



# Why Long-Term Care Facilities are Ripe for RBP

A path to lower costs and more  
competitive employee benefits



# Solving the Employee Benefits Cost Crunch in Long-Term Care

Unlock a smarter path to managing healthcare costs while improving benefits for employees in the nursing home and long-term care industry.

Health insurance premiums and healthcare costs are rising faster than inflation, placing a heavy financial burden on employers. In the long-term care sector—already grappling with strict regulations and inadequate reimbursement rates—this challenge is especially acute. Nursing homes, senior care facilities, and organizations serving individuals with disabilities are under immense pressure to provide competitive employee benefits without breaking the bank.

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20% of nursing home employees carry medical debt.

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The irony is undeniable: healthcare workers themselves are struggling to afford care. A JAMA Health Forum study revealed that 21% of home health care workers and nearly 20% of nursing home employees carry medical debt.<sup>1</sup> Traditional employer-sponsored health plans continue to fall short, driving more employers to explore self-funded options.

However, self-funding alone doesn't solve the core issues of runaway healthcare costs and surprise out-of-network bills. That's where **Reference-Based Pricing (RBP)** steps in. By setting fair and reasonable rates—typically indexed to Medicare pricing—RBP offers employers in long-term care a transformative way to lower costs and reduce financial stress, while continuing to provide the comprehensive benefits employees deserve.

**This white paper explores why long-term care employers are perfectly positioned to benefit from RBP, providing an actionable strategy for financial relief to an industry that needs innovative solutions now more than ever.**

<sup>1</sup> [Jama Network, Jama Health Forum](#)

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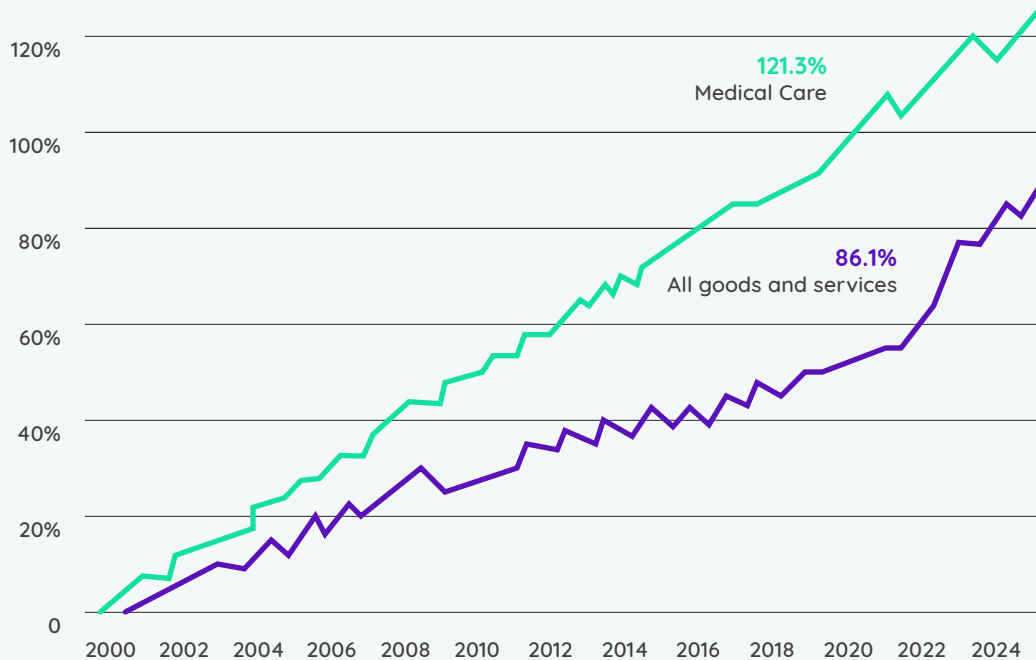
# The Unsustainable Future of Traditional Health Plans

Overall cost of health care including insurance has increased by 121.3% since 2000.

As employers struggle with wage inflation, they and their employees are faced with health services and insurance premiums growing even faster. According to Peterson-KFF Health System Tracker, the overall cost of health care including insurance has increased by 121.3% from 2000 to 2024. In contrast, prices for all consumer goods and services rose by 86.1%.<sup>2</sup>

<sup>2</sup> Peterson-KFF Health System Tracker

Cumulative percent change in Consumer Price Index for All Urban Consumers (CPI-U) for medical care and for all goods and services, January 2000 - June 2024



**Note:** Data are not seasonally adjusted. Medical care includes medical services as well as commodities such as equipment and drugs.  
**Source:** KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data Get the data PNG

## What is behind this rising trend in medical inflation?

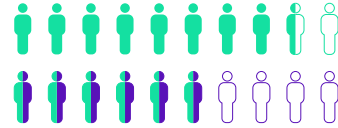
There are several factors fueling a perfect storm in the making. The two largest factors, advances in medical technology and the aging population, are uniquely intertwined. Advancements in prescription drugs and medical procedures are expensive and they're extending people's lives. Unfortunately, that added life expectancy is correlated with a rising rate of chronic health conditions.



Since 2017, prescription drug costs paid by health plans increased by \$3.4 billion or 39%<sup>3</sup>



People age 55 and over accounted for 55% of total health spending<sup>4</sup>



85% of older adults have at least one chronic condition and 60% have at least two conditions<sup>5</sup>

The so-called "silver tsunami" or "population timebomb" is underway and will have profound effects on our economy, especially in terms of health care utilization. The median age of Americans is rising rapidly. Depending on the source, it is estimated that older adults will outnumber children for the first time in U.S. history sometime between 2029 and 2034.

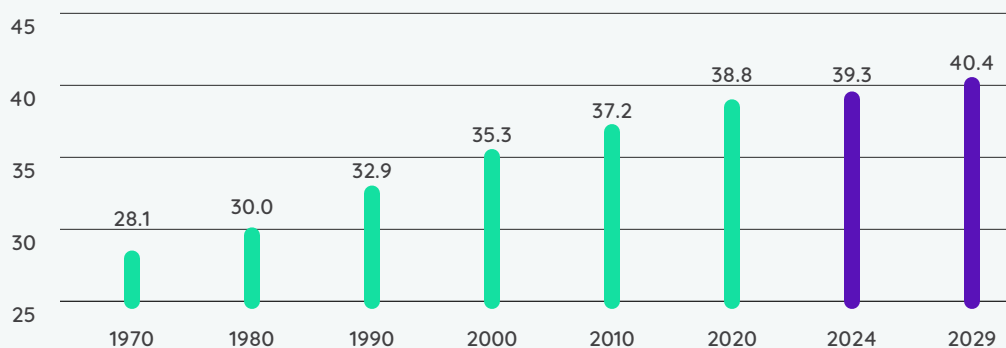
3 [California Department of Managed Healthcare](#)

4 [Peterson-KFF Health System Tracker](#)

5 [National Institute on Aging](#)

### Median Age of U.S. Population by year

● Census Median Age ● ESRI Median Age



Source: ESRI Demographics

## Premiums and out-of-pocket cost projections are worrisome

The steady rise in health care premiums took a turn for the worse in 2024. According to data from 950 U.S. employers representing approximately 6.7 million employees, health plan costs increased 6.4% for employers and 3.4% for employees. For the five previous years, those costs grew by an annual average of 4.4% for employers and 1.2% for employees.<sup>6</sup>

Based on a report from AON in August 2024, the average cost of employer-sponsored health care coverage will surpass \$16,000 per employee in 2025. That's an annual increase of over 9% which AON attributes to the rising cost of medical claims and specialty drugs.<sup>6</sup>

As premiums put pressure on everyone, employees are also bearing the brunt of increasing out-of-pocket costs. Adjusted for inflation, the amount of money spent by individuals on health care that is not paid for by a health insurance plan has risen from \$1,079 in 2000 to \$1,991 in 2024, and increase of 84%.<sup>6/7</sup>

<sup>6</sup> [AON Media Room](#)

<sup>7</sup> [KFF: The independent source for health policy research, polling, and news.](#)

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### Self-funded Plans in a Nut Shell

In an effort to reign in the cost of health insurance, more employers than ever are choosing to self-fund their health plan. Rather than paying a fixed rate to a health insurance company to cover each member, businesses assume responsibility for covering their unique group of employees.

#### Who typically self-insures?

While companies with as few as 25 employees often run successful plans, self-funding requires that you have the cash flow to cover claims for employees.

#### What are the key benefits of self-funding?

Rather than paying a fixed premium without any control over costs, self-funding allows businesses to create a highly customized health plan with full visibility into claims and other plan expenses. Businesses also avoid certain taxes, fees, and government regulations while maximizing interest income on your health plan's cash reserves.

#### What are some of the challenges compared to a fully insured plan?

Implementing and maintaining your own health plan is a major initiative. Most companies work with an advisor/broker and third-party administrator (TPA) to build and manage a plan that includes a PPO network and pharmacy benefits. There's also a need for stop-loss insurance to safeguard against large and catastrophic claims.

# RBP Brings Significant Savings to Self-funded Plans

One of the frustrating aspects of our health care system is its lack of transparency surrounding costs. Patients and employers have limited ability to compare and predict the vastly different rates charged by various providers.

## RBP is designed to control costs better than a PPO contract

Health care spend with RBP is typically 20-30% lower than any other option, including PPO contract plans. That's because RBP takes a completely different approach to reimbursing providers. Unlike a PPO which starts with the facility's actual charges and applies a discount, RBP starts with a more reasonable public benchmark or "reference" such as Medicare. RBP then takes that reference price, adds a fair profit amount and reimburses the provider in that total amount.

Below is an example of how the final cost for a procedure plays out depending on how it's being paid.

### Example: Heart Attack (Major Metropolitan Region)

Average Hospital Charge: \$138,625

<b>PPO Rate</b>	\$138,625	-	50%	=	\$69,313
	Hospital Charge		PPO Negotiated Discount		PPO Final Cost

<b>RBP Rate</b>	\$15,015	-	Fair Profit Margin	=	\$18,769
	Medicare Reimbursement Rate		(Avg 25% Medicare Rate)		RBP Final Cost

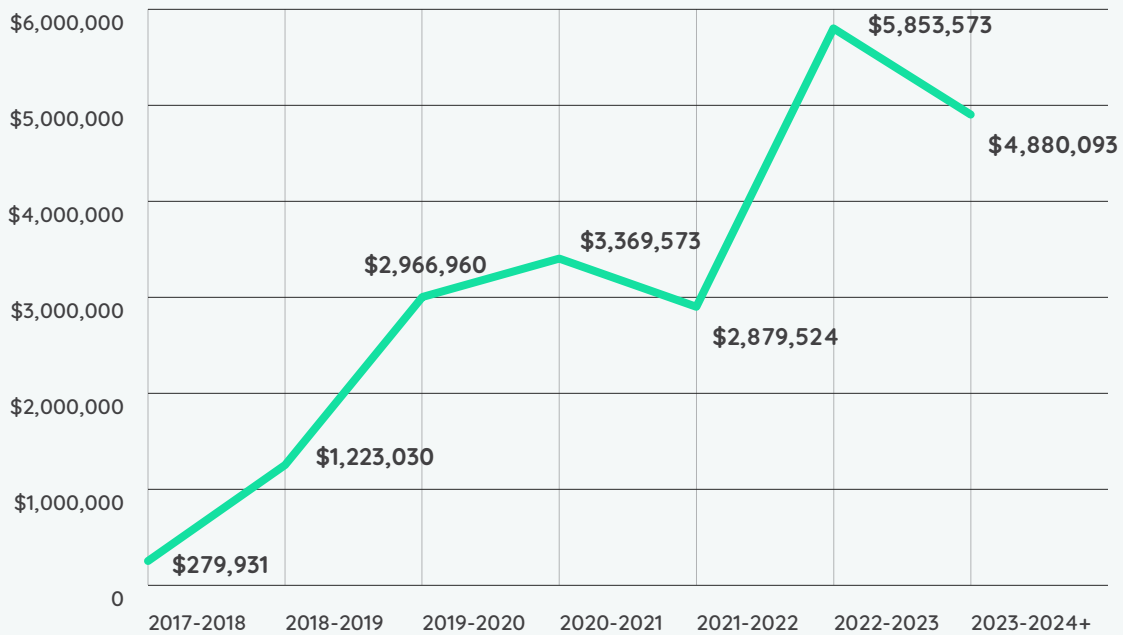
**\$50,544**  
73% Plan Savings

## Case Study: Example of 7-Year Savings Realized By a Non-profit Community Care Provider

In a recent example, Homestead Smart Health Plans saved a non-profit community care client an average of more than \$1,784 per employee per year by switching to an RBP solution. Given a large employee group, this resulted in over \$21.5M in cost savings over seven years. In addition to realizing impressive savings, the employer was able to provide more generous health coverage than was previously available.

Homestead Smart Health Plans saved an average of: **\$1,784 per employee, per year with an RBP solution.** This resulted in over **\$21.5M in cost savings over 7 years.**

Annual savings realized by RBP Solution



\*Results for the 2023-2024 contract year reflect claims through May 2024 and then are annualized to show projected results for a full 12 months.

# Making the Transition to an RBP Solution

The prospect of implementing a completely new approach to self-funded health insurance may seem overwhelming. Fortunately, with due diligence and careful vetting of partners, the rewards can easily outweigh the risks

## Three key RBP advantages beyond cost savings

The unique structure of RBP creates additional benefits for the employer and the employee.

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### 1. No network restrictions

Since pricing is not based on a PPO network discount, employees are free to use any health care provider they want. Some plans also have agreements with providers to accept specific RBP pricing levels. In addition to simplifying claims payment, it can also allow for additional incentives. For example, employers can choose to offer zero-deductible and/or no coinsurance for care through specific provider groups.

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### 2. Employee engagement in health care

RBP solutions give employees new insight on quality vs. cost for specific health care services, what their plan pays, and what providers charge. With traditional PPO plans, it's not always clear exactly what you're paying for and why it's so costly.

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### 3. More competitive benefits and salary

Many employers find it possible to offer better coverage with lower out-of-pocket costs while also banking enough savings to make wages more attractive. This has become a key advantage for care facilities with limited funding and increasing staffing needs.

## Three key challenges that come with RBP plans

As is common with any innovative solution, RBP brings new concepts and challenges that seem foreign to those who've grown content with traditional health plans.

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### 1. Claims Auditing

RBP solutions include a review and audit of all medical bills on the client's behalf. Without a proven system for repricing claims and detecting billing errors, your plan will not be able to achieve its full cost-savings potential.

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### 2. Balance Billing

While most providers accept the RBP as a full payment, a provider may bill the employee/plan the difference between the RBP and what the facility typically charges. For this reason, RBP providers include balance bill protection that reduces the probability of excess charges and resolves issues when they arise.

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### 3. Fear of Change

Most employees are unlikely to know how an RBP plan works and may need significant education to overcome their fears. That's why some employers offer a choice of PPO and RBP-based plans.

## RBP health plan keys to success

Selecting the ideal RBP partner is a critical first step. Not all plans can deliver the same level of savings and support that make RBP a viable choice for LTC facilities with significant fixed costs. With that in mind, here are some features to look for in a RBP Partner.

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### Strong Audit Process

RBP Savings relies on your partner's ability to obtain, analyze, and adjust itemized hospital bills at an accurate and fair cost.

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### Negotiation Expertise

Settling claims often involves negotiations with health care providers. If your plan settles claims at a higher cost, your savings are obviously diminished.

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### Agreements with Providers

Look for a plan that is willing to proactively engage with your employee's current providers to help ease the transition to RBP. Some plans may also partner with large health systems to make claims easier and more affordable for members.

### Access to Valuable Data

Transparency and visibility into health plan costs can be analyzed to identify trends, monitor plan performance, and help employers make better data-drive decisions.

### HR and Employee Education

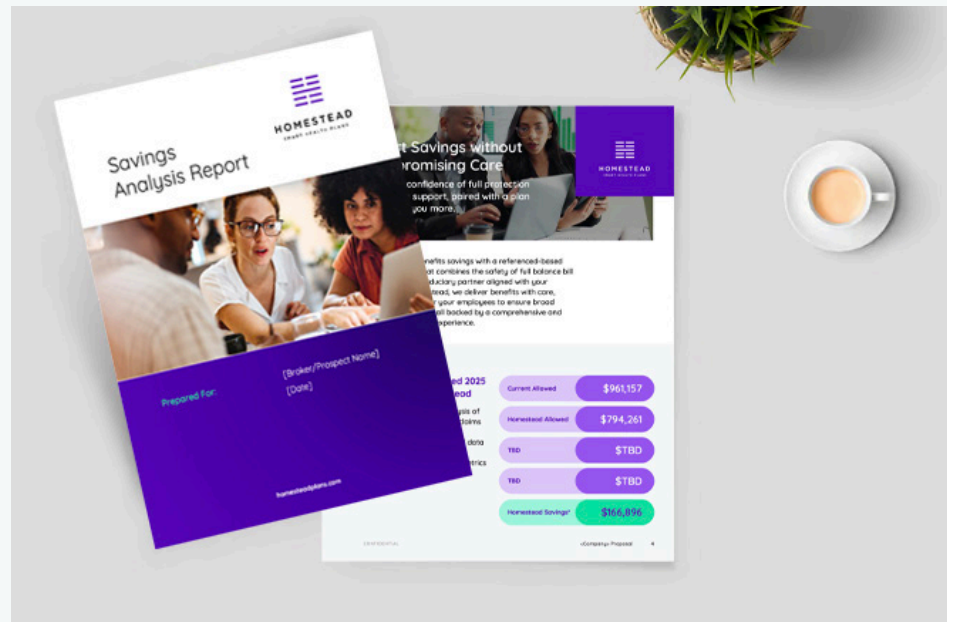
Ensuring a successful transition to RBP requires a partner with a tested implementation plan. HR teams need to be fully trained on the plan details, how to educate employees, and assist in resolving concerns and issues. This is especially important for less-educated workforces such as direct support staff working in LTC facilities.

As LTC facilities are constantly challenged to do more with less, the advantages of transitioning to an RBP health plan couldn't be more relevant. In addition to boosting your bottom line with savings, RBP has the potential to help you improve your salary and benefits offering. In turn, employees can enjoy a better quality of life and quality of care. That's a win for everyone.

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today!

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Find out how Homestead's proprietary **Reference-Based Pricing** solution can help you and your employees enjoy a more desirable and sustainable health plan.





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