowed
- » Coverage for ineligible terminated employees exposes AHP to claims stop loss carrier won't cover
- » Coverage for ineligible terminated employees exposes the bank for claims that cannot be paid by the plan.
- » Alternative, keep the employee covered but under COBRA provisions.



↑ COBRA

Compliance with COBRA is mandatory. Penalties are stiff for failure to comply.

- » Employee has right to elect COBRA coverage within 60 days of being notified
- » Late COBRA enrollments are not recognized by the stop loss carrier
- » Payment of COBRA costs can be negotiated
 - Employer can pay for it for a negotiated length of time
 - Employer can pay employee after-tax to pay for it
- » COBRA is an adverse selection tool
 - Employees who elect COBRA generally need the health coverage because of existing or ongoing treatments



↑ SICK LEAVE - FMLA

Employers with 50+ employees must offer FMLA coverage

- » Review your FMLA policy
- » Document when employee is on FMLA
 - Track start/end days; track intermittent time taken
- » Notify AHP of FMLA start date and when they return to work
 - The plan will apply the 90 days of continued eligibility
 - AHP will mail timely COBRA notices when the extended coverage ends
- » Notify AHP if the employee does not return to work
 - That ends the FMLA leave and COBRA notice is required



CONTROL GROUP

Employers must identify what companies are in a control group.

- » The pay or play tax is based on total employees of a control group.
 - Generally, 80% of shared ownership among top five owners
 - Rules that attribute ownership among family members

- » Separate legal entities continue to have legal protections
 - IRC ignores the distinctions only for the specified purposes - not for all purposes



EMPLOYER RESPONSIBILITY

The Bank is responsible for providing accurate information.

- » The bank is responsible for determining when eligibility starts and ends.
- » The bank is responsible for ensuring employees are notified on a timely basis.
- » AHP has does not have direct access to this information but it will have to obtain it from the bank and provide it to stop loss carrier if requested.

It is becoming even more important that everyone work within the terms of the plan. When in doubt, call AHP.



BREAK

LETS TAKE A BREAK

WHEN WE RETURN

2016 PLAN DESIGN CHANGES



COST CONTAINMENT – PLAN DESIGN

Out-of-Network Benefits

- » Current
 - Held to reasonable & customary (dubious value)
 - High dollar negotiated via PHX (\$\$)
 - PHX is paid via a % of savings
 - Co-insurance 20-30% less than in-network
 - 70/30, 60/40, 50/50
 - Paid to provider



COST CONTAINMENT – PLAN DESIGN

Out-of-Network Benefits

- » Proposed
 - Held to Medicare, PLUS+
 - No outside negotiations necessary
 - Co-insurance percentage is held to the same as in-network benefits
 - No out-of-pocket limitations
 - No assignment of benefits
 - Paid to PARTICIPANT
 - Participant can negotiate with provider for payment and keep anything they save

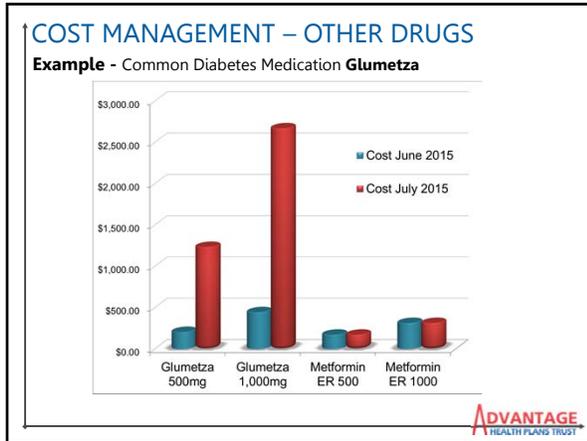


COST MANAGEMENT – RX

Medications are rising in cost exponentially

- » Common drugs are seeing huge increases
 - From under \$100 per 30 days to more than \$1,000 per 30 days
- » Therapeutic Alternative Drug List
 - Participants pay 50% of these drugs if there is a viable therapeutic alternative





COST MANAGEMENT – PHARMACIES

Script Care is AHP's pharmacy benefit manager

- » "Bad Guy" pharmacies
 - We all know about bad guy drug companies, but pharmacies can be just as problematic
 - Best priced pharmacies for AHP
 - CVS (2 years ago was on the worst offender list!)
 - Homeland
 - Wal-Mart
 - Brookshire
 - Kroger
- » Worst priced pharmacies for AHP
 - **Walgreens (worst of the worst)**
 - United (Lubbock & DFW)

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COST MANAGEMENT – PHARMACIES

Strategies

- » What can we do?
 - Narrow the network?
 - Educate employees to pay attention to the total cost of medications.
 - Review the EOB or ask the pharmacy what the total charge was
 - Use Script Care's online tool to find out if a drug can be purchased elsewhere for less!

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COST MANAGEMENT – DIRECT PRIMARY CARE

Direct Primary Care is a win for employees and a win for employers

- » Kempton offers DPC!
 - Kempton reimburses up to \$75 of DPC fees and expenses through an HRA (Maria has conditions for this!)
 - Kempton DPC HRA costs for YTD 2015: \$7,659.97
 - 17 employees a month participate on average
- » **TREND** / Last 10 years:
 - AHP Average Trend: **7.3%**
 - U.S. Average Trend: **9.9%**
 - **Kempton Trend for 2015: 2.97%**



COST MANAGEMENT – HEALTHCARE BLUEBOOK

The Problem

3x TO 10x

variance in price and quality *in-network*
and employees and their families *are in the dark.*



COST MANAGEMENT – HEALTHCARE BLUEBOOK

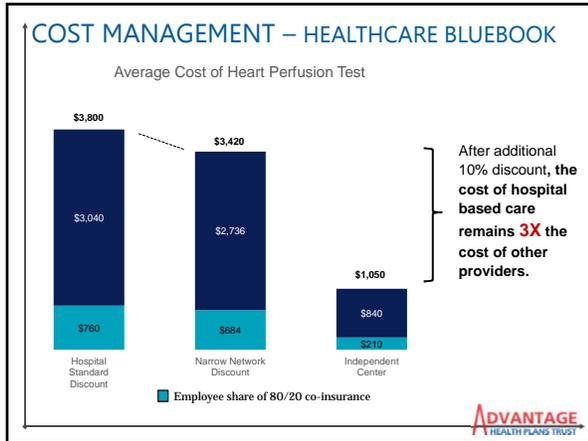
HEALTHCARE PRICE VARIANCE REPORT MARKET | OKLAHOMA CITY

| Market Basket of Common Procedures | Low Price | High Price | Variance |
|--------------------------------------|-----------|------------|-------------|
| 1. Screening Colonoscopy | \$1,077 | \$6,068 | 563% |
| 2. Sleep Study | \$1,051 | \$8,275 | 787% |
| 3. Shoulder MRI (with contrast) | \$460 | \$4,318 | 939% |
| 4. Knee Arthroscopy | \$2,732 | \$18,602 | 681% |
| 5. Cholecystectomy (laparoscopic) | \$5,140 | \$22,663 | 441% |
| 6. Carpal Tunnel Surgery | \$1,235 | \$14,485 | 1173% |
| 7. Ear Tube Placement (tympanostomy) | \$1,314 | \$7,463 | 568% |
| 8. Hysteroscopy (with biopsy) | \$4,802 | \$12,056 | 251% |
| 9. Chest CT (no contrast) | \$208 | \$2,333 | 1122% |
| 10. Abdominal Ultrasound | \$98 | \$612 | 624% |
| Average Market Variance | | | 715% |

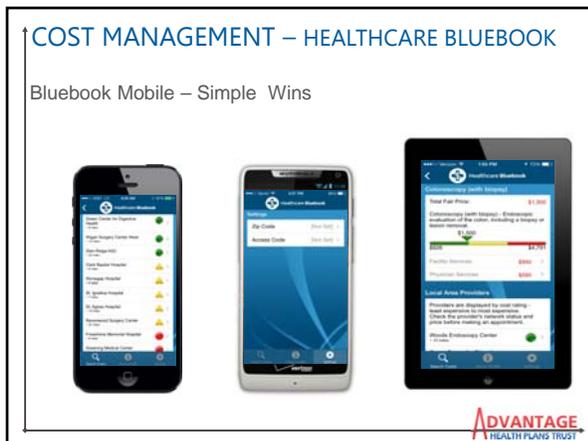
Equivalent Variance in a Gallon of Gas \$2.30 \$16.44 715%

* All healthcare procedure costs are derived from claims amounts after network discounts were applied.
What gas would cost per gallon with the same price variance?
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QUESTIONS & COMMENTS



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