



Lowering Health Care Costs

How claims reporting can help you get a grip on rising costs

Many employers continue to pay their health care premiums month after month, without really understanding what they're getting and how the plan is being used.

If you're not using claims reporting to understand how your employees are using health care and pinpointing how you can help them use it more wisely, you are leaving dollars on the table, says Mark Haegele, director of sales at HealthLink.

"Many employers that take an approach of active engagement have not had any cost increases for years," says Haegele. "It's not unrealistic to have flat costs for several years in a row as a result of the active management of information and reporting."

What is health reporting?

A true managed care approach helps employers understand their costs, and that is done through reporting.

Your broker should be identifying what your costs are for your health plan and looking at the drivers that are causing year-over-year increases. Using that information, you can apply solutions to help mitigate those costs.

Too many employers simply pay their premiums with no idea what they are getting. They don't go to that next step and get a full understanding of their costs.

How can employers begin to take that next step?

Take, for example, wellness and biometric screening. Those are important and the employer will pay for employees to get their blood drawn, identify cholesterol numbers, but then that's it. They don't close the loop and make sure the member's primary care doctor gets the information, or that those whose numbers were above normal get a checkup six months later to measure improvement.

Employers are not taking advantage of the information available to them and then asking the right questions. You have to ask: What is driving these costs? And the best way to get the answer is through reporting.

How does the reporting process work?

Cost in a health plan is driven by three components: price, utilization and intensity. Intensity is the one that everyone forgets about. Everyone knows price: You went to the hospital, it cost X dollars per unit. Utilization is the type of services and how often they were used; for example, someone went to the emergency room four times, you had so many hospital admissions per 1,000 members, etc. Intensity is the third, but not often acknowledged, component of health care. For example, did a member get an MRI when he or she could have gotten a less expensive CAT scan, or had carpal tunnel surgery when he or she could have had therapy?

To get started, talk to your broker about this funnel approach. Give him or her 12 months' worth of claims information. Then the broker can break it down by categories – inpatient dollars, outpatient dollars, physician dollars and ancillary dollars that make that initial number of claims dollars.

Then, because everything is driven by trends, you want to look at three years' worth of claims information. Start with year one and see how each of those categories has gone up and down. Now you can see how your overall costs increased year after year on a per-member, per-month basis, versus the total.

Next, look at what is increasing. If everything is increasing, you know you have to dig into each category. But if only outpatient costs are increasing and the other three have been level, you now have a direction to focus your energy. Then, as you dig into that category and claims information, you can pinpoint the thing that is driving those costs and identify where there are either opportunities to get people into a lower-cost setting or avoid waste, fraud and abuse.

Then you can establish, over the next 12 months, and over three years, what you are trying to accomplish with your health plan.

If you are ever going to implement a strategy that is going to end cost trends and improve the health of your members, it all starts with reporting. As with anything, in order to create improvement, you have to understand the metrics, and you have to have a benchmark and a baseline to identify where to improve from.

Otherwise, you're just going on without any kind of acknowledgement or realization of what you can accomplish.

What would you say to a business leader who seems overwhelmed by this approach?

Go after the low-hanging fruit. There will be certain things that you've identified when you look at these numbers that are clearly the worst, so start by going after whatever is the easiest and presents the biggest opportunity for you.

If you're not doing this, if you're not dedicating your energy and resources to understanding your benefit plan through reporting, and creating metrics and objectives to control costs; that's part of the reason your costs are going up. If you dedicate time to this, you will find savings and opportunities that are very significant and that will afford you the ability to control trends.

Don't worry that you can't change the overall culture overnight. That's where your strategy comes in, where you work with your broker or consultant to try to create some improvement.

Employers should expect from their health plans, and from their consultants, that this is being done. As a business leader, you shouldn't have to dedicate much of your time to making this happen. You've hired a health plan, you've hired brokers, and you should expect them to bring new solutions to you. And if they're not, you should be asking for it.

