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THE 2017 FOLIO:
**EDDIE
AND
OZZIE**
AWARDS
WINNER

Investing in the Leaders of Tomorrow

By Carl Cox, PSAB President

Thank you for trusting me to serve as the president of the Pennsylvania State Association of Boroughs (PSAB) over the next year. It is an honor to be a part of the history of the Association, and I look forward to advancing initiatives that will only strengthen the foundation on which it was founded – through education, advocacy, and effective communication.

As a student at the Milton Hershey School, I had a network of people who mentored, engaged, and prepared me for a future in public service. Without this experience, I would not be a community leader, and would not have had the courage to serve as president of this Association. At Milton Hershey I learned about honesty, trust, loyalty, decision making, and integrity – all key attributes of good public officials.

This personal experience led me to adopt the theme of *Investing in the Leaders of Tomorrow* as my platform. This theme aims to inspire, mentor, engage, prepare, and educate future leaders who will serve their communities. It is imperative that we provide these leaders with an opportunity to learn about local

government, to have a voice in the process, and to develop leadership skills.

I hope each of you will consider adopting a Junior Council Person (JCP) Program in your borough. A JCP Program allows high school and college students the opportunity to learn critical skills including team building and collaboration, public speaking, public engagement, budgeting, and running effective meetings. There are resources available on PSAB's website to help you get started.

I know all too well the importance of professional development. That's why conferences, classroom training, and webinars should be a key part of your planning activities.

I hope you will join me at the PSAB Fall Leadership Conference on Oct. 12-14, and learn from Terry Green, founder of Think Make Live, who will share his story about the road to resilience. Green spent time in the system and will provide innovative strategies on how to support disadvantaged youth.

I invite each of you to join me at the PA Municipal Legal Update

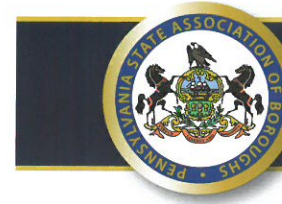


Carl Cox
PSAB President

on Aug. 8-9 in Harrisburg. This event is helpful for mayors, council members, police chiefs, and solicitors as it addresses important personnel, police, and emerging issues affecting our boroughs. What's more, if you are a member of PSAB's TEAM Program, you can send one registrant to attend this event for free, so why wouldn't you take advantage of this opportunity?

We can all learn a lot from each other. We all need to network, share, and encourage each other to be the best leaders in your communities.

I look forward to traveling throughout the state and seeing you at borough events, County Borough Association meetings, conferences, and many other activities. Thank you for investing in me, yourselves, and in the leaders of tomorrow. **B**



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Is Reference-Based Pricing Right for Your Borough?

By Steve Kelly, CEO, ELAP Service

Across the U.S., health insurance premiums are on the rise, and the public sector is not immune. Municipal officials have been faced with health care costs that have increased by 55 percent since 2007 for family coverage. With these premiums often rising more rapidly than revenues, local budgets are feeling the squeeze.

Government officials at all levels are frequently faced with small budgets and unpopular options to offset the costs of health care: raising insurance deductibles, raising taxes, cutting discretionary spending, or reducing investment in publicly funded programs like transportation, infrastructure, and education.

In an effort to utilize revenue for the economic growth of their municipalities, many governments are implementing alternative solutions in order to reduce health care costs.

Exploring PPO Alternatives

Preferred provider organizations (PPOs) are the most popular form of health care for

employer-sponsored plans, including public-sector employers.

Most PPOs operate under the assumption that if plan members utilize the plan's network of facilities and physicians, they will be given a discount off the regular cost of service. However, PPOs usually keep the actual cost of service under lock and key, and municipalities do not have all of the information to know the real discount or savings.

In an effort to gain transparency into medical services and better manage costs, many employers are moving to the self-funded insurance option. But self-funding alone cannot provide the cost containment employers need, especially if combined with a PPO model.

A self-funded plan is most effective with reference-based pricing, which is the assessment and payment of medical claims based on Medicare reimbursement data or the provider's self-reported cost to deliver the service.

An experienced reference-based pricing partner will offer fair payments to medical facilities after a line-by-line, in-depth assessment of each medical procedure's cost. A quality reference-based pricing solution will also ensure facilities are reimbursed quickly and properly.

Reference-based pricing, also referred to as metric-based pricing, can slash up to 30 percent off employers' total health care spending.

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When boroughs and health systems work together and form direct business relationships, health systems, borough-employers, and plan members can all benefit.

Municipal managers should be aware that implementing a reference-based pricing solution can come with some growing pains because some medical facilities are unfamiliar with reference-based reimbursements. But this type of health plan can also open a dialogue that can lead to positive resolutions within the community.

When boroughs and health systems work together and form direct business relationships, health systems, borough-employers, and plan members can all benefit.

Reference-based Pricing Can Work

The California Public Employees' Retirement System (CalPERS), which manages the largest public employee benefit fund in the U.S., was able to break through the PPO secrecy and learn what facilities throughout the state were charging for a hip or knee replacement – between \$15,000 and \$110,000. Because the prices ranged so widely, after speaking with 46 California hospitals, CalPERS employed a reference-based pricing program.

In 2013, CalPERS agreed to reimburse hospitals up to \$30,000 for the operations, and as a result, 40 other hospitals lowered their price. Reference-based pricing allowed CalPERS to save \$5.5 million on hip and knee replacements in two years and helped put this type of health plan on the map for other organizations looking to transform their employer-sponsored health care program and substantially decrease health care costs.

Keep in mind that reference-based pricing does not have to be executed on a large

With the right strategic partner, boroughs could save up to 30 percent off their total health care spending in the first year.

scale like CalPERS to be just as successful.

In 2012, a city in Indiana was faced with a \$5.2 million-dollar deficit in large part due to rising health care costs. The city selected a reference-based pricing partner that assisted with implementing a metric-based reimbursement plan, contracted directly with one of the two local hospitals, and arranged for advocacy services for the plan members.

In one year, the city was able to reduce its health care spending by 40 percent, rebuild depleted cash reserves, and reinvest some savings back into employees. The savings were so significant, Standard & Poor's Ratings Services raised the city's long-term credit rating from BBB- to A-, citing health care as the reason the rating improved.

Making the Switch

Changing from a traditional health care plan to self-insurance with reference-based pricing could be revolutionary in the way a borough operates. Municipalities need to balance budgets that include many critical needs – police and fire departments, roadways, and bridges.

With proper and knowledgeable guidance, municipalities can concentrate on local priorities and have their partner assist in paying health care bills, going line by line through the expenses with an understanding of the actual cost it takes to provide a medical service. With the right strategic partner, boroughs could save up to 30 percent off their total health care spending in the first year.

Borough officials can empower themselves by learning the facts and evaluating if the current health care plan is truly offering the value it promises. Identifying a better, less expensive way to offer health care to local government employees will allow boroughs to put the savings towards growing its economy.

About the Author: Steve Kelly is the co-founder and CEO of ELAP Services, a leading health care solution for self-funded employers based in Wayne, Pa. He is a recognized expert in the insurance, employee benefits, and risk management industry, bringing more than three decades of experience solving his clients' complex health care challenges.

