CASE STUDY:

Bennett School District

Headquarters:	**Bennett, CO**
Industry:	**Public schools**
Sector:	**Government**
Employees:	**150**
Plan funding:	**Self-funded**
Case study:	**2013-2019**

Key takeaways

1. By switching to a self-funded health plan, Bennett School District was able to slash employee annual deductibles—from $4,000 per family to $500—without skimping on benefits.
2. Since switching to a self-funded plan, Bennett School District has saved more than $1.6 million and cut its spending by more than one third. Two years into the plan, Bennett was the only district in the region that was able to give its employees a raise. It also used savings to improve student resources and give out holiday bonuses.
3. The site-based direct primary care benefit that Bennett implemented with Nextera delivered high employee satisfaction, convenient care and considerable savings to employees— reducing employees' individual out-of-pocket doctor's visit costs by approximately $900 a year.
4. The health plan's claims experience has been so positive—with annual claims dropping significantly—that Bennett has been able to reduce its stop-loss expenditures by 20%.

Several years of successive health benefits cost increases were hitting Bennett School District hard. In 2013, the district's employees were already saddled with a punishing $4,000 annual deductible and, to add insult to injury, the plan was facing a 21% cost increase from its carrier. The escalating costs were cutting into student resources and staff compensation, impairing education quality and causing employees' considerable stress. And there was no relief in sight.

Bennett's approach

Deciding that enough was enough, the district, located about 30 miles outside Denver, embarked on a courageous journey. It abandoned the status quo coverage from a traditional national carrier and pursued self-funding and a multi-faceted cost-saving strategy that encompassed every component of its benefits. With the guidance of advisor Bryan Perry of Peak Benefits, Bennett decided to create a new health plan by first unbundling its benefits and putting them out to bid.

The district also hired an independent third-party administrator (TPA) and independent pharmacy benefits manager (PBM), put in place a stop-loss policy to cover unexpected big-ticket catastrophic claims, and implemented a reference-based pricing strategy that assured the district would be able to cap its expenditures for hospital services. Later, it implemented a direct primary care solution on its school sites that not only saved its employees money but also provided convenient high-quality care for employees and families.

Keith Yaich, the district's chief financial officer, didn't need any convincing that it was time to take a risk and try a new approach. "We had a situation one year when we paid about $1 mil-lion in premiums but only had $180,000 in claims, so we knew self-funding was a solution worth trying," Yaich said. That solution has been so successful, he reports, that Bennett has since been able to "put more than $1 million back into the district's books instead of paying to profit 'Big Med.'"

Although unbundling at first seemed a daunting task— "It was terrifying, actually, because we'd never done anything like this before," Yaich recalled—the district soon found that market forces worked in their favor. Potential services vendors were more than willing to quote on the district's business.

The plan also decided to engage in reference-based pricing (RBP), in which the self-funded entity strikes arrangements in hospital contracting to pay a multiple of (or markup on) the prices that Medicare reimburses for hospital services. RBP is a complicated but effective cost-containment tool, but it's not easy to pull off because of hospitals' concerns about incurring losses, the district found. To alleviate that, the district promised that they would never pay less than what the services cost, and that they would ensure the facilities ended up in a profitable position.

Even though Bennett's contracting efforts were ultimately successful, that's not to say that there weren't challenges. From the start, Yaich had to convince a wary board and superintendent that the self-funding risk was worth taking and that Bennett would be able to provide the benefits its employees needed. Savings with the new plan accrued so quickly, however, that the early naysayers became staunch supporters.

Likewise, employees were initially reticent, fearing access issues and worrying about the unknown. Overcoming that obstacle took time—and a lot of education. The new plan's advisor had to help employees first understand how the status quo works and why it doesn't serve their interests, and to also convince them that their benefits would be stable—that no one would deny a claim, for example. "That was the hardest part—getting them to realize that we were doing this to help them, and that we're all on the same team," Yaich recalled.

Along the way, there were a few hiccups getting the plan into its most optimal form. Bennett had to change TPAs a few times, to get the high-caliber services they needed. And the plan switched its PBM a few years into the new plan. The advisor also had to do a little handholding with local clinics in the beginning to explain how the plan worked and how they would get paid, to convince them to come onboard. Those "join us" negotiations proved a bit more difficult with the hospitals, but Bennett eventually prevailed there, too, and has since developed a strategy to help ensure that employees seek services from the district's preferred facilities unless those services weren't available or the employee's health condition necessitated going to another out-of-network facility.

One of the huge successes Bennett experienced after it went self-funded was realizing that most prices—even for specialty care—can be negotiated, on the front end or even the back end. In one example, an employee had a claim for cancer treatment that exceeded $200,000. After the plan personnel and Yaich intervened, the bill eventually settled for approximately $30,000. "That actually brought it all to light for me—what goes on behind the scenes in health care [pricing]," Yaich said.

The health plan also had to deal with some balance billing that employees incurred for testing and imaging and adjusted the benefits so that employees only had to meet a $100 deductible for such services. And overall, by educating and guiding employees on how to access cost-effective care options, Bennett was eventually able to structure coverage so that employees who took advantage of plan-preferred services and the district's medical management guidance incurred no deductibles and no copays. Those who opted not to use the medical management services paid a $2,000 deductible—still far less than in the old plan.

"It's really nice to have the flexibility to adjust these things," Yaich said. "We really have control over our plan now. And as the word has gotten around about what we're doing here, we've seen an increase in people who want to join our district."

The district also took an intervention approach on its path toward pharmacy benefits solutions, first empowering the PBM to secure the drug rebates that typically go into a middleman's pocket and sourcing internationally for lower-price alternatives when costly drugs were prescribed. The district also pursued mail order avenues for maintenance medications and had to directly contract with a few local pharmacies to ensure that employees had convenient access to medications when needed.

The biggest win Bennett has experienced since going self-funded is in its direct primary care services. The district had a number of high utilizers who had been incurring significant out-of-pocket costs for doctor's visits, but those who moved their primary care to the district's onsite direct-case facilities saw substantial savings in addition to highly convenient onsite services for themselves and their families. "We've been able to put $530 back into employees' pockets annually in copays and deductibles," Yaich said.

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> *– Keith Yaich, Bennett School District CFO*