

# It's All About Trend

## Healthcare's Never-Ending Story

by Scott Simon

*The United States spends more on healthcare than any other nation in the world. American employers continue to see an increase in the cost of insurance on an annual basis, with healthcare expenditures now approaching \$2.3 trillion.*

A recent study on the average medical spending for a typical American family presented these findings:

- The total medical cost in 2008 for a family of four was \$15,609, as compared to \$14,500 in 2007.
- An employee's share of healthcare services reflects a second consecutive year of double-digit increases.
- While overall medical trend was down in 2008, prescription drug cost was up for the first time since 2006.

### Positive news on the horizon, but...

Annual trend has dropped over the past few years. A study that reflects the experience of largest insurance carriers throughout the nation indicates Medical/PPO trend to be 9.6% in 2009 versus 9.9% in 2008 and 11.9% in 2007. That's good news.

The deceleration of cost growth can be attributed to the following components:

- Improved management of high-cost medical claims through the use of disease management, predictive modeling and wellness programs
- An increase in generic utilization and substitution in lieu of higher-cost, brand-name drugs

Medical trend is primarily impacted by these factors:

- Medical inflation or the change in the unit price of products and services
- Utilization changes in the volume of services used
- Continued shift of uncompensated cost from Medicare, Medicaid and the uninsured to the private sector
- State-of-the-art technology and medical procedures

### ...the reviews are mixed

It seems that just as encouraging trends make the news, negative reports surface regarding medical costs, provision of services or staffing problems. It's important for consumers to learn as much as possible about healthcare issues in order to understand the challenges their employers face at benefits renewal time. Employers can help provide timely information for workers by accessing a variety of data tools, many of which are available through agents, brokers or carriers.

SilverStone Group utilizes Health Plan Intelligence, a program used by brokers to help clients analyze and uncover the true cost of providing health benefits to employees. The metrics shown on the opposite page represent a sampling of our client-specific data analyzed through the Health Plan Intelligence data mining tool.

Reviewing this data, one can readily see that the overall medical cost increased 8.4% per employee or 8.9% per member. The average paid amounts for major categories (Inpatient, Outpatient Admission, Emergency Room and Physician Office Visits) all increased over the prior year's data. Wellness/Routine visits continue to increase and the amount paid for members with chronic illnesses decreased, which is another encouraging trend.

### Change and more change

In recent years, many companies instituted a wide variety of programs and plan changes designed to stem the rising cost of employer-provided healthcare benefits. Some changes have been quite successful, while others failed to live up to expectations. What types of change can employees

		2007	2008	Variance	
High-Level Plan Costs	Composite Medical Cost – Per Employee	\$6,816	\$7,384	\$568	8.4%
	Composite Medical Cost – Per Member	\$2,942	\$3,204	\$262	8.9%
Inpatient Hospital Admissions	Utilization Rate per 1,000	65	68	3	4.7%
	Average Paid	\$7,787	\$8,308	\$521	6.7%
Outpatient Hospital Visits	Utilization Rate per 1,000	817	794	-23	-2.8%
	Average Paid	\$481	\$503	\$22	4.6%
Emergency Room Visits	Utilization Rate per 1,000	134	163	29	21.7%
	Average Paid	\$499	\$541	\$42	8.5%
Physicians Office Visits	Utilization Rate per 1,000	2,584	2,625	41	1.6%
	Average Paid	\$49	\$53	\$4	8.2%
Wellness/Routine Visits	Utilization Rate per 1,000	399	407	8	2.0%
	Average Paid	\$106	\$107	\$1	1.0%

		2007	2008	Variance
Disease-Related Measures	Chronic Disease Paid Percentage	42.1%	40.8%	-1.3%
	Chronic Paid per Member	\$6,050	\$5,810	-3.9%

expect in the future? The following list includes some of the more popular strategies organizations may consider for implementation:

- Plan design and employee/employer premium contribution changes, as well as evaluation of funding alternatives (e.g., fully-insured versus self-insured) in an attempt to yield lower-cost options
- Consumer Driven Health Plans (CDHP)—these plans continue to grow in popularity, although the prevalence varies by region and size of the employer
- Adoption of disease management and wellness programs—despite lack of conclusive evidence for medical cost savings, these plans remain popular
- Optimization of benefits by provision of a broad range of choices, along with personalized advice and guidance to encourage employees to make better decisions
- Addition of voluntary benefits—allows an employer to broaden its offering without adding to plan cost
- Communicating value by demonstrating a company's commitment to the employee's needs. Total compensation

benefit statements are some of the simplest and most cost-effective tools in the healthcare benefits arsenal. These statements list an employee's base pay, incentive compensation and the full cost of company benefits, as well as a summary of additional benefits (e.g., vacation, pension and 401(k)).

- Evaluation of Prescription Drug Coverage alternatives, with the goal of utilizing generics and/or lower-priced drugs

No matter what types of change an employer institutes, one thing is certain: management is keenly aware of the increased cost of healthcare benefits and their impact on both the organization and its employees. Communication between management and employees will remain critical as healthcare issues remain in the public spotlight. Knowing the parameters of an organization's health benefits program and understanding the factors that comprise the bottom line (that is, the premium cost to both employer and employee) can help everyone make wiser healthcare choices.