

CaseStudy

LOCAL GOVERNMENT

Using RBR and Public Sector Expertise to Reduce Spend

County realizes \$7.5M cumulative drop in healthcare costs

CLIENT

Public sector, county government with more than 450 employees

CHALLENGE

The client was unable to sustain continuing exponential increases in healthcare costs while revenue remained flat. Leaders were running out of options to bring costs down without putting a financial burden on its employees or reducing their benefits package.

In 2015, before Apex secured the account as a client, the county's healthcare spend was more than \$6 million. Benefit plan changes had not previously made any substantial difference in overall spend.

SOLUTION

Apex was the first benefits advisory firm to introduce Reference-Based Reimbursement (RBR) pricing methodology to the public and private sectors in Indiana in 2012 and has the largest number of RBR clients among Indiana benefits advisory firms. After analyzing the client's historical claims, RBR was identified as the right solution for reducing spend.

The team recommended and implemented the RBR plan in 2016, knowing it would be a more cost-effective strategy than a traditional healthcare plan. The plan included the same benefits package, deductibles and overall design offered to employees the previous year.

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RESULTS

In the move to RBR, the County's spend was \$4.8 million in claims – a reduction in spend of more than \$1.2 million, including runout from the previous year.

In 2017, the second year with RBR, the total healthcare spend had dropped to \$4 million, totaling a cost reduction of more than \$2 million since 2015. That spend decreased again in 2018 as it was \$3.6 million. There was a slight bump in spend in 2019 at \$4.1 million. Still, the client was \$1.9 million below its 2015 spend.

	PLAN YEAR	HEALTHCARE SPEND	PEPM
BEFORE APEX	2015	\$6,024,572	\$1,107
APEX	2016	\$4,845,233	\$857
APEX	2017	\$4,022,914	\$748
APEX	2018	\$3,685,756	\$698
APEX	2019	\$4,179,912	\$781

REFERENCE-BASED REIMBURSEMENT
Since 2012, the Apex team has provided a thorough support system to educate service providers – as well as employers and their employees throughout their RBR journeys – thereby increasing comfort levels with RBR and ensuring the reimbursement process results in minimal disruption.

Not only has healthcare spend been significantly lower since the client hired Apex, but the per employee per month (PEPM) healthcare costs have drastically dropped from \$1,106.91 PEPM in 2015 to \$781 PEPM by 2019.

Using RBR, the client has been able to continue offering the benefits its employees enjoy and, in fact, has made no modifications in the plan package since 2015. The result has been a significantly lower healthcare spend and drastically reduced PEPM costs. An overall reduction in spend of \$7.5 million has allowed the client to realize a surplus in their claims account.

