









REFERENCE BASED PRICING
THE RIGHT WAY

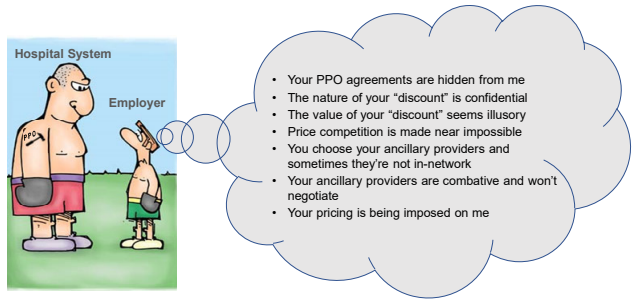
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RBP IS BECOMING MORE COMMON 

- The majority of new 2020 clients chose full RBP for all plan designs.
- All but one of Kempton's clients use some form of RBP in their plans.
 - All plan options offered
 - A voluntary plan design option
 - RBP for out-of-network

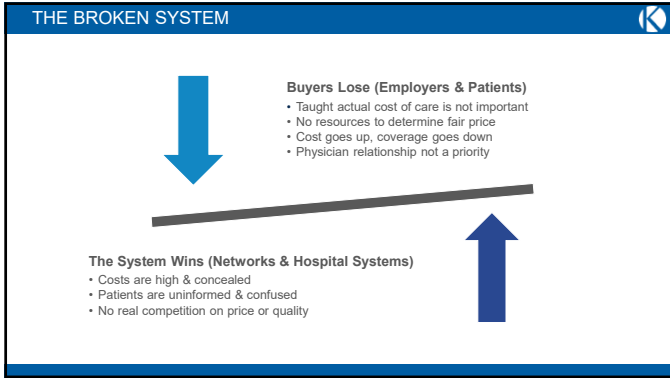
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UNLEVEL PLAYING FIELD: EMPLOYER VIEW OF PROVIDER (PPO) 

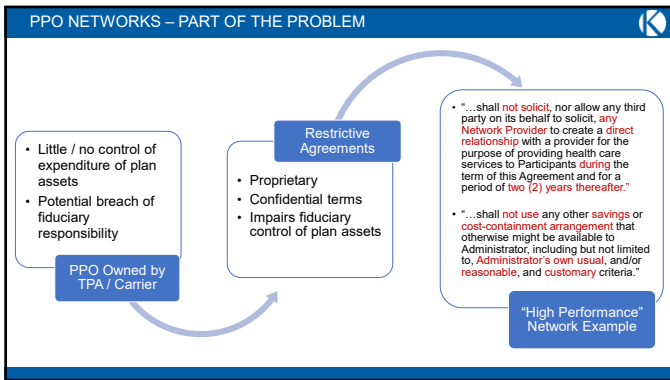


- Your PPO agreements are hidden from me
- The nature of your "discount" is confidential
- The value of your "discount" seems illusory
- Price competition is made near impossible
- You choose your ancillary providers and sometimes they're not in-network
- Your ancillary providers are combative and won't negotiate
- Your pricing is being imposed on me

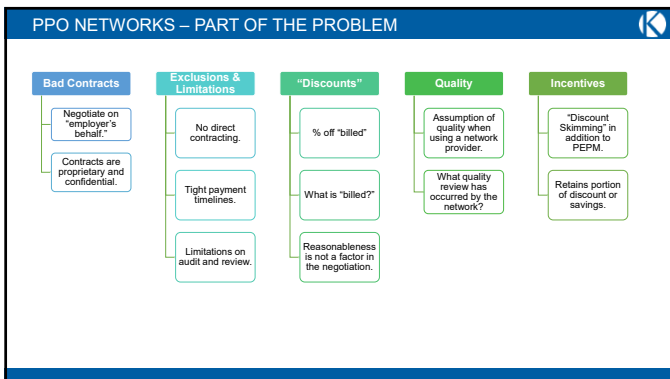
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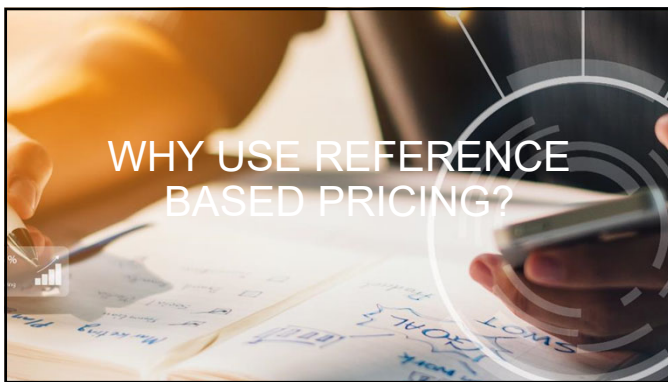
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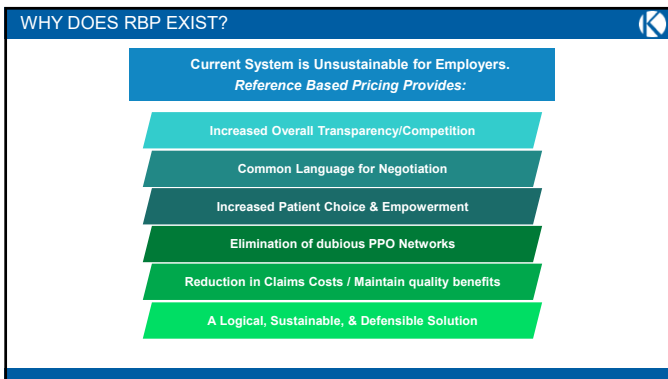
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| COST VARIABILITY – PPO NETWORKS | | Market Oklahoma City, OK | |
|--|-----------|----------------------------|----------|
| MARKET BASKET OF COMMON PROCEDURES | LOW PRICE | HIGH PRICE | VARIANCE |
| 1 Colonoscopy (screening) | \$1,077 | \$6,068 | 563% |
| 2 Shoulder MRI (no contrast) | \$425 | \$3,094 | 728% |
| 3 Sleep Study | \$1,051 | \$8,275 | 787% |
| 4 Chest CT (no contrast) | \$208 | \$2,333 | 1122% |
| 5 Knee Arthroscopy | \$2,732 | \$18,602 | 681% |
| 6 Upper Gastrointestinal Endoscopy (no biopsy) | \$934 | \$5,484 | 587% |
| 7 Abdominal Ultrasound | \$97 | \$606 | 625% |
| 8 Cataract Surgery | \$2,066 | \$17,647 | 854% |
| 9 Heart Perfusion Imaging | \$816 | \$8,631 | 1058% |
| 10 Ear Tube Placement (Tympanostomy) | \$1,314 | \$7,463 | 568% |
| Average Market Variance | | | 757% |
| EQUIVALENT VARIANCE IN A GALLON OF GAS | \$2.50 | \$18.93 | 757% |

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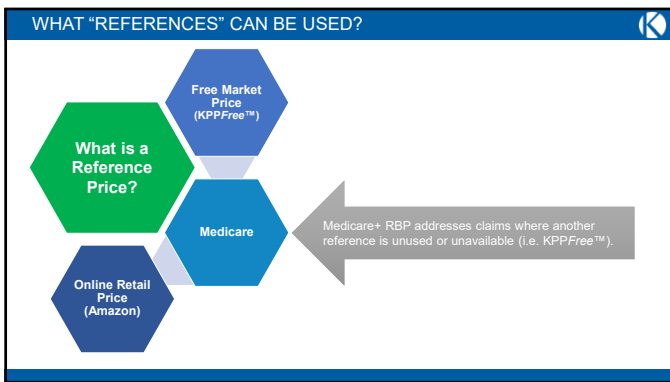
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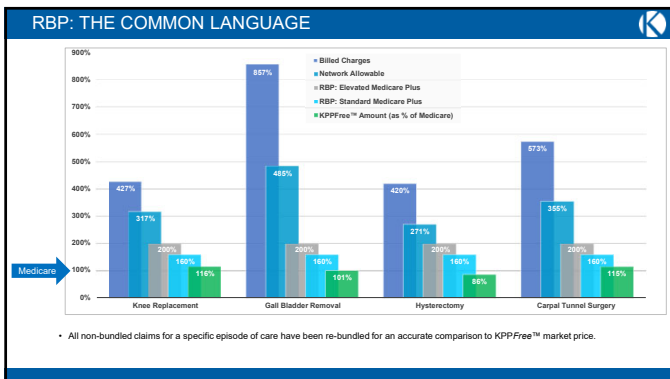
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AVERAGE PPO ALLOWABLES AS MEDICARE %

| Medical Service | Average PPO Allowable | % of Medicare |
|--|-----------------------|---------------|
| Psychotherapy Visit | \$75.00 | 60% |
| Chest X-Ray | \$26.40 | 111% |
| In-Office Injection | \$99.71 | 148% |
| Chiropractic Visit | \$31.86 | 80% |
| Hearing Test | \$44.78 | 121% |
| Orthopedic Specialist | \$71.52 | 96% |
| Cardiologist Visit | \$164.98 | 130% |
| Office Visit, New Patient, Level 1 | \$34.52 | 133% |
| Office Visit, New Patient, Level 5 | \$205.44 | 124% |
| Office Visit, Established Patient, Level 1 | \$15.96 | 176% |
| Office Visit, Established Patient, Level 5 | \$137.76 | 126% |

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BUT...PROVIDERS MAY SEE THIS AS AN UNEVEN PLAYING FIELD

- How dare you, I never agreed to this
- I believe negotiating jeopardizes my existing PPO agreements
- I think Medicare pricing isn't high enough
- This margin doesn't work for my "budget"
- I must overcharge some to compensate for all my "Uncompensated Care."
- You know, we operate on "razor-thin" margins
- Your pricing is being imposed on me

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THE RIGHT WAY TO DO RBP

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A SUPERIOR SOLUTION IS AVAILABLE

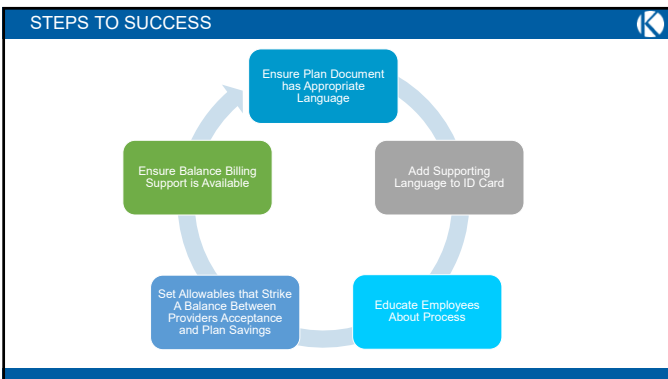
- View RBP as a potential for mutual cooperation vs. a punishment or demand.
- Educate participants about the decision, **why** RBP is being used, and how to talk to providers about their plan.
- Provide support by partnering with best-in-class vendors.
 - Provide pre-service and post service advocacy/support.
 - Educate and negotiate with providers in advance, when possible.
 - Integrated legal support for patients dealing with difficult providers.

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RBP VENDOR CONSIDERATIONS

- Compensation is based on a **flat per employee per month**, not a percentage.
- Experience with Medicare re-pricing.
- Superior pricing technology platform that supports multiple pricing methods.
- Frequent Medicare fee schedule updates.
- Includes patient advocacy and balance billing support.
 - Pre-service and post-service education of members and providers.
 - Gain plan acceptance or negotiate rates in advance.
 - Balance billing support and advocacy.
 - Develops and maintains a Safe Harbor list - Providers in a member's locale who accept RBP.
- 2nd level provider negotiations.

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EMPLOYEE EDUCATION: KNOW BEFORE YOU GO...

| | |
|---|---|
| <p>✗ Do you "accept" my plan?</p> <p>✗ Do you "take" my insurance?</p> <p>✗ I don't know if you are covered by my insurance.</p> <p>✗ Are you in my network?</p> <p>✗ I don't know how much "Kempton" pays for that.</p> | <p>✔ Do you accept Medicare? Great! My plan will pay you 30% more than what you get from Medicare.</p> <p>✔ My health plan reimburses a % ABOVE your current Medicare payment. Would you be willing to accept this amount without balance billing?</p> <p>✔ What will you charge for my medical services? My health plan will reimburse me if I pay cash.</p> <p>✔ My employer is self-funded and pays my claims directly. There is no PPO network. My plan reimburses a reasonable amount based on a % above your Medicare rate.</p> <p>✔ My health plan allows me to choose any physician I want. I would like to be able to use you as my physician. Can we discuss how we can work together?</p> |
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A TRUE LEVEL PLAYING FIELD: RBP WITH DIRECT CONTRACTS



Leveling the Field Requires:

- RBP is NOT a "race to the bottom"
- RBP is a common language for voluntary negotiation and understanding
- RBP is a conversation starter
- Should be a mutually beneficial relationship
- Direct contract between buyer & seller (employer & provider) remove intermediaries

When to Walk Away...

- Unwilling to negotiate using a common language
- Unwilling to be transparent with prices
- Refusal to agree to a reasonable pricing arrangement

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RBP & BALANCE BILLING METRICS (Book of Business 1/1/2019-4/1/2020)

| | | | |
|--|---|---|---|
| <p>50,948 Total Claims</p> <p>12,597 Total Members</p> | <p>150 Balance Bills</p> <p>0.026% Resulted in a Balance Bill</p> | <p>54 Positive Resolutions</p> <p>1 Declined or No Response</p> <p>230% Average Negotiated</p> | <p>\$58.5M Billed Charges</p> <p>\$20.9M Plan Allowed</p> <p>\$37.7M Total Saved</p> |
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