DATA FIX

To reach lower costs, a focus first on understanding

By Thomas A. Barstow | Contributing writer

Several years ago, the leaders of the Central Penn Business Group on Health realized that they needed to fundamentally rethink the way they approached health care costs.

"We first had to understand health care costs in order to understand how to fix it," said Diane Hess, executive director of the Lancaster-based group, which represents about 100 employers in Adams, Berks, Cumberland, Dauphin, Lancaster, Lebanon and York counties.

So, in spring 2016, they began collecting data on how and where the 102,500 people covered by their employers were using their health care dollars. The data has been revealing, showing that similar costs for services can vary greatly among health care providers.

The initiative is one of many different ways that employers have been trying to limit annual increases for health insurance and care.

"Over the last few years, a lot of employers increased the share of costs that employees used via higher deductibles, copays, etc.," said Patrick Michael Plummer, who teaches business at Penn State Mont Alto and who had a career in health care. "I think we're at a point where that will stop and now the hard work begins for employers in identifying cost-saving opportunities."

"Perhaps they push their insurers to provide greater, more meaningful price transparency in a way that actually delivers insight," Plummer said. "With record-low levels of unemployment, employers will likely not be able to pass on these costs to employees without losing talent."

The work done by the Central Penn Business Group on Health culminates in semi-annual events where the data is revealed and analyzed. Its data comes from eight medical carriers and six pharmacy benefit managers, according to a report provided by Hess.

The total claims represent about $575 million in spending, with 85 percent of that spending coming from employers and 15 percent from employees. The most recent event on Jan. 23 revealed the following:

"Site of care matters," the report says. If 30 percent of the people were moved to cost-effective sites, employers would save about $3.7 million. That included more cost-effective care for CT scans, MRIs, PET scans and ultrasounds.

"The implications of non-adherence to medical guidelines are huge," the report also found. Hess explained that people with a diagnosed condition need to make sure they are receiving proper care or the costs could be excessive. For example, 6.6 percent of the people in the database are diabetic but 2.5 percent had no medical or pharmacy claims in the previous year. "With the average cost of a diabetic hospital stay for an uncontrolled diabetic being $22,500, this creates a potential liability of $3.8 million for those patients," the report says.

"Controlling risk in the population is an imperative," the report found. If a person has one risk factor – such as high blood pressure or high cholesterol – a person could expect to pay about $3,600 for care, Hess said. But that cost more than doubles to $8,400 if a person has three risk factors.

"Opportunities exist to better manage our region's high cost claimants," the report said. About 28 percent of all paid claims were from less than 1 percent of the 102,500 people in the database, Hess said. The cost can be best managed if there is early detection and intervention, as well as disease management, the report found.

Hess said that most employers – but especially employees – don't have the time or expertise to wade through all the various factors involved in modern care to make the best decisions. That is where the database, which is maintained by Pittsburgh-based Innovu, has been illustrative.

Over time, detailed research can help employers find the most cost-effective – as well as the highest-quality service – in their area. For example, a drug called infliximab is used to treat autoimmune diseases. The database showed that administering the drug through at-home care costs about $179. But it costs about $263 if a patient travels to a clinic to have it administered. The cost rises to $581 for patients going to a hospital outpatient facility, Hess said.

Pricing depends upon the drug or service being provided, she said, but that example shows how wide-ranging the costs can be. While the hospital outpatient service isn't always the highest cost, it often is, she said. Hess stressed that her group's goal is not to point fingers, saying that all stakeholders have a vested interest in finding solutions to employers' high costs.

Cost versus quality

One issue that often is cited is that the lowest costs do not always mean the best care, Hess said. But there might be a happy middle ground, or at least the ability for employers to have those discussions with providers so that the best pricing can be achieved, she said.

Dennis Patrick Scanlon, a Penn State professor in health policy and administration, said Penn State has seen similar results when it has analyzed figures among its workforce, which accounts for about $275 million in annual health care costs.

"It's a lot of money," Scanlon said.

Research has shown that workers who need knee surgery will pay about $18,000 at one provider but as much as $42,000 at another. The question then becomes whether there is a great difference in quality, and if not, could better prices be negotiated, Scanlon said.

Carl Seitz, president of the Lehigh Valley Business Coalition on Healthcare, pointed to recent articles that noted that payment reform is among four areas that employers look toward in grappling with health care costs. The other areas are price transparency, benefit design and provider network design.

Regional and state experts say efforts are being made toward price transparency. But those efforts aren't mature enough to provide customers and employers clear data so they can shop for health care like they can for other goods or services.

A linchpin of benefit design is to have employees more involved in deciding what health care services are covered in their plans or to offer health savings accounts, which give employees incentives to monitor costs. And provider networks can be designed to better meet employers' needs, Seitz and others said.

Seitz also referenced the Harvard Business Review, which reported on health care issues in March with "How employers are fixing Health Care."

The article discusses, among other issues, how large companies such as Walmart and Amazon have been contracting directly with providers to save substantial costs.

Ann Gormley, a senior vice president for human resources at UPMC Pinnacle, said health care providers, as employers, also have an incentive to control costs, including using features such as high-deductible plans used with Health Savings Accounts. Currently, more than half of UPMC Pinnacle's staff are enrolled in high-deductible plans, she said. "We have used plan design, including a generous employer contribution to the health savings account and lower employee contributions to their premiums to promote the enrollment in this plan," Gormley said in an email. "The traditional health plan participant is a passive recipient of care that lacks the understanding of how his/her medical decisions impact him/her financially."

In high-deductible plans, consumers see how their decisions affect their own pockets, she said. ●

Hospitals and health systems often are among the largest employers in a community. How do they control health care costs for their own employees? Ann Gormley is a senior vice president of human resources at UPMC Pinnacle in Harrisburg. Here is what she wrote in an emailed response:

1. UPMC Pinnacle has wellness incentives, including a $10-per-pay reduction in employee contributions to premiums or an additional $260 in employer contributions to a health savings account if workers complete a number of wellness activities.
2. The company conducts biometric screenings for employees at no cost. "This helps promote preventive care and monitor some chronic conditions (e.g., high blood pressure)," Gormley wrote.
3. Wellness Wednesday tips – weekly emails are sent to employees with different tips.
4. Lunch and learns are held on a variety of topics, such as nutrition, happiness and financial wellness.
5. Healthy challenges are held that encourage good behaviors, such as changes in diet or increases in physical activity.