

Countering Soaring Healthcare Costs through Reference Based Pricing



The Challenge

A construction company found itself grappling with an imposing 18% health insurance renewal, marking the third consecutive year of double-digit increases. Faced with the escalating costs, the company recognized the urgent need for strategic action to mitigate the financial strain. Their goal was clear: to curtail healthcare expenditures by 15% while retaining their health insurance plan.

The Solution

Newfront Senior Vice President Paul Martinez recommended a strategic move to counter soaring healthcare costs by transitioning the construction company from a conventional BUCA (Blue Cross Blue Shield, UnitedHealthcare, Cigna, Aetna) health insurance plan to a more innovative Reference Based Pricing (RBP) model. Unlike the BUCA plan, which reimbursed healthcare providers at rates exceeding 250% of Medicare, the RBP plan offered reimbursement at a more reasonable range of 140-175% of Medicare rates. This shift effectively slashed claims costs and drastically reduced premium expenses for the company.

The Results

The resultant savings were substantial - \$1.75M, enabling the company to offer a remarkable benefit: a FREE health plan to its employees, a feat previously deemed unattainable. This transformation not only alleviated financial burdens on the company but also employees by providing them with a valuable and cost-effective healthcare option. Additionally, their first-year renewal under RBP called for a 10% decrease.

COST-SAVING MEASURES

\$1.75 Million

Saved through strategic Reference Based Pricing (RBP) recommendation

