• Town Hall meeting open to all (5/9/16)

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Speaker</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/12</td>
<td>Cash-Based purchasing of medical services.</td>
<td>Sally Covington, Community</td>
<td>District Board</td>
</tr>
<tr>
<td></td>
<td>How much could we all save by purchasing medical services on a cash basis.</td>
<td>Campaigns for Quality Care</td>
<td>Room</td>
</tr>
<tr>
<td>5/19</td>
<td>Planning a Peralta Retirement</td>
<td>The District</td>
<td>TBD @ the</td>
</tr>
</tbody>
</table>

- Introduction of Sally Covington How to Reduce Medical Costs, Not Wages, Benefits or Access to Care
  9:05-9:40
  - Co-founder of Community Campaigns for Quality Care, a 501c3 public charity founded in 2010 to advance affordable high-quality health care for all regardless of race, gender, socioeconomic or immigration status or zip code, she advises unions, their employers and group buyers of employee health benefit on the key health care cost drivers and recommends practical solutions to reduce employer health benefit costs without raising them for employees.
- Questions and answers: 9:40 – 9:45
How To Reduce Medical Costs, Not Wages, Benefits or Access to Care

Sally Covington, PhM
Community Campaigns for Quality Care
Phone 510-435-2687 // Email: Sally@communitycampaigns.org

May 12, 2016
The Problem

Unaffordable inflationary health benefit cost trend

Key Contributing Factors

No Price Transparency
- Prices are hidden
- Pricing structure is irrational. A single insurer may negotiate 50 different rates for the exact same service

No Price Competition
- Providers set charge master (price list) as starting point for negotiating rates
- Rates are privately negotiated and reflect market clout of negotiators

Big Inefficiencies
- Thousands of provider contracts and service prices impose substantial billing, claims adjudication and collection costs on providers
Prices Under Managed Care Model

2012 Total Hospital and Physician Cost: Angioplasty

Argentina $2,851
Switzerland $5,295
Netherlands $6,332
New Zealand $7,010
France $7,584
Australia $8,911
Spain $9,446
South Africa $13,475
United Kingdom $14,366
United States $61,649

($USD)

USA 25th Percentile · Average Price · USA 95th Percentile

Health Insurance and Evaluation of Health Plans 2012 Comparative Price Report

5/12/2016
Prices Under Managed Care Model

2012 Total Hospital and Physician Cost: Hip Replacement

Argentina: $3,365
Spain: $7,731
Switzerland: $9,574
France: $10,927
Netherlands: $11,167
United Kingdom: $11,889
Chile: $13,409
New Zealand: $14,390
South Africa: $15,403
Australia: $27,610
United States: $87,987

USA 25th Percentile
Average Price
USA 95th Percentile

($ USD)
Huge Administrative Cost Burden

Today in healthcare, there are 10 U.S. administrators for every one U.S. physician!

Two Paths

Continue paying higher prices negotiated between providers and insurers

Pay lower prices that providers offer when relieved of insurance billing

One definition of insanity:
keep on doing what you’ve always done and expect a different result.
Competitive Bidding

1. When a doctor and patient determine need for a test or procedure, the patient can call a service representative to request provider “bids” for the service (e.g. MRI scan).

2. Service representative obtains and delivers service bids to patient, along with information on bidding providers’ credentials, experience, and track record.

3. If patient chooses a bidding provider, the employer plan arranges cash payment (via wire transfer) to provider at time of service and waives patient out of pocket costs.
How Does This Help?

1. Bay Area providers currently offer patients much lower prices than they negotiate with insurance companies in return for cash payment.

2. Why? Providers spend a lot of time and money on insurance billing and bureaucracy, which they dislike.

3. Cash prices are 65% below insurance contracted prices!
# MRI Scans: PPO vs. Cash Rates

<table>
<thead>
<tr>
<th>SF Bay Area Facility</th>
<th>Insurance Rate for Non-Contrast MRI</th>
<th>Cash Price Rate for Non-Contrast MRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alta Bates Summit Medical Center, Summit Campus</td>
<td>$1,346</td>
<td>$466</td>
</tr>
<tr>
<td>San Mateo Medical Center</td>
<td>$2,690</td>
<td>$585</td>
</tr>
<tr>
<td>UCSF Medical Center</td>
<td>$1,690</td>
<td>$1,628</td>
</tr>
<tr>
<td>Seton Medical Center</td>
<td>$5,061</td>
<td>$1,752</td>
</tr>
<tr>
<td>Washington Hospital, Fremont</td>
<td>$5,113</td>
<td>$1,770</td>
</tr>
<tr>
<td>Mills Health Center</td>
<td>$5,662</td>
<td>$1,960</td>
</tr>
<tr>
<td>CA Pacific Medical Center, Pacific C.</td>
<td>$7,791</td>
<td>$2,697</td>
</tr>
<tr>
<td>Marin General Hospital</td>
<td>$7,826</td>
<td>$2,709</td>
</tr>
</tbody>
</table>

The Overcharge: PPO vs. Market Rates

Cost Per Procedure ($) - Greater SF Bay Area MSA

- Low Cost
- High Cost

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Low Cost</th>
<th>High Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonoscopy</td>
<td>$887</td>
<td>$8,650</td>
</tr>
<tr>
<td>Hernia Repair</td>
<td>$3,538</td>
<td>$16,779</td>
</tr>
<tr>
<td>Gall Bladder</td>
<td>$4,212</td>
<td>$21,577</td>
</tr>
<tr>
<td>Cardiac Cath No Angio or Stents</td>
<td>$3,453</td>
<td>$24,913</td>
</tr>
<tr>
<td>Arthroscopy</td>
<td>$0,000</td>
<td>$32,337</td>
</tr>
</tbody>
</table>

PPO Contract Rate
Cash Price Rate

High Cost : Low Cost Multiple

10:1 4:1 5:1 7:1 9:1

Health Benefits Fringe Committee May 2016

5/12/2016
# Projected Health Plan Savings

<table>
<thead>
<tr>
<th>Northern CA ESHP, 22 months paid claims data</th>
<th>Baseline PPO Spending</th>
<th>Total Spending under Medicare+</th>
<th>Savings from Medicare+ fee schedule $ and %</th>
<th>Savings from Comp Bidding at cash price rates, $ and %</th>
<th>Combined Savings $ and %</th>
</tr>
</thead>
<tbody>
<tr>
<td>All claims</td>
<td>$471,463,258</td>
<td>$354,278,748</td>
<td>$117,184,509 (25%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comp bidding, 50% patient participation</td>
<td></td>
<td></td>
<td></td>
<td>$85,756,588 (18.2%)</td>
<td></td>
</tr>
</tbody>
</table>
Plan and Member Benefits

1. Plan saves money whenever plan members request and obtain provider bids and choose a bidding provider.

2. Members get advance information on service prices and provider credentials, experience, and track record and $0 out of pocket costs if they choose a bidding provider.

3. Savings are shared with health plan members.
Plan Infrastructure

- TPA
- Quality Assurance vendors
- Contracted PPO Network
- Employer Health Plan
- Plan Consultant
- Pharmacy Benefit Manager

Health Benefits Fringe Committee May 2016

5/12/2016
Infrastructure W/Competitive Bidding

TPA

Quality Assurance vendors

Competitive Bidding Vendor

Employer Health Plan

Plan Consultant

Contracted PPO Network

Pharmacy Benefits Manager (PBM)

Health Benefits Fringe Committee May 2016

5/12/2016
Potential Next Steps

1. Transfer claims file for savings analysis
2. Implement pilot: select single specialty services (e.g., radiology, gastroenterology)
3. Evaluate results, share savings
Questions and Answers

1. Regarding PPA: who owns the software? The Company? Of whom are they an agent? How long have you been partnering with them and are you aware of any references?

2. Is access to the owner of PPA available directly to PCEO without the involvement of Community Campaigns for Quality Care?

3. Regarding the data request: it appears that there is a monthly on-going requirement – why?

4. The footnotes on page 3 indicate a need for Ix, however, the pp on page 1 indicates that pharmacy should be excluded.

5. As you have stated in prior conversations, if the drivers of health care cost include overhead and availability of medical professionals, how does cash-based pricing affect those primary drivers? If at all?

6. Is there a cash-based network currently available in our immediate area?

7. If Anthem providers have an exclusive arrangement with a non-disclosure element of the fee schedule, then does it stand to reason and the cash-based providers would be non network? If so, given our current plan design, what incentive is there to voluntarily participate.

8. If there is no network and our employees are only paying $300 for the deductible, then what incentive does the end-user have to shop around for a provider with whom they are not affiliated?

9. At least half of our population is in Kaiser, how can we affect those premiums by the cash-based pricing model?

10. If CALPers is one of the single largest purchasers of health insurance in California, what is it’s position on cash-based pricing?

11. What would the employer’s liability be in the event of unforeseeen complications arising from a non-network provider?

12. Is there a guarantee minimal participation level?

13. If a non-disclosure agreement is signed by PPA, Can PPA prohibit the use and release of the data without our expressed and prior written consent.

14. We are not committing but are exploring due to HIPPA issues, privacy issues and non-disclosure agreements with our current network, based on your experience with PPA, what has been the typical turnaround time for data?

15. Where is the profit motives?

16. Does PPA receive compensation?

17. Does Ix receive compensation?
# 2016-2017 Monthly Contribution Rate Matrix for:

- Active, Benefit-Eligible Employees
- Complete Table on Benefits Webpage: [http://web.peralta.edu/benefits/](http://web.peralta.edu/benefits/)
- Rates are subject to the outcome of union negotiations.

<table>
<thead>
<tr>
<th>Medical Coverage (for all employees except Local 39, 1021 and Confidential)</th>
<th>Medical Coverage (for Local 39, 1021 and Confidential)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Party Coverage</strong></td>
<td><strong>Kaiser HMO</strong></td>
</tr>
<tr>
<td>Employee Pays</td>
<td>$0.00</td>
</tr>
<tr>
<td>Peralta Pays</td>
<td>$684.42</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$684.42</td>
</tr>
<tr>
<td><strong>Two-Party Coverage</strong></td>
<td><strong>Kaiser HMO</strong></td>
</tr>
<tr>
<td>Employee Pays</td>
<td>$0.00</td>
</tr>
<tr>
<td>Peralta Pays</td>
<td>$1,368.85</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$1,368.85</td>
</tr>
<tr>
<td><strong>Family Coverage</strong></td>
<td><strong>Kaiser HMO</strong></td>
</tr>
<tr>
<td>Employee Pays</td>
<td>$0.00</td>
</tr>
<tr>
<td>Peralta Pays</td>
<td>$1,936.92</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$1,936.92</td>
</tr>
</tbody>
</table>

**PPO Traditional premium is billed to the retiree. The actual premium is based on Medicare coordination. Visit the Peralta District Benefits website for a complete matrix of rates: [http://web.peralta.edu/benefits/](http://web.peralta.edu/benefits/)**

### Dental Coverage

Your choice of dental coverage and COBRA continuation options are based on District-affiliation and outcome of union negotiations when applicable.

<table>
<thead>
<tr>
<th>Dental Dental</th>
<th>Delta Dental</th>
<th>United Health Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Party Coverage</strong></td>
<td>Managers</td>
<td>PFT</td>
</tr>
<tr>
<td>Employee Pre-tax*</td>
<td>$34.30</td>
<td></td>
</tr>
<tr>
<td>Employer Non-Taxable*</td>
<td>$30.39</td>
<td></td>
</tr>
<tr>
<td>Total Cost and/or COBRA Equivalent Rate</td>
<td>$64.69</td>
<td></td>
</tr>
<tr>
<td><strong>Two-Party Coverage</strong></td>
<td>Managers</td>
<td>PFT</td>
</tr>
<tr>
<td>Employee Pre-tax*</td>
<td>$61.36</td>
<td></td>
</tr>
<tr>
<td>Employer Non-Taxable*</td>
<td>$48.61</td>
<td></td>
</tr>
<tr>
<td>Total Cost and/or COBRA Equivalent Rate</td>
<td>$109.97</td>
<td></td>
</tr>
<tr>
<td><strong>Family Coverage</strong></td>
<td>Managers</td>
<td>PFT</td>
</tr>
<tr>
<td>Employee Pre-tax*</td>
<td>$94.12</td>
<td></td>
</tr>
<tr>
<td>Employer Non-Taxable*</td>
<td>$74.07</td>
<td></td>
</tr>
<tr>
<td>Total Cost and/or COBRA Equivalent Rate</td>
<td>$168.19</td>
<td></td>
</tr>
</tbody>
</table>

*Designation as it appears on the Peralta pay advices.*

**NOTE:** The PPO Traditional and PPO Lite rates are subject to change pending outcome of union negotiations.

Revision Date: April 29, 2016