Joining forces

When self-insured employers partner with ASCs, both sides win.

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>
> - Jim Millaway, Co-founder and CEO, The Zero Card

With increasing frequency, ambulatory surgery centers and self-insured employers are realizing the cost-saving potential of working together to serve healthcare consumers.

A 2016 Employee Benefit Research Institute (EBRI) report found that the percentage of private-sector establishments offering at least one self-insured health plan has increased from 28.5 percent in 1996 to 39 percent in 2015.[1] Meanwhile, ASCs have gained ground as a hospital alternative for surgical procedures; surgery centers now perform more than 20 million procedures annually, while the number of outpatient surgeries performed in hospitals has declined.[2]

Mike Ferguson, president and CEO of Self-Insurance Institute of America Inc. (SIIA), notes the recent rise in relationships between self-insured employers and ASCs.

"We're hearing of more employers with direct-negotiated arrangements with surgery centers and other outpatient centers," Ferguson says.

Jim Millaway has also seen an increase in these partnerships over the past three years. The co-founder and CEO of The Zero Card, a marketplace for self-insured employers, and senior benefits consultant for HUB International, gives the example of Surgery Center of Oklahoma, which has only one active Preferred Provider Organization contract. "The ASC operates almost entirely on cash payments and employer-direct contracts," he says.

Increased efficiency and patient volume

Partnering with self-insured companies offers ASCs operational and financial benefits.

Ferguson explains, "Surgery centers have less administrative overhead. They appreciate self-funded payers because they can avoid the insurance company mechanism, and claims get paid promptly."

When companies steer employees to contracted ASCs, surgery centers may also gain an influx of new patients.

"Because self-funded plans have the flexibility to contract directly with the ASC, each employee is a direct customer for the center," Ferguson says.

Still, ASC chains with a wider reach are better positioned than single surgery centers to do business with self-insured employers.[3] Many large companies have employees in multiple states; therefore, they need a partner

with locations across the country.

A win for employers

Employers negotiate ASC partnerships for cost savings and improved quality of care. Employees not only receive low-cost or no-cost treatment at surgery centers, they may receive higher quality treatment for certain conditions.

"If you're a surgery center and all you do is knee surgeries, presumably you have a certain level of expertise in that area." Ferguson says. "If the employer can get a better deal, and the service is as good or better, it's a plus for everyone."

Companies can also pass along cost savings to employees.

"With direct contracts, the prices are so competitive, employers can turn savings into a new benefit," Millaway says. "An employer can design its plan so that if employees use the ASC, they have no out-of-pocket cost. That's a huge benefit. Rarely does a benefits manager have an opportunity to cut costs and improve benefits at the same time."

As more employers offer high-deductible health plans as part of their benefits packages, employees may also face more choices when they need care. Providing a high-quality, no- or low-cost option can make those decisions easier.

Bundled-rate billing

In terms of billing arrangements, "bundles resonate better in the marketplace," Millaway says. "A CFO may not understand fee-for-service. They want to buy healthcare like they buy products and services from other vendors. They want everything rolled in to one price."

With a bundled rate, the surgery center simply sends the company an invoice for the total bill — no explanations of benefits, no separate bills for the surgeon, the radiologist, the facility and so on. For example, Surgery Center of Oklahoma charges $15,499 for total knee replacement surgery, according to its website. That rate includes facility, surgeon and anesthesiologist fees, an initial consultation and "uncomplicated" follow-up care.

Negotiating bundled rates enables ASCs to reduce paperwork. Additionally, by keeping the provider network confidential and proprietary, centers can avoid a difficult conversation with a health plan that may want the same rate. If trends indicate, self-insured employers will continue to shift care toward ASCs, Millaway says.

"The uncertainty with the Affordable Care Act has proven to employers that meaningful healthcare reform is not going to come from Washington," Millaway says. "It's going to happen employer by employer, community by community." ■

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