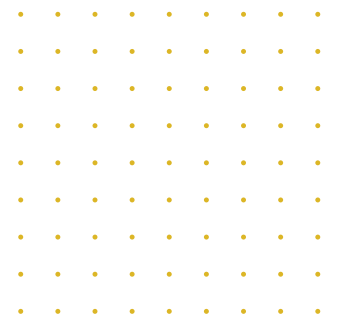




HOW REFERENCE BASED PRICING SAVED \$1.2M

In the bustling tech hub of Silicon Valley, a mid-sized software company with over 250 employees was grappling with a challenging decision in 2019. Faced with yet another substantial hike in their healthcare plan premiums, declining profit margins, and disgruntled employees, due to several years of benefit cutbacks, the company's CFO made an audacious move.



Aware of the considerable cost savings associated with Reference-Based Pricing (RBP), the CFO collaborated with their trusted insurance broker to explore an RBP option for the upcoming year. Together, they devised a strategy targeting specific costly healthcare services, aiming to trim expenses while ensuring that employees continued to access routine medical services seamlessly.

The proposed changes were anticipated to maintain healthcare costs at the same level for the following year. However, employees initially voiced concerns. Having been accustomed to a Preferred Provider Organization (PPO) model for years, many employees were apprehensive that the new RBP approach might limit their choice of healthcare providers or complicate the intricacies of co-insurance and co-pays.

Undaunted and facing the inability to absorb escalating medical costs, the CFO approved the transition to an RBP strategy. The results that followed were nothing short of remarkable.

In the first year, the company's healthcare plan costs decreased by an impressive 11% compared to the prior year. The savings were particularly striking in specific claim categories. Expenses related to outpatient services plunged by 30%, per-procedure costs for diagnostic imaging (including CT scans, MRIs, and X-rays) were slashed by an

astonishing 55%, and even inpatient facility costs, which constituted a significant portion of the group's claims, experienced a 27% reduction compared to the previous year.

Equally surprising was the overwhelmingly positive feedback from employees. A well-executed educational campaign during the plan's implementation and the addition of a claim advocate service made it easier for employees to navigate the healthcare landscape. They found the new model to be transparent, helping them make informed decisions about healthcare services, and it provided a clearer picture of expected out-of-pocket expenses before undergoing medical procedures.

→ Facing an anticipated 20% increase in current healthcare costs, the company couldn't bear the burden of over \$700,000 in additional expenses. By adopting the RBP plan, they not only reduced their total healthcare costs in the first year by 11% compared to the previous year, but also saved an astonishing \$1.2 million that would have been incurred if they had stuck to their existing healthcare plan.

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WG8963258

