



## David Contorno

HR Breakout 2: "Healthcare Stole the American Dream: Here's How We Take it Back"

# Fighting the Battle Against Healthcare Giants

In the biblical story of David and Goliath, a huge adversary is defeated by the brave and skillful act of one man who was willing to step forward in a crisis situation. Meet David Contorno, today's hero in the battle over escalating healthcare costs.

As a teenager, Contorno got his first job because he knew how to face challenges. After answering an ad for a telemarketer position, his interviewer rescinded the offer when he realized Contorno was only 14. Unthwarted, he explained he had just biked his 250-pound body almost 12 miles for this interview and he expected a shot at the job. He has been in the insurance industry ever since.

Contorno spent decades building a very successful business as a traditional benefits broker to large and small corporations around the country. Then, five years ago, he stepped forward amidst the escalating cost struggle between brokers, carriers, providers, employers, and employees and declared, "There is a better way to do this."

### **A new way of doing business**

With that proclamation, Contorno rolled out a business model that not only proved financially beneficial to both employers and employees, it has also created a firewall between him and the traditional carriers. No longer were employers and employees left with no choice but to be consumed by the growing inferno of healthcare expenses; they could choose to stand in an area that was now containing costs and controlling further damage.

When asked what the first action a company lead-

er can take to lower their healthcare spend, Contorno responded, "Ask the right questions. Begin with 'How do my broker and carrier make money?' Then uncover how much the providers for your employees get paid. Finally, determine how you can access quality data and then use that data to incentivize employees to go to the higher quality providers in your network."

While it may seem contradictory, Contorno points out that the higher quality providers are usually the lowest in cost. He has gone on to prove this through his benefit design which delivers the highest quality care while lowering costs and giving real benefits to employees.

In order to fully understand how his solution works, it will be helpful to quickly review how the health system got into today's mess in the first place.

Having realized that the indemnity-designed health care plans were becoming costly, the industry developed a new product called network care. In these plans, small, efficient, high quality doctor networks were created with the intention of funneling large numbers of patients in exchange for lowering care costs. Additionally, clinical gatekeepers were put in place to ensure services and specialist visits were closely monitored as necessary expenses. CEOs and employees however, balked at this new idea for two reasons: first, their physicians weren't always part of these networks, and second, they didn't want to have to first visit a gatekeeper as a primary caregiver.

In response to these client requests (and to keep them as a customer), the carriers eventually expanded the networks (despite the higher costs of care), and

eliminated the gatekeepers, further escalating costs. The healthcare expenses increased, but since premiums and broker commissions rose as well, there wasn't any pushback from the vested parties. The clients went back to getting the care they wanted, from whom they wanted, whenever they wanted; carriers continued to raise premiums, and brokers sustained their huge commissions with minimal effort.

When employers once again started to complain about the higher premiums, the carriers offset the expense to the employer with a new product that had higher deductibles and co-pays. Now the cost shifted from the employer's premium expense to the employee's out-of-pocket expense. As we all know, this system has continued to escalate to the point where OOP costs are now preventing patients from seeking care.

The next solution? Introduce wellness opportunities to lower the need for chronic disease care. As another expense to the employer, and with little guidance or knowledge about how to effectively implement what was touted as the newest cost-saving measure, wellness programs have started to come under fire for their

questionable ROI for the employer.

### Greatest drivers of healthcare costs

So, after this forced evolution of attempted cost savings, what is the single greatest driver of healthcare costs today? Contorno believes that it is the perverse financial incentives that are provided for everyone *but* the patient and the employer. This brings us back to his innovative solution that began five years ago as a broker with a stone in his slingshot. David's idea was to find the highest quality healthcare providers who were offering care at the most cost-efficient prices, educate his clients to become wise consumers, and highly incentivize those consumers to utilize the recommended providers.

How does it work? Employees have access to a concierge service which helps to eliminate the exasperating work of finding an excellent clinician. Since his provider network is nationwide, an employee could even get on a plane, have a procedure done in a different state, factor in travel expenses and time lost, and *still* realize cost savings for himself and the employer.

At the core of Contorno's model, we find employ-

## E-Powered Benefits Case Study

	2016-17 with Cigna	2017-18 with E-Powered	2018-19 with E-Powered	Change
Employees	363	377	384	
Members	693	720	733	
Fixed Costs		\$1,176,786.00	\$1,097,241.00	
Med Claims		\$1,662,714.00	\$1,312,834.00	-21.04%
Pharmacy Claims		\$1,001,259.00	\$742,488.00	-25.85%
Total Plan Cost	\$4,802,559.96	\$3,810,759.00	\$3,152,523.00	-17.92%
PMPM Plan Paid	\$693.01	\$444.49	\$358.19	-19.42%
Savings from 2016 costs:		-35.86%	-48.31%	

ees who are educated about, and highly incentivized to use, high-quality, low-cost providers. These visits have resulted in OOP costs that are far below anything traditional plans can offer.

The end result of this benefit model? Employers benefit from carefully monitored and managed care costs which keep the healthcare bottom line far more predictable and as low as possible. Contorno's clients are seeing an average one-year savings of over 40%. Employees are enjoying substantially reduced out-of-pocket costs for their medical care. Medical personnel are being paid directly and are therefore thrilled to be out from under layers and layers of paperwork. And, best of all, the transparency demanded of all parties involved has stripped the fear of unknown-until-submitted-medical-cost from the equation.

Meanwhile, Contorno has become a pariah to the industry which once held him upon their shoulders as a star producer. Why? Because David Contorno has turned the insurance industry status quo upside down and has forged a path toward cost savings that would be a win for everyone *except* the brokers and traditional carriers.

### **The future of cost-saving benefit plans**

So what's the catch? How does Contorno make a living? Why isn't everyone a client? Changing traditional business models is the same as changing unhealthy behaviors. It takes time, education, and perseverance to win converts to a new way of thinking. Contorno has devised a model that puts quality of care first, places a laser focus on educating the healthcare consumer to make better choices, and uses data to support a winning system.

How is Contorno's model impacting wellness initiatives? Many companies are taking their cost savings from healthcare expenses and using parts of it to fund wellness platforms that really perform. Instead of worrying about ROI to offset their additional cost of health-

care, wellness programs are funded with cost savings!

The proof that Contorno's benefit model works is clear, and although the battle for cost-saving benefit plans is still raging, he is no longer alone in his crusade. Today, his company E Powered Benefits has dozens of clients who have years of cost-saving experience with his approach to employee benefit design. His success

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has attracted a small army of brokers who are standing in wait for training so that they too can introduce Contorno's system to their clients.

Was it easy to get here? No. This David did not fell his Goliath with a single stone from a slingshot. Instead, he used his passion for doing the right thing, life experiences, his intimate understanding of the industry, and an army of supportive and like-minded leaders to advance his cause. Goliath is still standing, but he definitely felt a hit.

Could it be possible that common sense business practices, educated consumers, and a reliable quality-focused system could actually work to save *every* consumer and business owner from the inferno of rising insurance costs? Yes. It is not only possible; it is actually doable. Many are already there, enjoying the cost savings and happily protected on Contorno's side of the firewall. He may be a *persona non grata* to some, but he's a hero to many others. ✨

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*Written by Mary Ellen Rose*

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