

As Seen in [Health Plan Heroes: The CEOs Who Restored the American Dream](#) by Dave Chase

**CASE STUDY: DeSoto Memorial Hospital**



<b>Advisory Organization:</b>	<b>Mitigate Partners</b>
<b>Headquarters:</b>	<b>Arcadia, Florida</b>
<b>Industry:</b>	<b>Hospital</b>
<b>Sector:</b>	<b>State Hospital District - Governmental, County</b>
<b>Client Size:</b>	<b>220 Employees</b>
<b>Employees on Plan:</b>	<b>160 Employees</b>
<b>Total Lives on Plan:</b>	<b>318 covered members</b>
<b>Plan Funding:</b>	<b>Self-funded</b>
<b>Case Study:</b>	<b>10.1.2018 through current</b>

**Key Takeaways**

1. Reduced health care spending by 54% or \$1.2M by implementing solutions that have been recognized and endorsed by the Health Rosetta. PEPY costs started at \$14k and is currently running at \$6k PEPY.
2. Stop loss provided proactive discounts for the proposed model equating to a 58% discount in year 1 translating into a \$150k reduction in stop loss premium.
3. DeSoto was able to reinvest the dividends saved through the health plan into lowering employee contributions and improved plan benefits and member experience, a fundamental component of Health Rosetta-centric plans.

**Testimonial**

**On Experience with Health Rosetta Advisors, Mitigate Partners**

“We were introduced to Carl Schuessler and Barry Murphy by Dr. Lee Gross from Epiphany Direct Primary Care and immediately realized that Mitigate Partners had the answers to questions that others were afraid to ask. Today's Health Insurance Environment is designed with one goal in mind: "maximize profits for the insurance companies". No one in the traditional health care industry wants to truly reduce the cost of health care for the patients. However, Mitigate Partners has built a "better mouse trap" – The FairCo\$ Health Plan utilizing some logical principals that everyone can agree upon: cut out the middle man, minimize administrative costs, pay cash at the time of service, and look for the best quality. The mainstream health care providers are not concerned about the cost to the patient; they are only concerned about keeping as much of the patient's premium as they can by creating endless trails of administrative hurdles before authorizing a necessary service.” Vincent Sica, CEO, DeSoto Memorial

**On Direct Negotiation**

“It’s amazing how much hospitals will discount the price of something if they know they will be paid at the point of service.” Vincent Sica, CEO, DeSoto Memorial

**On Member Advocacy:**

“It was blowing my mind when they turned around and said the medical advocate program would do everything for you.” Jason Newton, Stroke Coordinator, DeSoto Memorial

**On The Improved Benefits:**

“The benefits we have at the hospital are more so focused on the employees...I have gone through the process of an estimated cost of \$42,000, what did I pay - absolutely nothing. So, before I was paying all that money on my premiums, I never used the plan because I was reluctant – I have this copay, this deductible, we don’t have those issues. Every concern I have had since day one of this plan, I have addressed, and I have taken care of this year, and I have paid absolutely nothing out of pocket. We deserve that, I know I do.” Hannah Barbera Johnson, Register, DeSoto Memorial

**On Dividends:**

“The less we have to spend on the plan, the more we are able to put back into salaries, back into maybe additional benefits or increasing benefits.” Lois Hilton, HR Director, DeSoto Memorial

After hearing about how Mitigate Partners was significantly reducing health insurance costs for our current employers, [Patient Rights Advocate \(PRA\)](#) asked if they could capture our clients’ success stories. PRA has been creating videos to showcase how real price transparency and direct contracting are lowering costs for innovative employers nationwide. The group has shared these videos with Health and Human Services (HHS) Leadership and the White House Administration to highlight successful price transparency models in action and to support the need for real transparency.

Please take a minute to view the DeSoto Memorial videos below by clicking the links to see how Mitigate Partners are significantly reducing employers’ healthcare costs while improving employees’ clinical outcomes:

- [Learn how they saved 54% or \\$1.2 Million in their Health Plan](#)
- [DeSoto Memorial Hospital Employee, Hannah Johnson, shares her Healthcare Advocate Story](#)

**Client Background**

As a small 49 bed hospital, even though DeSoto Memorial had a self-funded health plan for their employees, costs continued to increase year after year hitting \$2.2M, and they knew they had to do something different to change their trajectory. DeSoto Memorial Hospital has 220 employees in rural Arcadia, Florida. Prior to changing plans, they were

overspending on their health care benefits jeopardizing retention of their employees, allowing waste in the system, and not capitalizing on their own core business for their employees, providing quality health care. They also had to eliminate obstetrics because of budget constraints, requiring local residents to drive over an hour for routine deliveries.

DeSoto had many challenges confronting them:

1. 4th poorest county in Florida
2. 2nd lowest median family income in Florida
3. Lost Obstetrics in February 2018
4. Foreign Medical Spend averaged 79% the last 4 years prior to 2019 - employees were choosing to get their care at competing facilities rather than at DeSoto Memorial
5. \$2,178,562 Total Medical/Rx spend (\$482,159 Rx)

In 2018, DeSoto was introduced to Carl Schuessler, Jr., DHP, DIA, GBDS and Barry Murphy, CLU, ChFC with Mitigate Partners, a fee only consulting firm with a mission to custom design a healthcare strategy to reduce costs for the employer and employee, improve benefits for employees all while realizing better clinical outcomes for plan members.

By using the Mitigate Partners' FairCo\$t Health Plan design, DeSoto was able to capitalize on direct contracting, add Direct Primary Care, member advocacy for improved patient experience, and include a suite of cost containment partners to reduce all levels of healthcare spend. Upon execution of the plan, DeSoto realized over \$1.2M in health plan savings or 54% in the first year which they were able to reinvest into their employees.

### **Advisor Background**

Mitigate Partners, LLC is a Risk Management, Cost Containment, and Employee Benefits Consulting group, which is a partnership of 30+ employee benefit consulting and brokerage firms that allows local management within a collaborative environment with more than 150 years of combined experience. The team at Mitigate Partners is committed to delivering actively managed *Employer*-built Healthcare (Main Street Plans) to replace the archaic passively managed *Insurer*-Built Healthcare (Wall Street Plans) so prominent in the marketplace today.

They accomplish this through their FairCo\$t Health Plan with a seamlessly integrated platform containing 20+ Cost Containment Solutions which leads to best-in-class benefits at substantially lower costs, all while improving clinical and financial outcomes for the health plan and the employees.

As Benefits Advisors, they are collectively aligned to support each other, use their collective wisdom and to help each other thrive, and improve the ability of their clients to deliver on their promises to their employees. Their collaboration helps employers save money on healthcare and take the best care possible of their employees.

The vision is to change healthcare in America back to how it worked over 30 years ago by re-localizing care and getting back to Community-Built or Community-Owned Healthcare. Mitigate Partners aims to be the leading nationally recognized consulting firm in the country that is driven to provide value-driven service to their clients.

### **Approach**

The crux of the DeSoto Memorial Hospital success story and the heart of the Mitigate Partners formula is going direct with provider and employer contracting. Carl simply addresses this as “cutting out the middlemen.” Hospitals are very familiar with these types of negotiations, but often neglect to utilize this strategy for their own employee plan. Once the hospital brings these benefits together for their own staff, there is a tremendous opportunity to replicate these solutions to the employer groups in the community served by the hospital, replicating their success.

Vince Sica articulates that the “two prongs of payment utilized to actually reduce the cost of healthcare” include Direct Primary Care and bundled cash pay.

- Direct Primary Care (DPC) charges a monthly membership fee paid by the hospital and members, and their covered dependents are welcome to visit and/or call their physician as many times as they like with no out of pocket charges. Basic lab work, telemedicine and prescriptions are managed by the DPC in addition to referrals to specialists as needed without copays. Dr. Lee Gross of Epiphany Health Direct Primary Care, who leads DeSoto’s DPC strategy, explains it like this: “DPC has eliminated the need to use insurance to access primary care. We are forever changing health care delivery; eliminating barriers to access, improving efficiency & communication, adding price transparency, managing the referral process and restoring sanity to health care.”
- Bundled arrangements exist when a provider agrees to access a certain amount for all the services associated with a medical procedure in return for prompt payment. Bundled payment arrangements are also designed to pay multiple providers for coordinating the total amount of services required for a single, pre-defined episode of care. Carl Schuessler shared an example of a cash knee replacement surgery that was priced at \$70k by a local facility but was negotiated down to \$25k with case pay and upfront reimbursements.

DeSoto also added a medical advocacy program which identifies the right appropriate doctor and/or provider and directs members to those providers with top quality outcomes at the appropriate price and at the right time of the member’s medical journey. This advocacy program not only eliminates waste inherent in the system, but it also improves the experience of the member while reducing overall costs.

The FairCo\$t Partners also communicate on each members’ care utilizing The Integrated Coordinated Care Board (IC<sup>2</sup>) in a HIPAA compliant setting. This platform

allows for seamless, integrated care versus the current siloed approach prevalent in today's healthcare.

In addition to several other cost containment initiatives that are baked into the FairCo\$t model, Carl spends time developing a stop loss protection plan customized to address the new projected risk of the plan. Stop loss is often a last thought in the health plan design, but by properly integrating the stop loss solution with the custom plan design, the stop loss partnership becomes a key element in pricing innovation for self-funded plans. Recognizing the likely impact of the FairCo\$t approach combined with DPC, DeSoto was able to have their premium reduced by 58% or \$150,000 discount on their stop loss premiums.”

Some of the key contract terms in DeSoto's medical stop loss policy that should be considered for all self-funded clients include:

- a. A+ Superior rated paper to ensure financial solvency and claims reimbursement.
- b. Experience in the cost containment programs that DeSoto incorporated to optimize proactive discounts for the proposed model and solutions.
- c. Stop loss policy that follows the underlying Summary Plan Description (SPD).
- d. No New Laser and Specific Advance included as a package.
- e. Incurred contract terms for extended run out protection.

Not only was the plan architecture and stop loss savings critical to DeSoto's success, but it is also the collaboration of the FairCo\$t solution partners that is credited for the impressive outcomes. Carl organized a solution partner planning meeting to foster collaboration on all facets of the custom design to construct the vision of DeSoto's health plan. Lois Hilton describes the strategic planning meeting that extended for 5 hours: “We built this plan as a team, with the TPA, Dr. Gross, our reinsurance carrier, etc. I had never met a reinsurance carrier representative until that day. For all our partners to sit at the table to listen how we were building the plans, and how we were implementing the safety measures for employees and cost control,...For everyone to come in with the reduction in costs was amazing. Although it was time consuming, it was very worthwhile and very rewarding.”

### **Top Level Results**

Three years into the execution of DeSoto's new plan design:

- Relocalized Care = Neighborhood Healthcare
- Removed all barriers to care.
- Since inception in 2019, DeSoto has never raised their premiums/employee contributions.
- DeSoto employees continue to enjoy no out of pocket co-pays and no deductible when they follow the directed care plans.

- \$150,000 Savings (58%) in Stop Loss Premiums with Rx in the Aggregate – Rx wasn’t included when hired.
- Improved Benefits for much less cost - “weaponized” plan design.
- Reduced Foreign Medical Spend to 62% from 79% in the first year and currently at approximately 45%.
- Hired 1<sup>st</sup> full-time Surgeon in County history.
- First year renewal rate decreases of -3.2% SL and -14% on Aggregate funding factors.

Medical Expense Per Employee Per Year (PEPY) when hired was \$13,852:

- 2019 Medical Expense PEPY = \$4,549
- 2020 Medical Expense PEPY = \$5,595
- 2021 Medical Expense PEPY = \$7,294

The DPC 3-year averages:

	DPC	Non-DPC	% Difference
Paid by plan PMPM	\$350.83	\$569.28	38.6%
Total Out Of Pocket PMPM (Copay, Coinsurance, deductible)	\$44.55	\$64.73	31.2%
ER visits per 1,000 members	250	411	39.2%
Specialist spend PMPM	\$8.84	\$12.48	29.2%
PCP spend per visit	\$58.70	\$72.42	18.9%

**Moving Forward – Next Steps**

Since the local hospital fully understands and has taken the steps to actively manage their own benefit program, they can assume a leadership position in redefining healthcare in their community. What a novel idea! Those providing services talking directly to those in need of services without interference from those who profit by keeping the system dysfunctional. By openly and directly talking with community leaders about common needs and solutions, it is possible to create a new dynamic where the needs of all can be more effectively addressed. Hospital leadership is in the process of gathering the leaders in County and City government, the School Board, and the Sheriff’s department to work together for the greater good for all. Once this community platform is established, private employers can be invited to join.

Mitigate Partners is in a unique position to facilitate such a conversation.