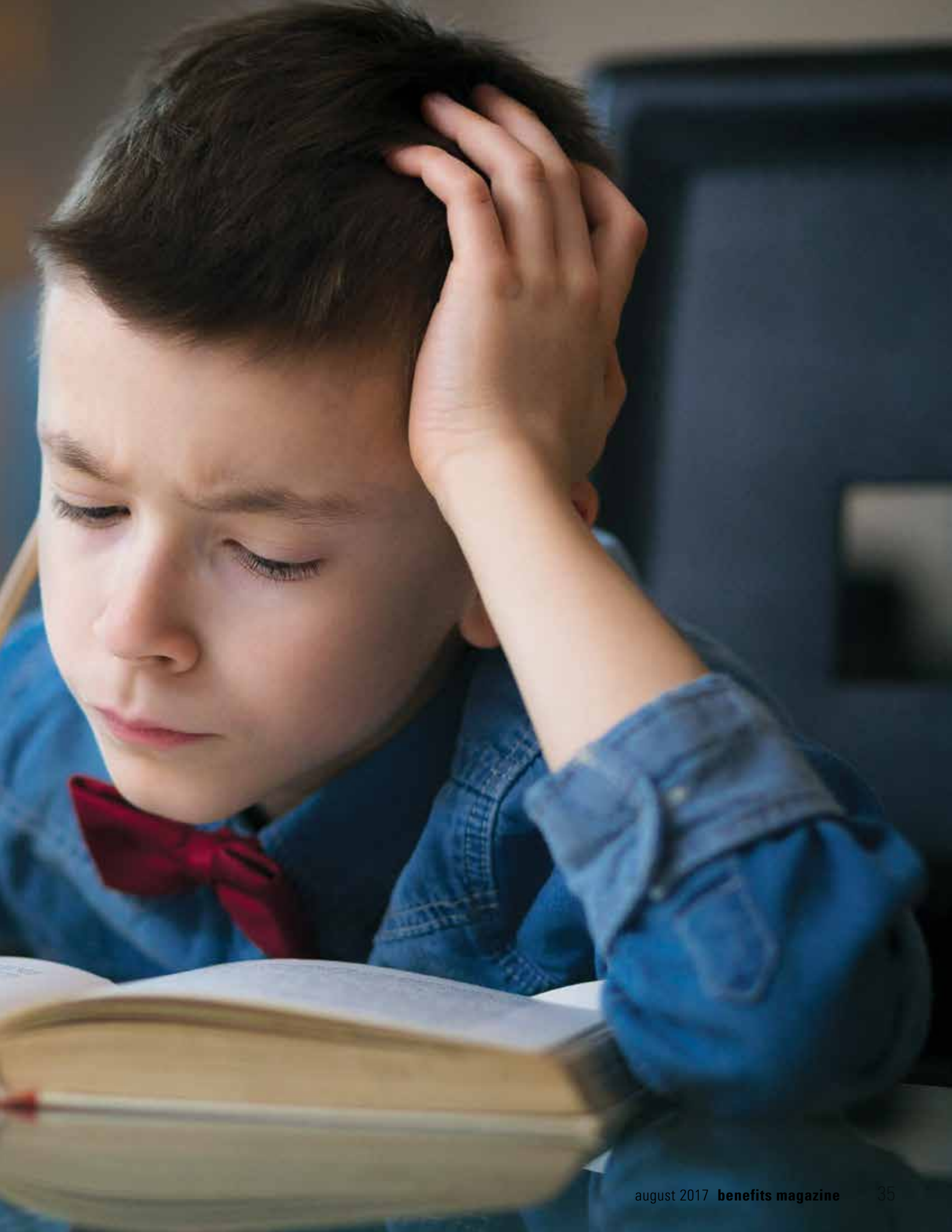


Do Your Homework to Ensure Savings and Value From Health Care Coalitions

by | **Linda Cahn**

Purchasing coalitions have the potential to help health care plans save money, but finding the right coalition with the right expertise and coverage structure requires plan sponsors to do their due diligence.



Is your plan already a member of a health care coalition, and are you wondering if the coalition is benefiting your plan and decreasing its costs?

Or is your plan providing health care coverage through its own set of contracts, and are you wondering if your plan might benefit by joining a coalition?

If your plan is in either situation, there are several core questions you should ask to assess the value of health care coalition membership.

Pin Down Which Type of Coalition Serves Your Needs

There are scores of health care coalitions in this country. Some have been around for many years, while others are start-ups. Some are quite small, while others have hundreds of members.

Coalitions also serve several different purposes. Some are designed to deliver education, with information provided either from sharing among coalition members or from the coalition's professional staff, or both. Some are political and designed to bring about societal change.

Some are purchasing coalitions, enabling members to join and take advantage of already established

vendor relationships and contracts. These purchasing coalitions can be for one or for several different health care services, such as health insurance or prescription drug, dental or vision coverage.

Therefore, the first question any plan should ask is: What does my plan want to obtain from a coalition? Depending on your answer, you can narrow your coalition search.

This article will focus on purchasing coalitions, since they typically cost the most, and entities virtually always join the coalitions to reduce and control their coverage costs, sometimes without success.

Assess Coalition Expertise

Regardless of the type of coverage you are seeking—health care, drugs, vision or dental—let's face it, getting better, lower cost coverage and thereafter controlling and decreasing your costs is a complex and difficult process.

It's virtually certain you don't have the in-house expertise that's needed to accomplish these tasks on your own, which is why you joined a coalition or are considering joining one now. But that means you need to ensure that the coalition has the expertise you are lacking.

What types of expertise do you need? There are basically three different types—specialized legal expertise, specialized substantive expertise and financial/claims data expertise.

Since the strength of the coverage you obtain will depend in large part on a coalition's contract with its vendor, the coalition clearly must have specialized legal knowledge in the particular area of coverage.

Coalition lawyers must not only be topnotch lawyers but also must have a depth of experience in the particular coverage area. If lawyers are working solely to protect the coalition against its own liabilities—for example, to ensure cybersecurity insurance is in place—they may not have the expertise you need to protect your plan's interests. Just as you wouldn't go to an ob-gyn to perform eye surgery—or hire a litigator to handle a real estate closing—the lawyer that coalition members must rely on to put in place a specialized health care contract must have knowledge and experience in the relevant health care area.

Finally, the coalition should have experts who can review relevant claims data on an ongoing basis, assess whether the coalition is improving benefits and providing lower costs, and identify what should be changed to ensure both those results. A coalition should not just wait until the end of the year to conduct an audit, which looks backward to find noncompliance rather than forward to decrease and control costs.

For example, in the prescription coverage area, a coalition should regularly review the claims data of every coalition member, assess the pharmacy benefit manager's prices for various drugs and determine which drugs are

learn more

Education

36th Annual ISCEBS Employee Benefits Symposium

September 17-20, Denver, Colorado

Visit www.ifebp.org/symposium for more information.

From the Bookstore

Health Insurance Answer Book

John C. Garner. Wolters Kluwer. 2016.

Visit www.ifebp.org/books.asp?9069 for more information.

costing each coalition member the most money. The coalition should identify drugs that are overpriced, could be blocked or could be better controlled through prior authorization, step therapy and quantity limit programs.

Plans should verify that the coalition has expertise in all three areas. To do so, ask to see the resumé of the experts the coalition relies on so you can verify that the experts possess the experience needed to change your plan's substantive and financial coverage position.

Determine How the Coalition Selected Its Vendor and Established Its Contract

Obviously, it's not enough for a coalition to possess expertise. Your plan needs to assess if the coalition is using that expertise to ensure your plan obtains a coverage structure that is more advantageous than what you already have in place or could obtain on your own.

Therefore, you need to ask questions about how the coalition selected its vendor.

Did it conduct a request for proposals (RFP)? If so, how was the RFP conducted? Was it based on a questionnaire or by bidding out a contract that enabled the coalition to obtain better contract terms than those you could obtain on your own? Were there a sufficient number of vendors in the RFP to ensure adequate competition, and who supervised the RFP? If it was a consulting firm, which firm? And did the coalition confirm that the consultant was free of conflicts of interest?

If an RFP was not conducted, on what basis was the vendor selected? If the leadership of the coalition already had a relationship with the vendor, what was that relationship? Was it a cozy relationship where the coalition handed the vendor its business, or was the vendor selected in an arms-length process?

To test the nature of the relationship, you should make sure the coalition—and any parent or related company—executes a conflict-of-interest disclosure form, identifying any and all money that those entities are receiving or have received from the vendor and any parent or related company to the vendor.

Also critically important: Determine how the contract with the vendor was drafted, negotiated and finalized. Did the coalition generate its own contract that is significantly different from yours? Or did the coalition rely on a contract the vendor provided that was little changed after it was received?

takeaways

- Health care purchasing coalitions enable members to take advantage of established vendor relationships and contracts for one or several different health care services.
- Plans should assess the expertise of the coalition, including specialized legal expertise, knowledge of the health care coverage area and expertise in financial/claims data.
- Plan sponsors should determine how the coalition chose its vendor, including whether a request for proposals was issued, and how the coalition set up its contract.
- When evaluating a coalition, plans should request and review all contract documents, including all side agreements and joint venture arrangements.
- Randomly contacting several coalition members is a good way to gather information about the coalition's effectiveness in reducing or controlling costs as well as whether the coalition has performed promised steps such as monitoring the marketplace.
- Plan sponsors should compare coalition fees against likely savings to determine whether coalition costs justify membership.

Examine All Coalition Contract Documents

Given the importance of the contract between a coalition and a vendor, you need to do more than ask questions about how the contract was put in place: You need to review and analyze it.

Coalitions should be willing to provide their contract documents to prospective or existing coalition members, as long as the parties requesting the documents are willing to execute a confidentiality agreement. Contracts and amendments control the coalition's services and costs, which typically total hundreds of thousands or millions of dollars. Therefore, it's imperative that plan administrators and fiduciaries review and analyze all relevant contract documents.

When you ask for documents, make sure you request all contract documents that reflect any agreements between the coalition and/or its leadership or management and the vendor and/or its leadership and management, as well as between and among parent and affiliated companies. And submit your request in writing so you create a paper trail that shows you have asked to see all relevant contract documents.

This is particularly important, because some coalitions have several different contract documents, including side

agreements under which the vendor agrees to feed business to the coalition (or a related company), and the coalition (or a related company) agrees to help grow the vendor's business. Other types of "joint venture" arrangements also exist, including funding arrangements that create conflicts of interest that will likely undermine the fiduciary relationship you assume undergirds the coalition's relationship with its coalition members.

After you've obtained all coalition contract documents, ask the coalition to provide you with a written list of all contract provisions that differ from those in the marketplace, and tell the coalition to cross-reference the list to the relevant sections of the contract. Then check the cross-references and weigh whether those provisions are likely to result in savings that justify the coalition member fees your plan must pay.

Theoretically, every coalition contract should provide a coalition with rights greater than those an individual plan can obtain on its own in the marketplace. For example, a coalition should be able to:

- Periodically update substantive contract provisions to keep abreast of marketplace changes without having to wait several years until the contract expires
- Regularly improve pricing terms and guarantees during the contract to make them more competitive
- Conduct more thorough audits
- Carve out certain matters and have other vendors handle them if the coalition finds those matters can be better addressed by other vendors

- Terminate the contract, with or without cause and on short notice, to provide the coalition with the leverage to improve its position as well as the position of its members throughout the period the contract is in effect.

Obtain Evidence the Coalition Is Achieving Savings

The coalition should be able to produce evidence that it has decreased and controlled costs for existing coalition members. Therefore, ask the following questions and obtain the following evidence:

- Have coalition members realized lower coverage costs? If so, gather information showing several different coalition members' costs before joining the coalition and annually for several years thereafter.
- What are the year-to-year cost trends of coalition members? Make sure you get actual numbers so you can compare national cost trends and your own cost trends with those of existing coalition members. Then make sure there is a significant difference.
- Find out the specific actions that the coalition recommended—and that coalition members adopted—that brought about any cost changes. For example, a coalition may have reduced members' costs by shifting costs to plan beneficiaries through higher deductibles and copays. Those are actions that your plan can perform on its own without joining a coalition.

Finally, make sure your evidence is representative of a pattern at the coal-

ition and not aberrational. Don't rely on a narrative about one or two coalition members' savings. Instead, obtain a list of coalition members and randomly contact several, asking each what actions the coalition has taken to reduce costs and with what success.

What Is the Coalition Willing to Bind Itself to Do?

Promises coalitions make about what they will do for members should be detailed in a binding contract the coalition executes.

For example, if a coalition says it reviews coalition members' claims data, the contract should say what type of review the coalition will conduct and how often. Ideally, the contract should also identify the claims data analyses the coalition provides to every coalition member and the types of activities the coalition will likely recommend based on its review.

As other examples, the contract should identify the types of steps the coalition takes to monitor the marketplace and respond to marketplace changes. How often does the coalition update or amend the contract terms that bind the vendor, especially the contract's pricing terms and guarantees? How often does the coalition ensure audits are conducted, and what information does the coalition provide to coalition members about its audits so your plan can ensure that the coalition is not simply rubber-stamping the vendor's actions?

After you've obtained answers to these kinds of questions, contact some coalition members randomly and assess whether the coalition has consistently taken the promised actions for those coalition members. For example,

find out when the coalition's contract with the vendor was put in place and whether it's been amended or updated since. If your plan is trying to obtain competitive pricing terms and guarantees, your plan definitely does not want to be a part of a coalition that is relying on an old contract with outdated terms.

Due Diligence Ensures Value

Some purchasing coalitions can—and do—bring about better services and significant savings for their coalition members. But some do not.

Therefore, you shouldn't simply join a coalition to “pass the buck” and avoid your own ongoing administrative or fiduciary responsibilities to provide good coverage at competitive costs.

When a plan is a member of a purchasing coalition, it typically incurs significant coalition member fees. Therefore you need to find out how much you will have to spend to join the coalition and to remain a member and compare those fees with your likely savings.

You also should consider the activities that the coalition commits itself to perform when evaluating its fees. If the numbers don't stack up, you should negotiate lower coalition member fees or decline membership.

In short, whether your plan is currently a coalition member or thinking about joining a coalition—Do your

bio



Linda Cahn is an attorney and the founder and CEO of Pharmacy Benefit Consultants, a nationwide consulting firm that analyzes claims data, negotiates contracts with

pharmacy benefit managers (PBMs) and conducts PBM requests for proposals. She also is the executive director of the National Prescription Coverage Coalition, which provides continual drug monitoring and support services to member unions, corporations, municipalities and hospital groups. Cahn also writes the Rx Drug Alerts blog at <http://nationalprescriptioncoveragecoalition.com/category/rx-alerts>. She received a bachelor's degree from Princeton University and a law degree from Hofstra Law School.

due diligence. If you do, you'll likely identify a coalition that will improve your coverage and do so at significantly lower costs—for your plan as well as for your plan beneficiaries.

Wouldn't that be a fabulous accomplishment? 🎯

benefits
MAGAZINE

Reproduced with permission from *Benefits Magazine*, Volume 54, No. 8, August 2017, pages 34-39, published by the International Foundation of Employee Benefit Plans (www.ifebp.org), Brookfield, Wis. All rights reserved. Statements or opinions expressed in this article are those of the author and do not necessarily represent the views or positions of the International Foundation, its officers, directors or staff. No further transmission or electronic distribution of this material is permitted.



pdf/717