

CASE STUDY

ENOVATION CONTROLS



A Small Oklahoma Manufacturer Removes 97% of Pricing Failure

When you think of innovative organizations that provide a best-of-breed health benefits package and spend far less than peer organizations, you wouldn't necessarily think of small manufacturers in Oklahoma, where as much as 75 percent of the population doesn't have an established primary care relationship. Yet Enovation Controls, a provider of products and services for engine-driven equipment management and control solutions with about 600 employees, has managed to save approximately \$4,000 per covered life each year by working with a transparent open network (TON).

A TON puts together a network of the highest-value providers for different kinds of care and gives self-insured employers a set of fair and fully transparent pricing—typically a bundled price—for medical services/procedures ranging from a specific treatment (e.g., knee replacement or coronary stent) to a specific condition (e.g., diabetes or kidney disease) across multiple providers, and sometimes, multiple settings.

Enovation Controls chose The Zero Card to manage their TON. They achieved a 70 percent participation rate among eligi-

ble plan members, focusing on high-cost services like surgeries and imaging. Justin Bray, Enovation's vice president for organizational effectiveness and human resources, attributes the high rate to two primary factors.

1. **Communications** – During the rollout of the TON, Enovation shared their current health care costs with employees, along with the consequences for the company and each individual. They then compared those costs with the costs of care under specific scenarios with TON. The message: We've found a better way. Most people were shocked by the vast price disparity and that lower-priced providers often delivered the highest quality, in part because these doctors perform a given procedure more frequently, improving with repetition and letting them operate efficiently with fewer errors and expensive complications.
2. **Ease of Use** – Employees have access to a single app or phone number that directs them to network providers where they can get care with zero out-of-pocket costs. Instead of dealing with a mountain of bills and paperwork following the procedure, they receive a thank you survey to ensure the experience went well. As Bray explained, this is particularly critical as surgeries and imaging are some of the highest-cost items they have to cover. Because of the focus on higher-cost items, Enovation has achieved well over 90 percent of projected savings, even with less than 100 percent participation. The calculation of those potential savings compared the historic "allowable" amount from the company's claims history with a true market amount through the TON network, that is, what a provider would accept if you showed up with a bag of cash for a bundled procedure such as a total knee replacement.

The savings over historical allowable amounts from their traditional PPO network ranged from 21.92 percent to 81.28 percent, with an average of 59.23 percent.

Here's an example of a line item for one procedure for one employee.

“Spinal fusion except cervical without major complications”

Historic allowed amount	\$129,138
TON network	\$38,000
Savings	\$91,138

Bray shared what this meant to one employee who came up to him at a high school football game to say thank you. This person had recently had expensive surgery and didn’t have to pay a dime out of pocket—no bills, no explanations of benefits, no anything. On a \$30,000 salary, the maximum allowable out-of-pocket cost of \$2,500 under the previous health plan would have been a financial disaster, the employee said.

Enovation Controls Employee Monthly Premium Costs

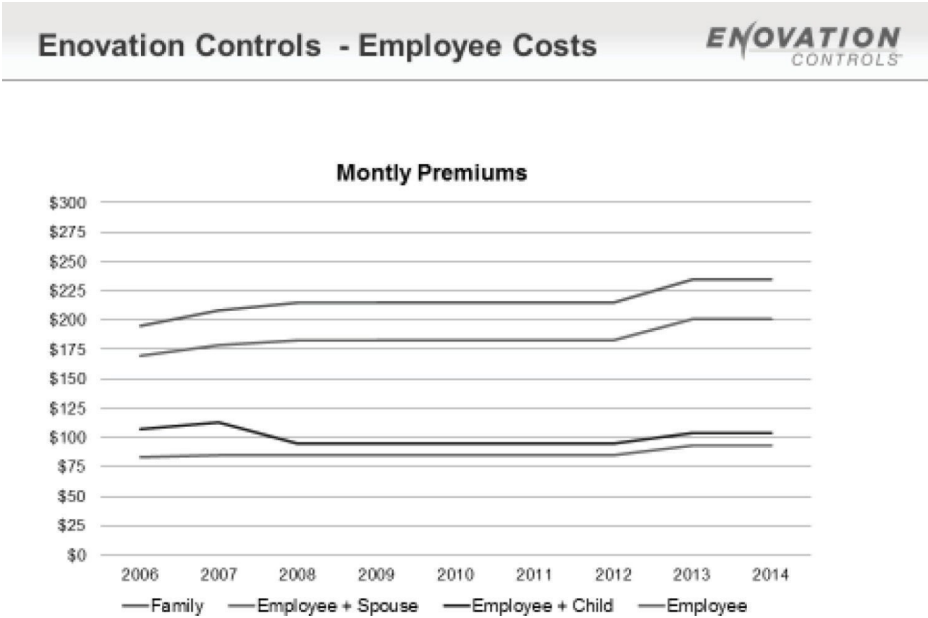


Figure 15. Summary information provided by Enovation Controls.

Like every other health care purchaser, Enovation Controls knows that tackling high-cost procedures is central to slaying the health care cost beast. Its TON program even extends to items

like complex cardiac and neurosurgical procedures, for which employees have access to the same centers of excellence as large employers, such as Mayo Clinic. Whether the Mayo Clinic or a local surgery center, high-quality providers are happy to provide a deep discount in return for more business, less hassle, and avoiding claims processing and collections processes. Once the procedure is complete, the provider gets paid within 5 days for the full bundled price.

Plus, the bundled prices frequently carry warranties, meaning post-surgical complications within 60 to 90 days are addressed at no charge—another bonus for employers.

Using data from Mercer, Enovation Controls estimates that they save \$2 million on health care every year, compared with peer manufacturing organizations. For a relatively small company, this is a highly meaningful amount of money, which it has been able to reallocate to increased R&D. While companies in their sector typically spend four percent of annual revenues on R&D, Enovation spends nine percent, helping it stay ahead of the competition and attract and retain the best engineers.

Enovation Controls Per Capita Spending

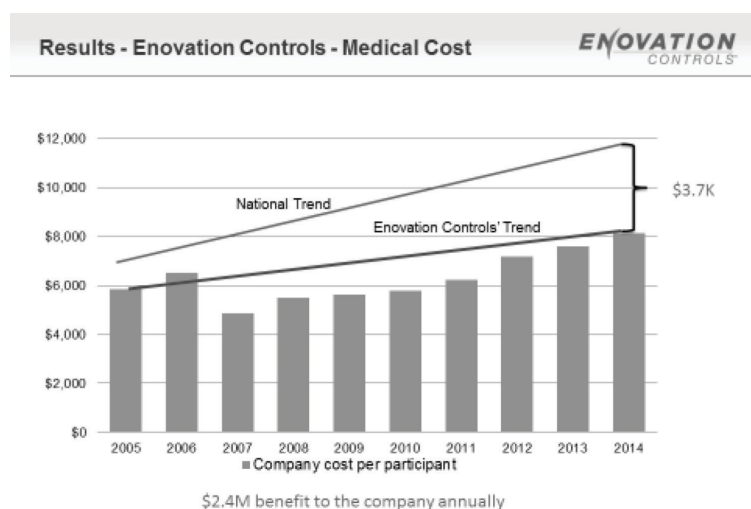


Figure 16. Summary information provided by Enovation Controls.

When a small manufacturer with few dedicated resources can pull this off, it begs the question why every employer or union isn't doing the same. Smart employers like Enovation Controls demonstrate that it's possible even in a state with some of the highest obesity rates and overall health care costs. Since a new primary care model or TON can be implemented at any point in a benefits cycle, there's no need to wait.