

APEXBENEFITS

CASE STUDY | 2016

CITY OF MARION

> REFERENCE-BASED REIMBURSEMENT IMPLEMENTATION





THE CITY WAS FACED WITH MULTIPLE LAYOFFS AND MOUNTING DEBT FROM THEIR HEALTHCARE PROGRAM

CHALLENGE

In 2012, the City of Marion in Indiana faced a large operating budget deficit, which was primarily associated with declining property tax revenue and exponential annual increases in healthcare expenses. The healthcare program was the primary cause of this mounting debt. During a 35-year relationship with their current insurance carrier, benefits remained virtually unchanged while hospital and physician costs skyrocketed. Realizing that this crisis was uncontained, the City of Marion submitted an RFP to various insurance markets with the assistance of Apex Benefits to solve the mounting issues.

SOLUTION

Along with benefit design changes, Apex Benefits presented a revolutionary and new approach to healthcare cost containment that the city leaders enthusiastically embraced. Known as reference based reimbursement, the program pays hospital and facility medical claims at steep discounts not available in the traditional PPO based network models. The program known as Reference-Based Reimbursement pays hospital and facility claims at the self reported cost plus a reasonable margin or the Medicare reimbursement rate plus a reasonable margin, whichever is greater. To administer this new approach, Apex Benefits sought the help of two trusted entities to oversee the program. The two entities partner together to audit, adjudicate, and pay all facility claims for their clients. This dynamic approach has yielded staggering results.

RESULTS

Through this collaborative approach with Apex Benefits and the third party administrators, the City of Marion reduced healthcare costs by approximately \$2.5 million, or 45%, in fiscal 2013. These savings allowed the city to enhance their bond rating from BBB- to A+ in the same time period. The improved bond rating combined with the reduction in cost allowed the city to access capital at lower cost and increase borrowing capacity.

Working closely with the TPA's and Apex Benefits, the City of Marion reached a budget break-even point in fiscal 2014 - the first time this benchmark had been reached in many years. The city looks forward to continued financial success and to offering the highest quality benefits to the employees and their families.

	WITH 8% TREND AFTER 2012	ACTUAL PEPY	PEPY SAVINGS	# EE	ANNUAL SAVINGS
2013	\$19,677.71	\$10,152.00	\$9,525.00	267.2	\$2,545,269.00
2014	\$21,251.93	\$14,980.00	\$6,271.00	257.4	\$1,614,394.00
2015 (8 Months)	\$22,370.76	\$15,275.00	\$7,095.76	258.4	\$1,833,544.00
			TOTAL SAVINGS		\$5,993,207.00

* 8% reflects national trend in the rise of healthcare costs
 2013 Apex Benefits partnership went into effect January 1st