



# Reimagining Law Firm Health Benefits

Reid A. Middleton, JD

Paul C. Seegert

February 13, 2024



# WHO WE ARE

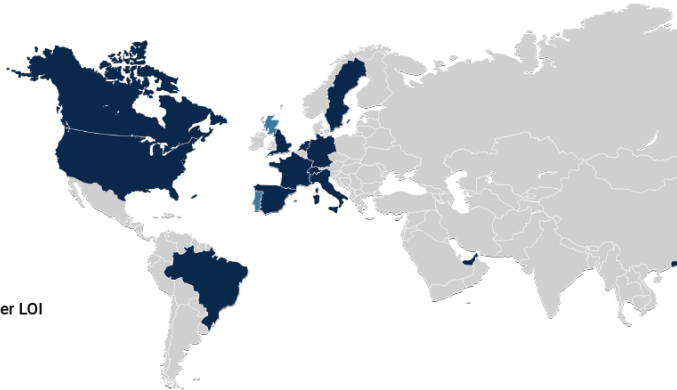
**1000+**  
Physical Locations

**16**  
Countries

**\$4B**  
Pro Forma Revenue

■ Existing Geographies

- United States
- Canada
- England
- Italy
- Netherlands
- Switzerland
- Spain
- Bermuda
- Brazil
- Hong Kong
- France
- Sweden
- Germany
- UAE



■ New Geographies Under LOI

- Scotland
- Portugal

## PERSONALIZED LOCAL SERVICE POWERFUL GLOBAL RESOURCES

Acrisure's Agency Partners provide clients personalized solutions backed by extensive market access and deep knowledge of our clients' businesses.

- Specialized market knowledge to serve a wide range of needs
- Comprehensive, market-ready access to industry specific specialties and program development
- Direct access to specialized programs, products and solutions
- Global coverage capabilities through our Agency Partner network
- Claims management resources



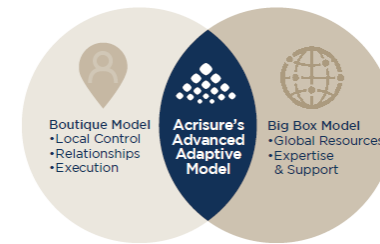
**LACBA**  
LOS ANGELES COUNTY BAR ASSOCIATION



**THE BAR ASSOCIATION OF  
SAN FRANCISCO**

**STATE BAR  
OF ARIZONA**  
*Member Benefits*

**OCBA**

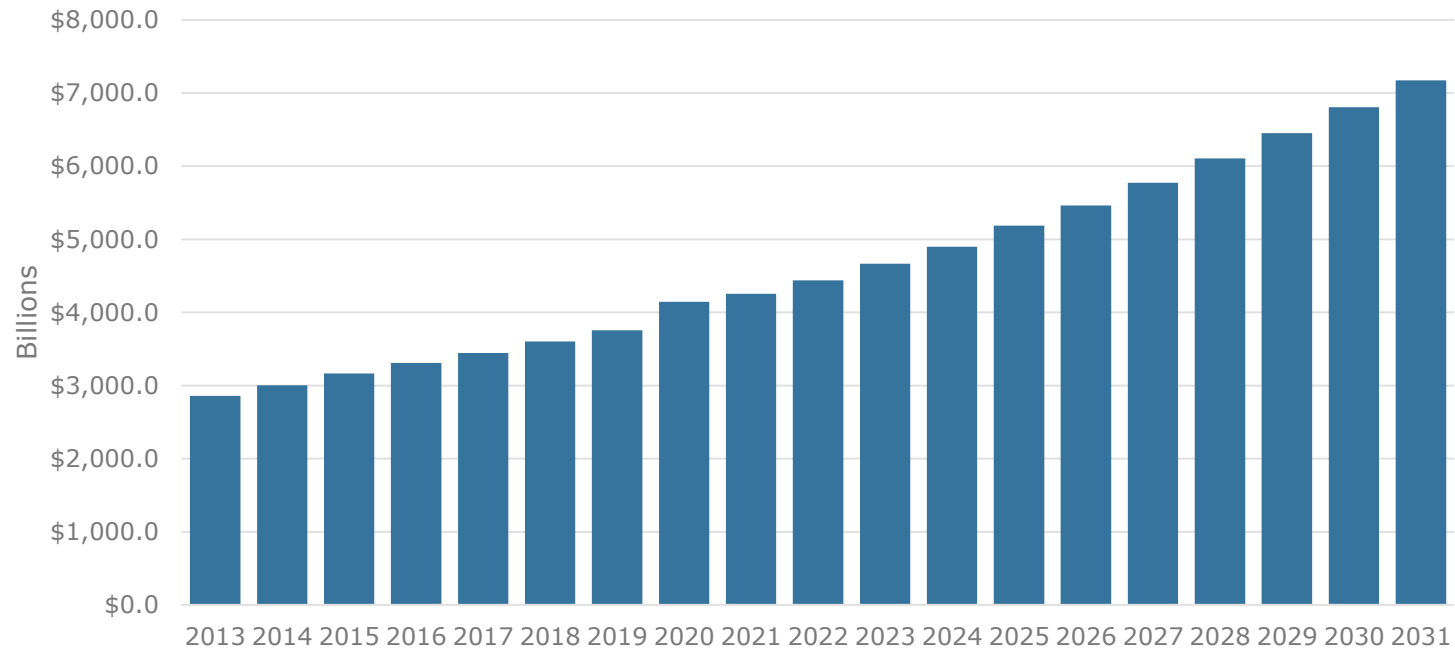


The average employer spends \$16,000  
per employee per year on healthcare

Society for Human Resource Management, September 2022

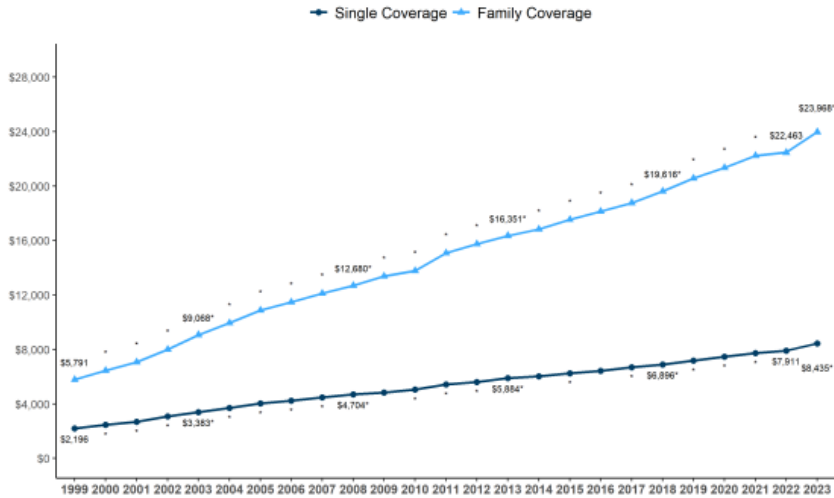
# Growth in National Health Costs

## National Health Expenditures



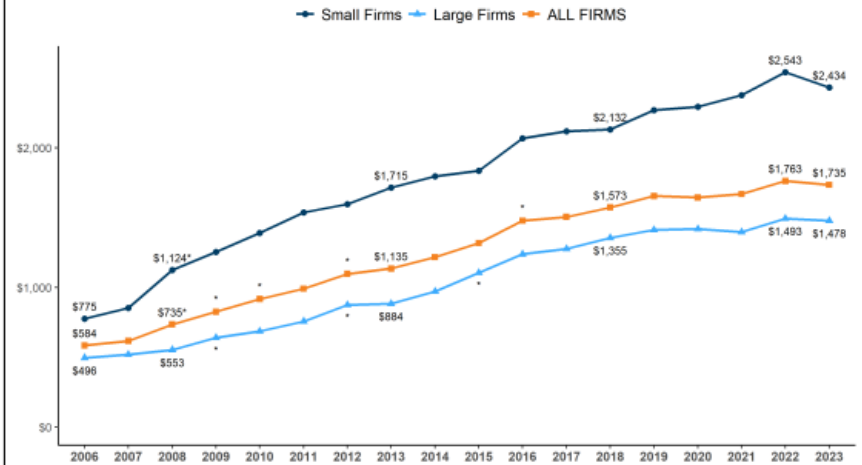
# Premium and Deductible Growth

**Figure 1.12**  
Average Annual Premiums for Single and Family Coverage, 1999-2023



\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).  
SOURCE: KFF Employer Health Benefits Survey, 2018-2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

**Figure 7.11**  
Among Covered Workers Who Face a Deductible for Single Coverage, Average General Annual Deductible for Single Coverage, by Firm Size, 2006-2023



\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).  
NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers. Average general annual deductibles are for in-network providers.  
SOURCE: KFF Employer Health Benefits Survey, 2018-2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2017

# The Affordable Care Act

- Signed into law by President Obama on March 23, 2010
- Expanded Medicaid to cover more low-income Americans
- Prohibits insurance companies from denying coverage based on pre-existing conditions
- Allows young adults to stay on their parents' plan until age 26
- Eliminated dollar limits on coverage



## Pre and Post ACA Share Prices

### Who wins?

March 2010

November 2023



\$56.25

**\$461.49** (+720%)



\$29.31

**\$542.57** (+1,750%)



\$36.79

**\$294.12** (+699%)



\$49.21

**\$497.15** (+910%)



## Medical Loss Ratio

### Medical Loss Ratio

- The Affordable Care Act mandates insurers to dedicate a fixed percentage of premiums (80/85%) to medical care
- Insurers that fail to meet their MLRs are required to rebate to policyholders.
- Unintended Consequences -- Accelerated price inflation and consolidation, reducing competition
- Health insurance premiums rose 20% faster since 2011 when MLR took effect





# Big Pharma

- Unilateral power to set pricing
- Direct to consumer advertising
- \$.22 of every premium dollar goes to Big Pharma
- Average cost of new drugs > \$110K/year
- Newer gene therapies > \$1M



## Drugmakers Raise Prices of Ozempic, Mounjaro and Hundreds of Other Drugs

Companies hiked prices of 775 brand-name drugs at start of new year

By Jennifer Calfas [Follow](#)

Updated Jan. 18, 2024 2:41 pm ET

## Big Pharma - Generics

- Time to market
- Lack of competition
- Bad actors

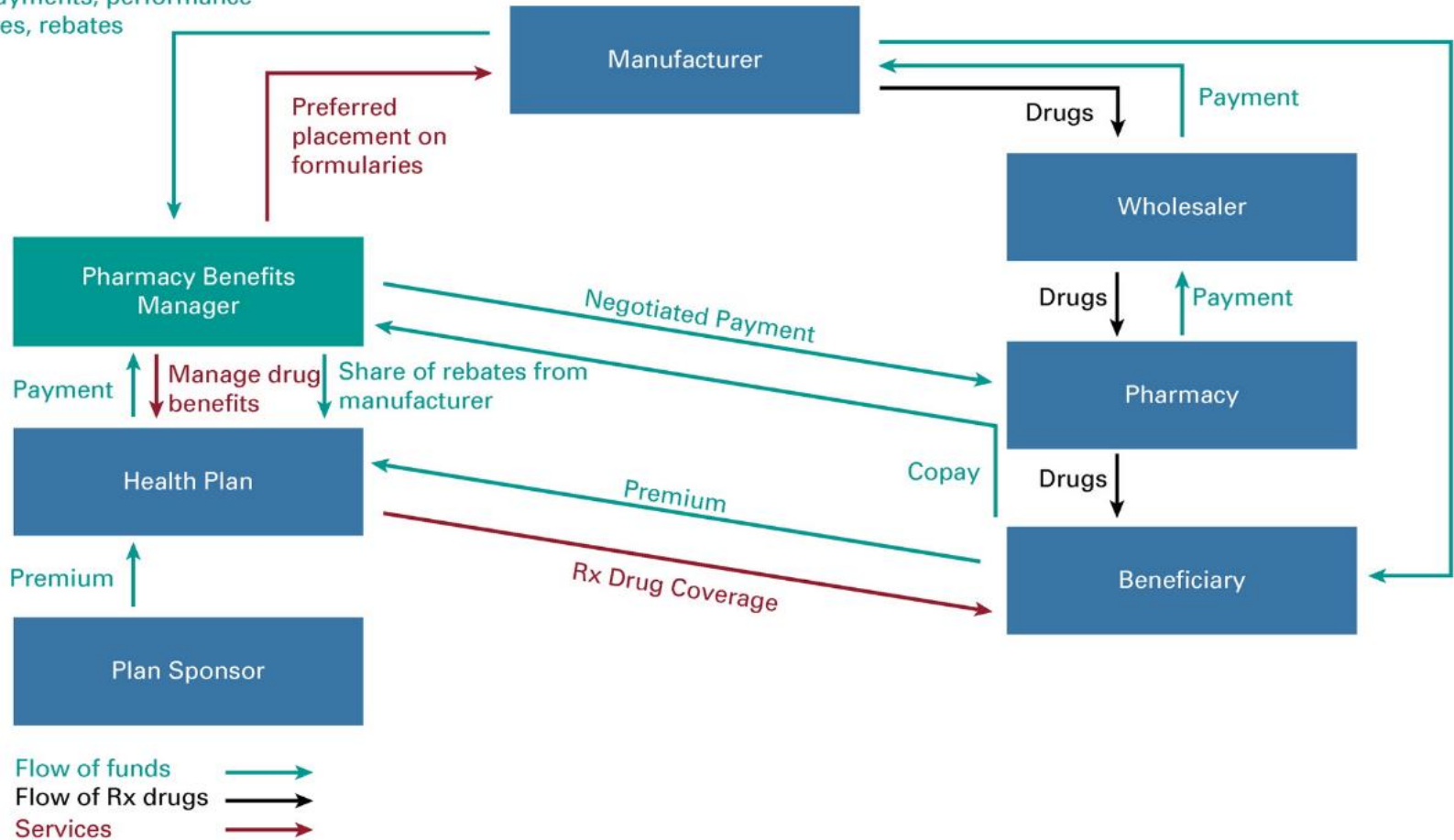
### Teva to Pay \$225M in DOJ Generic Drug Price-Fixing Settlement

Published: Aug 22, 2023 | By Tristan Manalac



# Pharmacy Benefit Managers (PBM)

Formulary payments, market share payments, performance incentives, rebates



# 32 PBM Profit Centers

- Clawbacks
- Multiple MACs
- Spread Pricing
- Drug Reclassification
- Negative Remits
- Formulary Fees
- Only Provide Portion of Point of Sale Rebates
- Audit Recovery Retention
- Manipulate Rejected Claims
- Manipulate Compound Claims
- NDC Switch
- Selling Your Data
- Marketshare Fees
- Management Fees
- Mail Autofill
- Repackage AWP
- Mail Copay Waiver
- Rebate Manipulation
- Rebate Retention
- Collect OTC Rebates
- Collect Insulin Rebates
- Collect Nonformulary Rebates
- Collect Diabetes Supplies Rebates
- Charge Pre-AWP Pricing
- Charge Reversed Claim Admin Fees
- Change Drug Denominator of Rebates
- Multiple MAC Lists
- DIR Fees
- MTM Fees
- Manipulate Favored Nations Pricing
- Manipulate Reversed Claims
- Manipulate Non Plan OTC Claims
- Manipulate Device Claims
- Manipulate Vaccine Claims
- Manipulate 340B Claims
- No Confirm Pricing based on AWP
- No Pass-through U&C Claims
- Take Spread on Compound Claims
- Charge Admin Fees for Vaccinations
- Create Spread on Repackaged NDCs
- Dispense 90 Days but Charge for 100 Days
- Encourage Waived Co-Pays
- Negotiate Rebate Then Supply Drug From Thier In-House Pharmacy
- Reclassify Generic as Brand
- Switch the NDC
- Negotiate Rebate Using Early Refill Rules to Increase More Yearly Refills
- Zero Balance Due
- Manipulate MFN Claims
- Reimburse Pharmacies at Post AWP Pricing
- POS Rebates Skew Ingredient Cost Discounts
- Sister Companies Collect Other Rx Monies
- Fields Removed from System Access
- Remove Refill too soon at Mail
- Gag Orders on Pharmacies
- Selecting Higher AWP
- Dispense Rebate-able Drugs
- Price Fixing Alleged Collusion with Pharma
- No Ceiling for Pharma Price Increase

## Higher Costs Reduce Patient Compliance

Figure 4

### About Three In Ten Say They Haven't Taken Their Medicine As Prescribed Due To Costs

Percent who say they have done the following in the past 12 months because of the cost:

Not filled a prescription for a medicine

21%

Taken an over-the-counter drug instead of getting a prescription filled

21%

Cut pills in half or skipped doses

12%

Did at least one of the above

31%

NOTE: See topline for full question wording.

SOURCE: [KFF Health Tracking Poll \(July 11-19, 2023\)](#) • PNG

**KFF**

## Industry Consolidation

- Consolidation has been occurring over decades, accelerated by COVID
  - 46% of commercial markets have 1 insurer with 50% of market
  - AHA reported 1,887 hospital mergers (1998-2021)
- Private Equity increasing stake in US Healthcare

Health Systems

## Survey: Most Texans Concerned About Healthcare Consolidation and Increasing Prices

The ten largest health systems own 25 percent of the market, while 40 percent of Texans are delaying care because of worries about costs.



## Struggling Hospitals

California Announces \$300 Million in Financial Support for Community Hospitals Across the State

AUGUST 24, 2023



IDEAS • HEALTH

# American Health Care Faces a Staffing Crisis And It's Affecting Care

## (Lack of) Price Transparency

- Legislation promoting price transparency
  - Transparency in Coverage – Insurers to disclose provider pricing in machine readable files
  - Insurers must provide online price comparison tool for all covered services
  - Hospitals must publish standard charges on website



 **Turquoise Health**

# The Current Model Doesn't Work

## Problem:

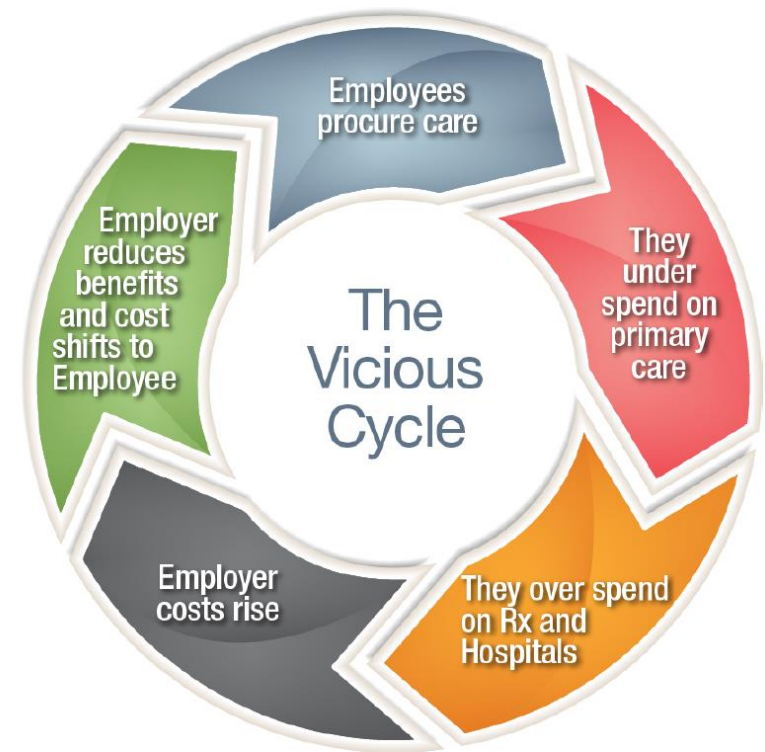
Managing renewal increases by moving carriers or changing plans isn't a strategy

## Problem:

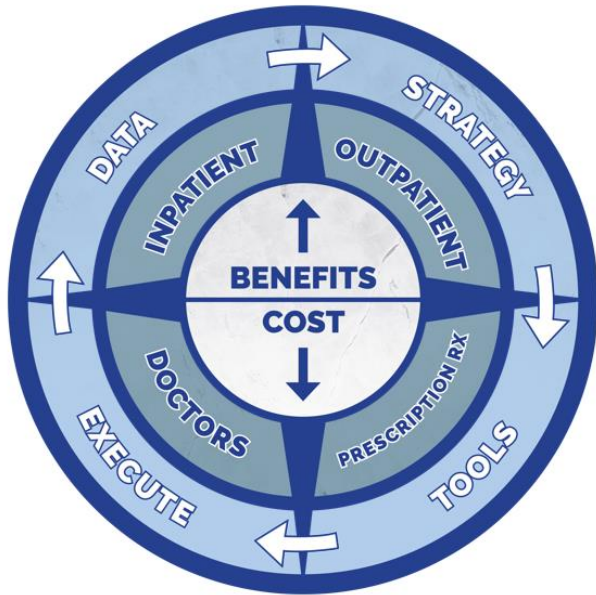
All players have misaligned interests

## Problem:

Not impacting the frequency, cost or severity of claims

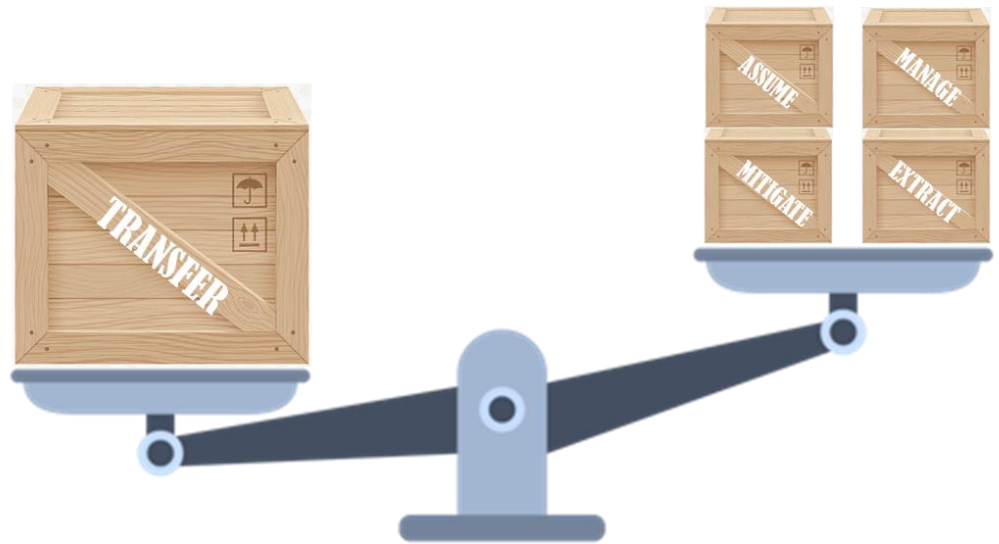


# Risk Strategy & Supply Chain Management



The key to improving benefits while reducing long-term costs isn't an insurance solution, but rather one of **SUPPLY CHAIN MANAGEMENT**.

Many organizations lack proper **RISK BALANCE & ALIGNMENT**, often weighted too heavily towards transference (i.e., insurance)..



## Fully-Insured (Funded)

- NO access to data
- NO control
- NO risk
- HIGHER carrier profits
- HIGHER renewal trend
- HIGHER medical costs
- Retail v wholesale



## FULLY INSURED

### 100% Fixed Costs

**The insurance carrier keeps all the profits with little/no reporting back to the employers.**

## Alternative Funding

### LEVEL-FUNDING

**~60% Fixed Costs**

**The employer assumes claims volatility AND the insurance company keeps some of the profits.**

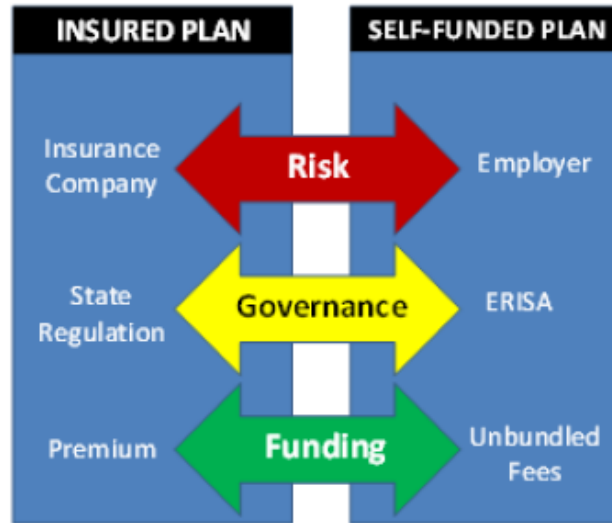
### SELF-FUNDING

**~40% Fixed Costs**

**The employer pays medical claims and buys stop loss insurance to protect against high-cost claims.**



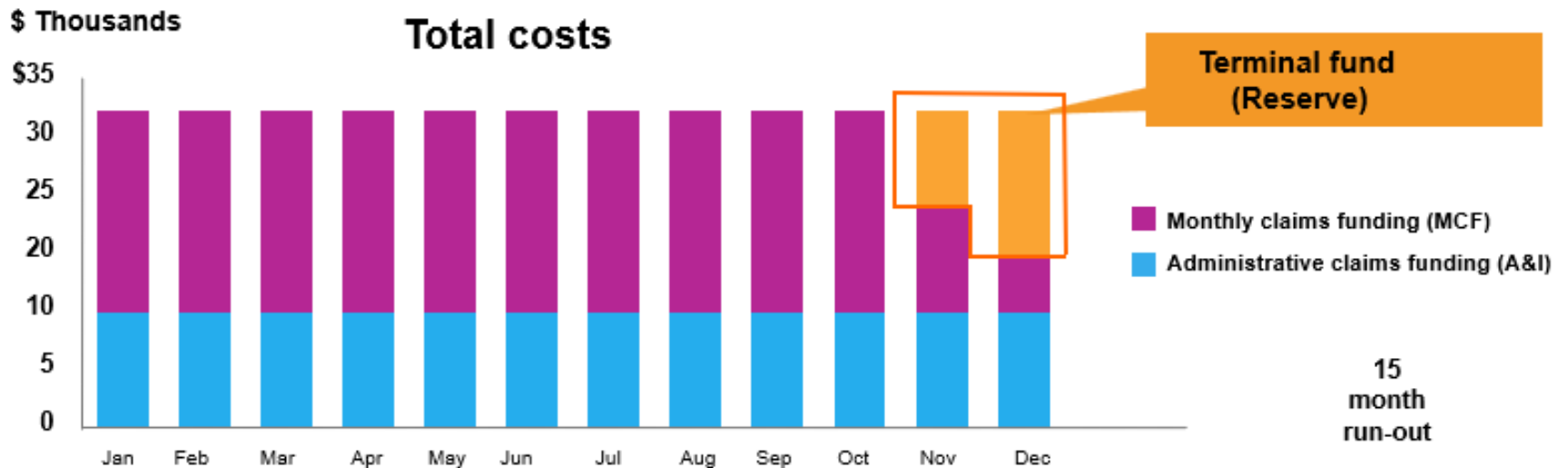
# Self Insured (Alternative Funding)



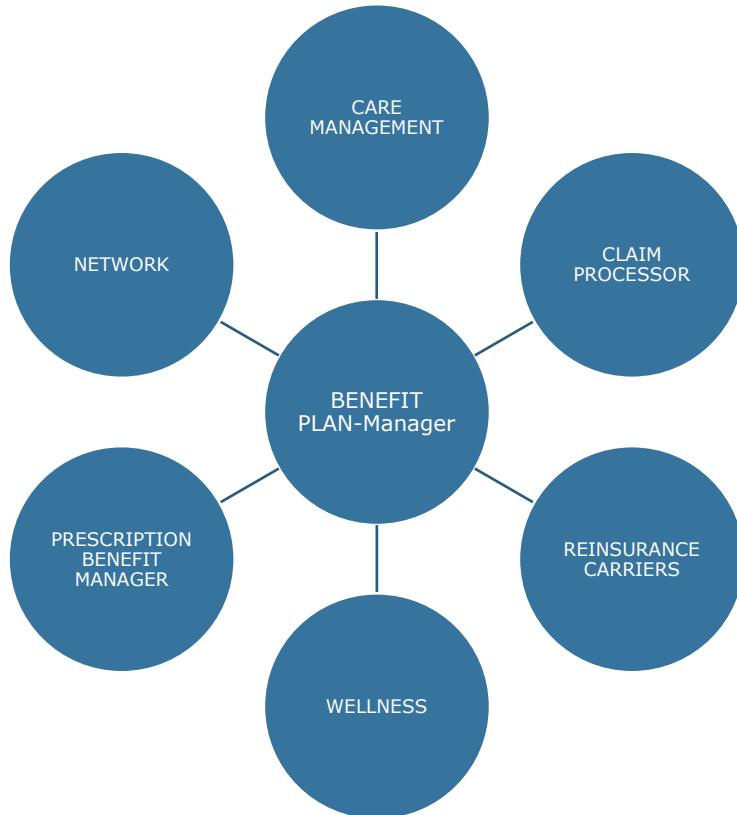
PROS	CONS
Reduced fixed costs	More volatility but can mitigate
Improved cash flow	Employer assumes some risk
Actionable data	
Control & ownership	

## Level Funding

- Carrier sets premiums based on expected claims + Admin
- Preset level payments every month of policy year
- Employer has access to some data and reporting
- Can be a way to ease into a custom program

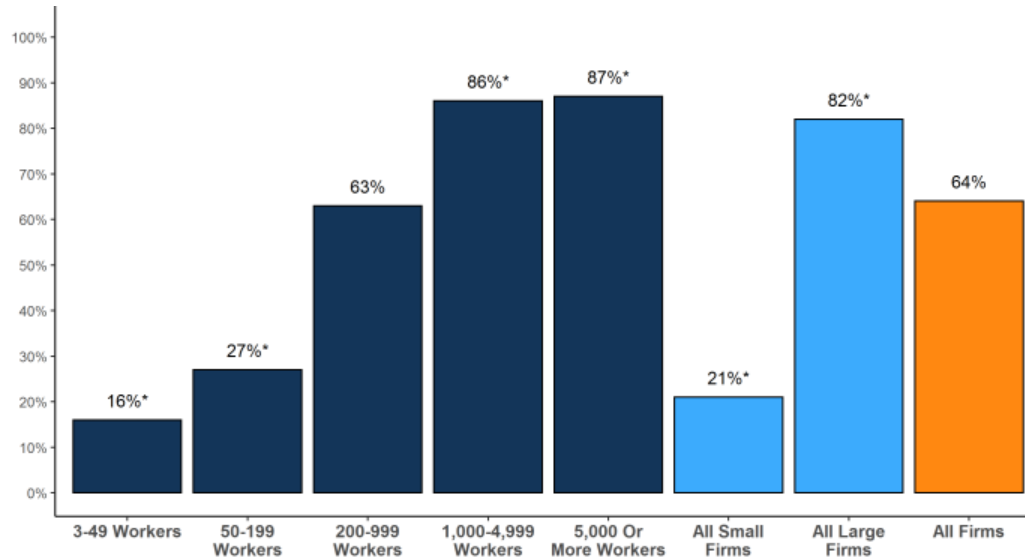


# Custom v Bundled Plans



# Percentage of Covered Workers Enrolled in a Custom Plan

(by firm size)



\* Estimate is statistically different from estimate for all other firms not in the indicated size category ( $p < .05$ ).

# Custom Health Plans Deliver



Convert OpEx to  
EBITDA



Predictability



Better Outcomes



Less Risk



Aligned Incentives

# Drivers of Cost

With full transparency, it is possible to manage the healthcare supply chain.



**Prescription  
Drugs (27%)**



**Hospital (30%)**



**Outpatient  
Surgery (20%)**



**Primary Care  
(20%)**



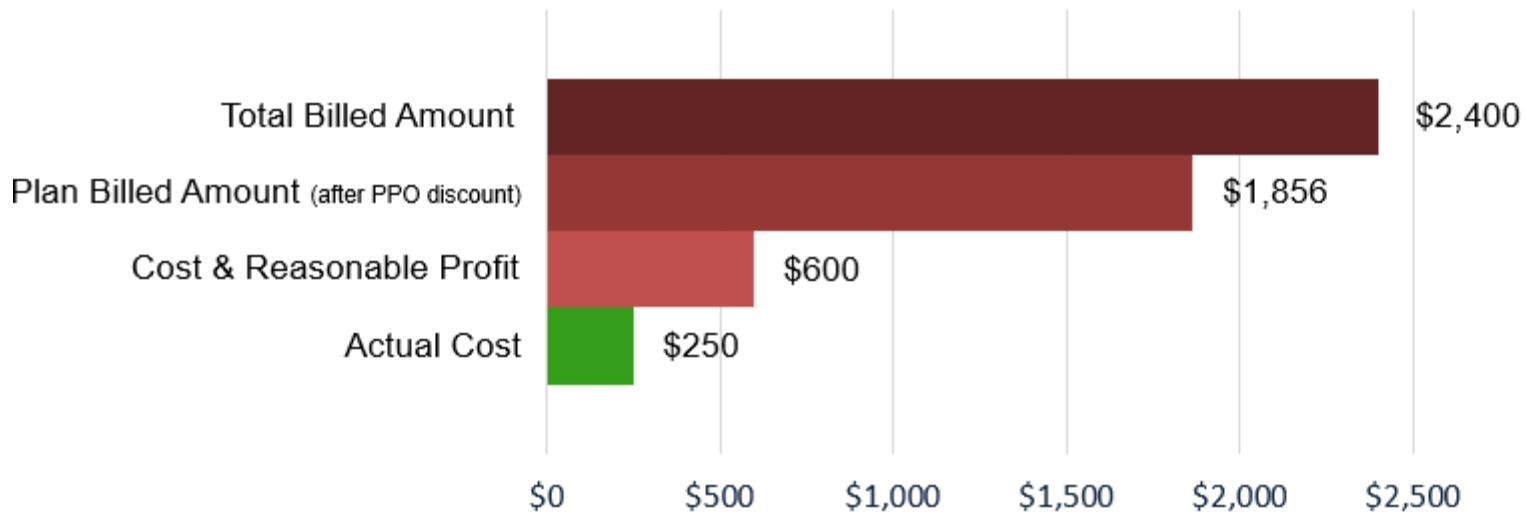
# Outpatient Surgery Supply Chain Management

Diagnosis Code	CPT Code	Description of Code	Unit Charge	Major Carrier A Charge	Major Carrier B Charge	Contracted Facility Charge
C7A.8	11450	Skin Lesion Removal	1	\$18,000.00	\$11,315.40	\$3,250.00
F32.2		Depression 1 Hospital Day	1 day	\$8,333.00	\$6,500.00	\$1,300.00
J34.2	30140	Nasal Turbinates	1	\$23,159.00	\$18,750.00	\$6,594.14
K42	49525	Hernia Repair	1	\$14,113.40	\$18,024.39	\$4,947.30
K51.919	96400	Chemo Infusion	1 unit	\$12,000.00	\$22,376.51	\$2,500.00
K80	47562	Cholecystectomy	1	\$21,707.70	\$24,114.00	\$12,492.84
M160	27130	Hip Arthroscopy	1	\$142,236.19	\$61,635.00	\$27,500.00
M17.12	27447	Total Knee Replacement	1	\$141,561.70	\$98,558.13	\$42,500.00
M23.262	29888	ACL Repair	1	\$13,093.80	\$79,674.66	\$6,500.00
M24.521	20680	Eaton Hand	1	\$14,297.41	\$28,353.92	\$3,500.00
M46.22	22612	Lumbar Fusion	1	\$49,509.35	\$62,321.50	\$28,500.00
M48.02	22551	Spinal Stenosis, Cervical Region	1	\$50,774.53	\$38,343.26	\$26,500.00
M54.12	62321	Radiculopathy, Cervical Region	1	\$6,667.27	\$4,579.97	\$2,250.00
M65.311	26055	Trigger Finger Release	1	\$13,645.52	\$7,033.74	\$3,250.00
M75.122	29827	Rotator Cuff Repair	1	\$12,257.00	\$24,069.35	\$7,250.00
S62.91XA	26785	Fractured Hand/Fingers	1	\$9,684.38	\$8,355.70	\$4,250.00
Z12.11	43239	Colonoscopy, w/Polyp Removal	1	\$4,707.79	\$1,839.85	\$1,050.00
<b>TOTAL</b>			<b>17</b>	<b>\$555,748.04</b>	<b>\$515,845.38</b>	<b>\$184,134.28</b>



# Hospital Supply Chain Management

## CT SCAN



# RX Supply Chain Management

“Stupid Drugs” What does this mean?

	Drug Name / Ingredients	Average Commercial Market Price
<b>Non Essential Drug</b>	Duexis 800-26.6 mg tablet (ibuprofen and famotidine)	\$2,540
<b>Recommended Alternative</b>	OTC Pepcid and Ibuprofen	\$8
	<b>Estimated Savings</b>	<b>\$2,532</b>

Esomeprazole-sodium	\$5,440.48
Rayos	\$2,695.26
Pennsaid	\$2,605.00
Duexis	\$2,540.34
Vimovo	\$2,465.78
Zegerid	\$2,394.79
Xatmep	\$1,943.42

	Drug Name / Ingredients	Average Commercial Market Price
<b>Non Essential Drug</b>	Vimovo tablet (naproxen and esomeprazole)	\$2,466
<b>Recommended Alternative</b>	OTC Naproxen PLUS Nexium separately	\$28
	<b>Estimated Savings</b>	<b>\$2,438</b>

Veltin	\$873.77
Gralise	\$839.42
Vivlodex	\$826.24
Trianex	\$766.02

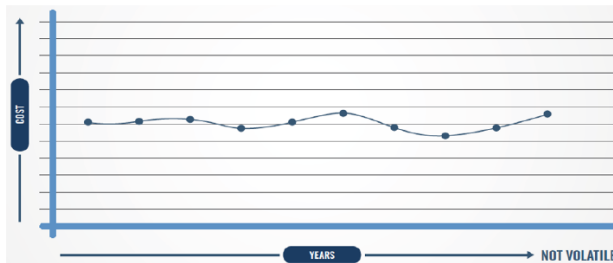
# Reducing the Risk

- Captives exist to spread individual firm's larger claim risk across a pool of vetted members
- Captive members can receive a distribution when member performance strong
- Outside of a captive, large blocks of employers can collectively drive down stop loss renewals and/or access stop loss markets based on collective heft.

Large Claims Costs:  
10 Employers



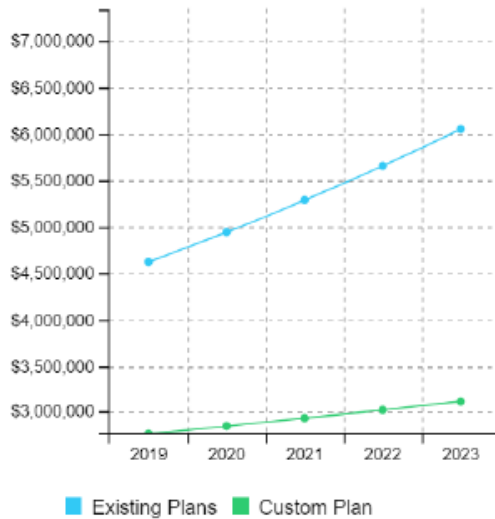
Large Claims Costs:  
50 Employers



# Cost of Inaction

## Long Term Outlook - Change vs. Cost of Inaction

### Cost



### Savings

Year	Cost Existing	Custom Plan	Savings
2019	\$4,619,382	\$2,764,637	\$1,854,745
2020	\$4,942,738	\$2,847,576	\$2,095,162
2021	\$5,288,730	\$2,933,003	\$2,355,727
2022	\$5,658,941	\$3,020,993	\$2,637,948
2023	\$6,055,067	\$3,111,623	\$2,943,444
<b>5Yr. Total</b>	<b>\$26,564,858</b>	<b>\$14,677,832</b>	<b>\$11,887,026</b>

### Assumptions

- Your existing plans will increase at 7% per year.
- **Custom Plan** will increase at 3% per year.
- After the first year, 100% of claims funds will be used.

## Think Long Term

### PHASE I

Define the Return

### PHASE II

Enhance the Return

### PHASE III

Maximize the Return

#### TAKE CONTROL

- Unbundle
- Cut out the Fat
- Collect Data
- Increase Current Value
- Educate & Communicate
- Engage & Promote
- Auditing Rights
- Advocacy

#### ADVANCED CONTROL

- Benefit Incentives
- Targeted Point Solutions
- Proactive Claim Mgmt
- Carve-out Rights
- Care Coordination
- Medical & Rx Sourcing
- Enhanced Plan Design
- Wellness

#### MANAGED CONTROL

- All Phase II Aspects
- Aggressive Contracts
- COE Networks
- Shared Clinics
- Improved Plan Designs
- Spousal Parameters
- DPC / Shared Clinics

## Other Strategies - PEO

- PEO is a professional employer organization
- PEO becomes employer of record allowing firm employees to access PEO's benefit plans
- PEO pool made up of hundreds of employers
- Benefits are AM Law 100 styled with many plan options

### What Does A PEO Offer?

- Workers' Compensation
- Medical & Ancillary Insurance
- Health Reform Support
- Human Resources Services
- Administration & Support
- Payroll Processing
- Human Resource Information System
- Multiple Employer 401(K) Plan
- Federal and State Compliance
- W2 Processing
- Time and Attendance Solutions
- EPLI

