

Premera's Approach
to Medical Cost Management

Reduces Costs, Protects Quality

Over \$100 million saved in one year
for national account

PREMERA | 

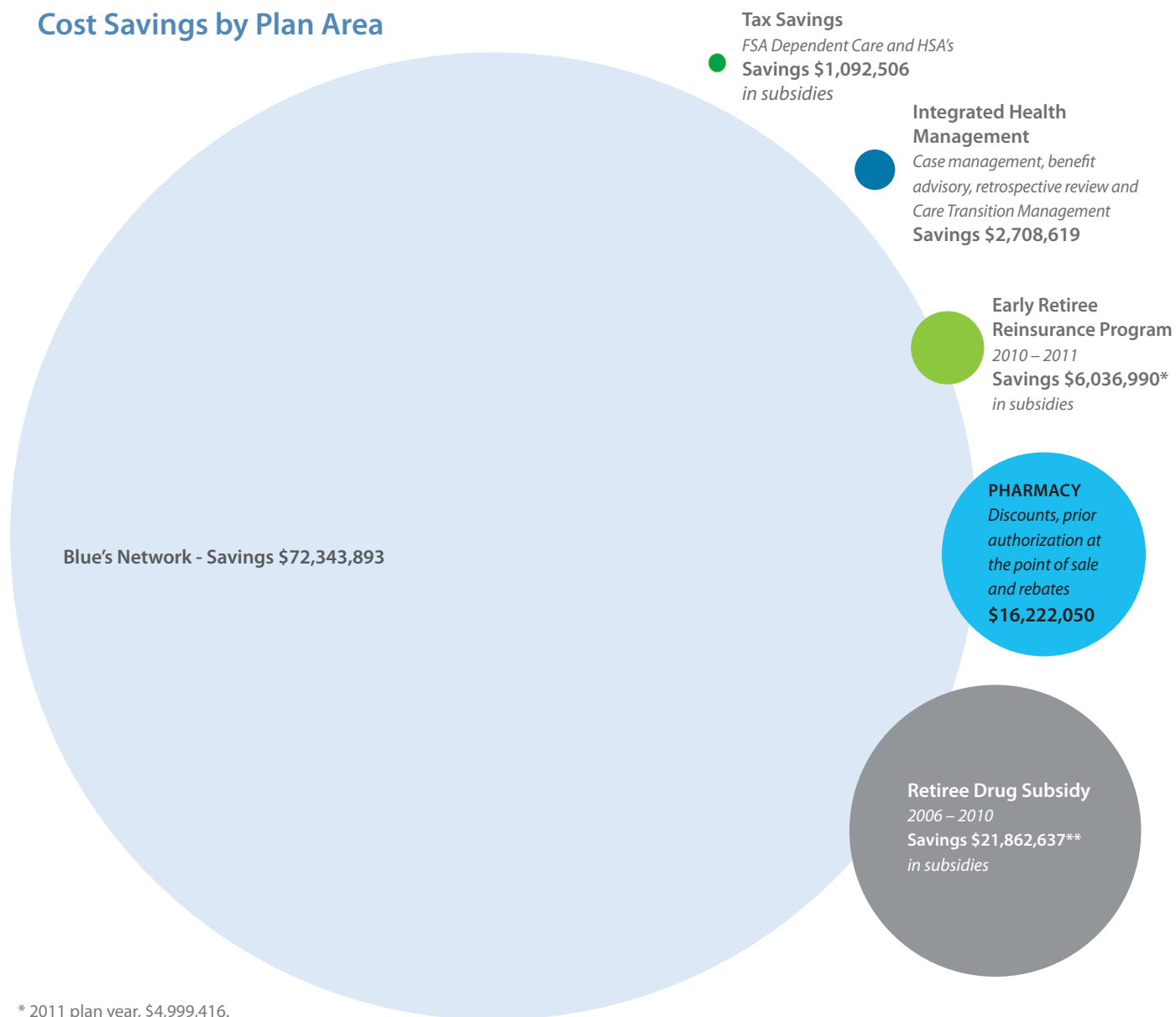
BLUE CROSS

We're here. We're with you.

Executive Summary

To attain the goal of lower total medical costs without compromising quality of care, Premera developed different approaches within each cost savings category (listed below). The greatest results were achieved in the areas of Pharmacy, Integrated Health Management (IHM), the Blue's Network, tax savings through FSAs and HSAs, the Early Retiree Reinsurance Program (ERRP) and the Retiree Drug Subsidy (RDS). The following table shows cost savings by plan area.

Cost Savings by Plan Area



* 2011 plan year, \$4,999,416.

**2010-plan year, \$4,826,145

TOTAL Cost Savings \$102,192,629

MEDICAL COST SAVINGS IN REVIEW

1. Integrated medical and pharmacy benefits saved \$16,222,050

The client chose to integrate their medical and pharmacy benefits with Premera. That was a crucial step towards lowering their total medical costs because, on average, clients that have a separate Pharmacy Benefits Manager encounter medical costs that vary from 3.0% to 11.8% higher than integrated plans, with an average of 7.5%.¹

Specifically, Premera provided several services that demonstrated the benefits of integrating pharmacy into the health plan. Key examples include using pharmacy information to reduce adverse drug interactions, coordinated care of complex cases, avoiding omissions of needed care, and improved healthy outcomes for patients.

2. Integrated Health Management (IHM) saved \$2,708,619

IHM is Premera's coordinated approach to health. It is the conduit for Premera's actions and policies to improve health outcomes and cost management – benefits of importance to employers and employees alike.

These savings were realized through proven programs that engaged employees across the board — from health assessments and pharmacy plans, to complex case management. Providers were engaged with clinical reviews, rewarded for best practices and evidence-based care, and Premera collaborated with them to increase safety and appropriate use of diagnostics and procedures.

3. The Blue's Network saved \$72,343,893

Employees and retirees accessed the Blue's network, the largest in the nation, leading to improved utilization of in-network providers and lower out-of-pocket expenses. Furthermore, the Blue's membership volume increases negotiating power to achieve the best discounts for care and a lower price per claim.

4. Tax savings through personal funding accounts saved \$1,092,506

Total cost savings was also improved by offering employees personal funding accounts. The client chose to offer a flexible spending account (FSA), a dependent care spending account, and a health savings account (HSA) in conjunction with a high deductible health plan. Offering these accounts achieved this national account significant tax savings through lower payroll taxes.

5. Early Retiree Reinsurance Program earned \$6,036,990 in subsidies

Premera provided applications support to its client for this \$5 billion federal subsidy introduced as part of federal healthcare reform. The subsidy is available to employers to reimburse them for healthcare expenses spent on early retirees—those workers who are at least 55 years old and don't yet qualify for Medicare. The program covers 80% of retirees' claims whose medical claims fall within \$15,000 and \$90,000 per plan year for early retirees and their spouses, surviving spouses, and dependents. Eligible claim costs include the portion of medical, surgical, hospital, and prescription drug claims paid by an employer's health plan.

6. Retiree Drug Subsidy (RDS) earned \$21,862,637 in subsidies

Premera provided applications support to its client for the Medicare Modernization Act of 2003 (MMA) that created an outpatient prescription drug benefit (Medicare Part D). The law included a subsidy for employers who provide retiree drug benefits at least equal in value to the Part D benefits. The subsidy reimbursed employers 28 percent of the cost of actual spending on prescription drugs for Medicare eligible retirees.

¹ 2011 internal actuarial study