



Ushering Inpatient Care Into 21st Century Online Consumerism

Authored by: Tibi Zohar, Co-Founder and CEO, DoctorGlobe

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Transparency has become a common buzzword in most conversations about healthcare these days, especially since the implementation of the Affordable Care Act. The two common methods to overcome rising non-transparent costs have been either to negotiate prices through a carrier or invent prices with reference-based pricing.

DoctorGlobe has developed a model that leads inpatient care into 21st Century online healthcare consumerism. Much like online shopping platforms such as Orbitz or Priceline – which cater to consumers in order to achieve substantial savings – DoctorGlobe utilizes big-data and crowd-wisdom to overcome non-transparency and identify quality.

As the first and only U.S. domestic online hospital-shopping platform, DoctorGlobe exploits price inefficiency and highlights quality inpatient care. This technology also provides a smart employee incentive program, which inspires change in employee choices through rewarding action. This combination can save employers five to ten percent off of overall healthcare costs.

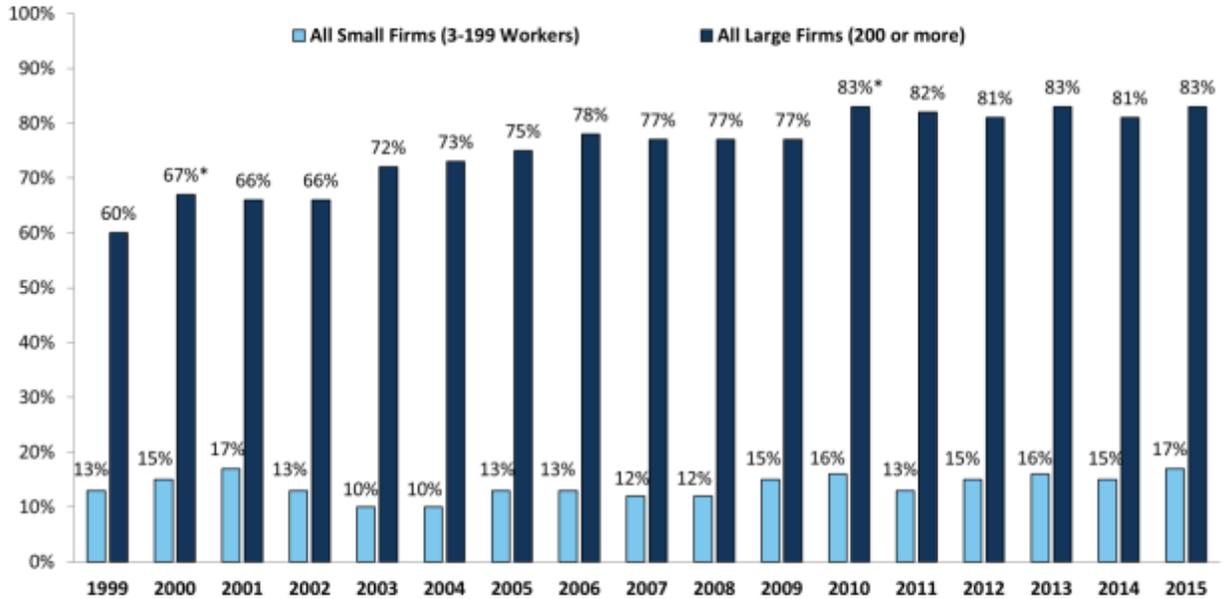
Before discussing how DoctorGlobe works, however, it's important to examine in greater detail the challenges that self-insured employers face in today's environment.

The Challenges of Self-Insuring

Companies that opt to self-fund (self-insure) face key challenges that can prevent them from taking full advantage of an opportunity to reduce healthcare costs. Once a strategy used exclusively by large companies to contain the cost of employee healthcare coverage, self-funding has gained considerable ground among small to mid-size companies. At a time when the annual cost of covering an employee has risen to \$12,000, self-funding can save employers as much as 12 percent.ⁱ Furthermore, it gives employers greater control over their health coverage dollar, leaving more resources to be used at their discretion.

Exhibit 10.2

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999-2015



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Sixty-three percent of covered workers are in a partially or completely self-funded plan in 2015. Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in the averages in this exhibit for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015.



Source: <http://kff.org/report-section/ehbs-2015-section-ten-plan-funding/>

Health insurance has always been a question of risk versus reward, but with self-funding, companies can mitigate risk by purchasing stop-loss insurance to provide an added level of financial security, which is especially important for smaller businesses. Whether fully or partially self-funded, companies are grappling with 1) a persistent lack of transparency in healthcare and 2) ways to engage plan members into making better healthcare choices.

Potential Solutions Fail to Emerge

The healthcare industry has been resisting efforts to bring cost transparency to plan sponsors and members for years. In this country, prices do not necessarily reflect quality, and costs can vary dramatically even within geographic proximity.

A study published in the *Annals of Internal Medicine*, demonstrates no clear relationship between the cost and quality of healthcare,ⁱⁱ and that the most effective way to lower healthcare costs is to focus on where a patient accesses services.

For example, ACL knee surgery might cost \$23,098 at one specific location, while priced at only \$6,498 on the other side of town.ⁱⁱⁱ Prices are determined on a hospital-by-hospital basis, with each hospital factoring different expenses from a master file of billable items, such as hospital services, medical procedures, equipment, drugs and supplies.

Furthermore, accessing care outside of hospitals and large health systems tends to cost less because larger organizations charge higher fees than private physician offices to cover overhead costs and operational expenses.^{iv}

Bundled payment programs have shown positive results in terms of savings because they encourage providers to collaborate on improving the efficiency and quality of individual care episodes, empowering them to focus on the unit cost of care.

At the moment, however, few doctors or healthcare systems provide bundled pricing unless they are participants of a Centers of Excellence (COEs) program or ambulatory surgery centers (ASCs). Sending plan members to COEs for high quality, more-affordable surgical procedures or episodes of treatment is a strategy that has been adopted by large retailers, such as Wal-Mart, Lowe's, Jet Blue and others.

The reality for most small to mid-size companies, however, is that health plan members tend to continue to seek healthcare at the nearest hospital or the one recommended by their doctor or friends.

Understanding Healthcare Consumer Behavior

Consumerism has been completely transformed in the last two decades. While in the late 1990's most consumers were still uncomfortable using their credit card online, today it's common for people to make purchases from Amazon and book complicated vacations online with no intermediary assistance.

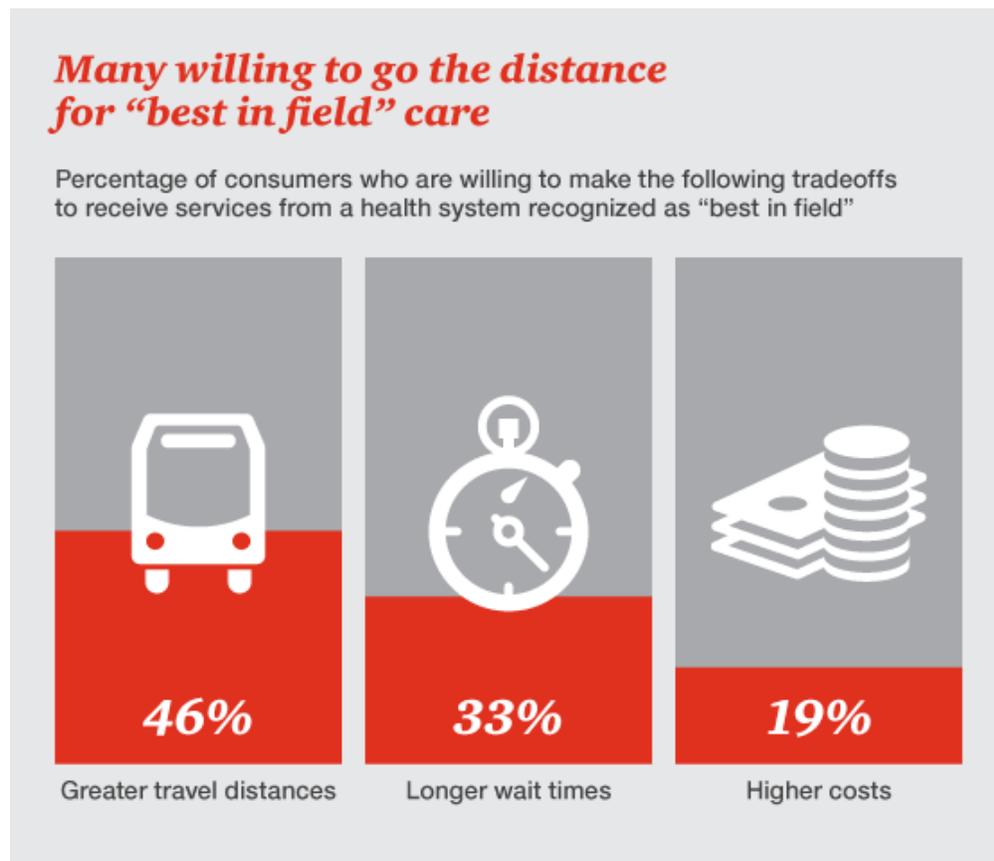
This revolution has created a savvier, more self-reliant consumer who is proficient at online research and exploiting big data. This level of aptitude was once the reserve of licensed professionals with decades of experience. And yet online consumerism takes two steps back when it comes to healthcare consumerism.

The lack of upfront price transparency in healthcare has been the main factor preventing entrepreneurial attempts from creating an Orbitz or Amazon equivalent for healthcare.

The common belief has been that, just as with a hotel room or product, without the ability to predict and display exactly what a procedure will cost, such an online marketplace cannot be built.

Nevertheless, with healthcare pricing being so expensive and inefficient, directing more patients to quality care that is priced below average should turn that average into the new ceiling, thus lowering the overall cost of care.

Consumers do seem willing to make tradeoffs to access higher quality care. As healthcare shifts from treating individual patients to managing populations, healthcare providers are beginning to focus on growth that enhances their bottom lines and brand as being among “best in field” providers. In fact, 86 percent of consumers surveyed said that the “best in field” label is important when choosing a health system. The chart below shows a more specific breakdown of what consumers are willing to sacrifice to access this level of care.^v



Source: <http://www.pwc.com/us/en/health-industries/top-health-industry-issues/consolidation.html>

Nevertheless, the fact that participants are not the payers of the full price of care has prevented consumerism from fully developing in this area. Only a small portion of the more expensive healthcare procedures end up being paid by a covered patient, which makes the whole purchase experience very different from any other consumer marketplace.

This has led to some programs incorporating a waiver of participants' out-of-pocket cost participation, provided they select the right COE or Ambulatory Care Center. That approach has been shown to create healthcare cost savings. In most cases, however, these programs haven't produced the full extent of engagement that they were expected to create.

There may be two reasons for this. First, people tend to overlook what they do not pay, so they forget to consider it as money saved. Second, once the out-of-pocket is waived on a select group of providers, there is no guarantee that the participant will choose the most efficient one in that group.

The only way to create a consumer experience is to award the participants with a certain share of the savings they create by making a smart choice. Still, meeting consumer demand in healthcare is simpler than many might believe. As more companies rollout disruptive high-tech solutions to support the healthcare revolution, most consumers want simpler options, such as an easier way to schedule doctor visits or a central payment portal.

According to a survey of 500 consumers, the most preferred features included out-of-pocket cost estimators and online appointment scheduling. Therefore, employers who want to make the most of their healthcare investments should focus on basic digital products and solutions that align with their strategic goals.

Inspiring Plan Members to Make the Right Choice

The DoctorGlobe hospital-shopping platform is designed to identify and exploit healthcare price inefficiency by finding and highlighting quality hospitals that charge below the employee's area average price – helping participants find better care for less. This approach neutralizes the price transparency issue and inspires plan members to make their own smart healthcare choices.

With no charge, plan participants access an estimated saved out-of-pocket cost, as well as the estimated cash bonus representing a share of the corporate savings. The participants' incentives represent an all-expense inclusive price.

This approach is about rewarding plan members for making cost-effective selections, and is an ideal solution for self-funded employers looking to trim millions off of their healthcare costs.

Simple Steps for Consumers:

- Find a hospital by volume, distance and bonus
- Select (or find) your doctor at your chosen hospital
- Reserve your care with your selected providers
- Collect your rewards for making smart choices

Considering that out-of-pocket healthcare costs, including deductibles and coinsurance, have risen significantly in the past several years, a consumer-oriented hospital-shopping platform at the level of Amazon will bring a positive, straightforward approach to the selection of healthcare providers, using a bonus incentive to replace the traditional out-of-pocket approach.

It's about giving employers maximum flexibility by allowing them to work with their own provider networks, out-of-network – or both – while also displaying domestic providers from one mile to 2,500 miles away.

DoctorGlobe works by 1) ranking what participants are most interested in – quality, distance, and bonus amount – and 2) finding and ranking quality care providers who charge below an employee's area price.

The platform is highly adaptable, allowing an employer to dictate their preferences based on their average bill on an employee's care, their minimum desired savings on care, and their desired employee bonus.

This approach is also the most affordable with any combination of a modest percent of whatever savings the solution creates and a dollar per-employee-per month. Looking ahead in the 21st Century, this kind of healthcare shopping will be the norm. It's about choice, transparency and plan member engagement that benefits the bottom line for employers and improves the quality of cost-effective care for plan members.

About the Author, Tibi Zohar, MSFS



Tibi Zohar, the President and CEO of DoctorGlobe, co-founded the company in January of 2014 with Yori Landau, the former leader of the Orbitz Worldwide Israel's R&D center. The company is headquartered in Oceanside California and it has R&D centers in Tel Aviv Israel and New Delhi, India. DoctorGlobe is the first and only domestic hospital-shopping platform helping companies and employees to select better care for less. DoctorGlobe utilizes "big data" and implements a "crowd wisdom" approach to inspire change in patient behavior.

Tibi is an accomplished financial professional with over 3 decades of experience in corporate and employee benefits in two different countries. Served as corporate executive, agency owner, founder of Custom Financial Planning and Synergy Advisers.

Million Dollar Round Table 3-time Top Of The table and 5 times Court Of the Table accomplishments, as well as TOT meeting speaker in Kauai (2009) and keynote address the 2010 Insurance and Finance annual conference in Eilat, Israel.

Tibi earned his Master of Science in Financial Services from the institute of business and finance in La Jolla, California. Among his community contributions are board member at Fresh Start Surgical Gifts, a board member at T.E.A.M. and StandWithUs Israel advocacy organizations. He co-chaired Israel @ 60 San Diego, as well as co-founded and served as president of the San Diego Jewish Chamber of Commerce."

About DoctorGlobe

DoctorGlobe, the first and only online U.S domestic hospital-shopping platform of its kind, helps self-funded companies and their employees to select better care for less. Utilizing a 'big data' and 'crowd wisdom' approach, coupled with a smart employee incentive program, DoctorGlobe's proprietary algorithm ranks 120+ surgery procedures across 2,800 hospitals, ensuring that every plan participant can seamlessly find, compare, and reserve their care. Visit: www.doctorglobe.com.

ⁱ Goforth, Alan; BenefitsPro; The Rise of Self-Funding; March 9, 2015; <http://www.benefitspro.com/2015/03/09/the-rise-of-self-funding>; accessed July 1, 2016.

ⁱⁱ Why Location Dictates the Cost of Your Health Procedure; Think Health, May 6, 2015; <http://thinkhealth.priorityhealth.com/why-location-dictates-the-cost-of-your-health-procedure/>; accessed April 11, 2016.

ⁱⁱⁱ Think Health, 2015.

^{iv} Think Health, 2015.

^v PWC; HRI's Top Ten Industry Issues of 2016; 2016; <http://www.pwc.com/us/en/health-industries/top-health-industry-issues/consolidation.html>; accessed November 8, 2016.