

**Health care cost containment options
without cost shifting to plan members:**

Health Care Costs = # of Services (Utilization) x Cost of Services

Health Status*

* Reciprocal of Health Risk Factor

Options to Control Cost of Services				
Option	Explanation	Best For	Degree of Savings	Long-term Impact or One-time Savings?
Narrow/efficient networks	Reduce the number of providers available to employees with providers agreeing to lower fees and higher quality performance	All groups	Large	Long-term
Best-value EPO network	A sub group of a broader PPO network selected based on criteria such as higher quality standards and better pricing that providers agree to meet.	High PPO enrollment	Large	Long term
Market carriers/administrators	Test the market carrier/administrator for lower rate quotes with RFP or Second Opinion	All groups	Large	One-time
Self-fund PPOs	Establish a self-funded PPO in which employer pays own claims and administrative costs while establishing safeguards against huge unexpected claims	500 + PPO members	Medium	One-time
Self-fund HMOs	Establish a self-funded HMO in which employer pays own claims and administrative costs while establishing safeguards against huge unexpected claims	Non-capitated HMOs	Low	One-time
Negotiate carrier administration stop-loss fees	Negotiate separate agreement for stop-loss insurance	Self-funded plans	Low	One-time
Large case management/utilization review	Process whereby a health care professional supervises the administration of medical or ancillary services to a patient, typically one who has a catastrophic disorder	Self-funded plans	Low	Long-term
Carve out Pharmacy	Separate pharmacy benefits from basic medical benefit coverage to a Pharmacy Benefits Management (PBM) service administrator	All groups	Medium	Long Term
Maximize capitations	Increase number of employees on capitated plans (i.e., with a set dollar limit paid to providers regardless of how much provider services are utilized)	Southern California locations	Large	One-time
Group purchasing/coalitions	Form or join a coalition with another group to achieve better leverage with insurers	Districts under 1,000 employees	Medium	One-time
PFFS retiree medical	Establish a private fee-for-service (PFFS) plan for non-emergency medical care for post-65 employees/retirees	High post-65 populations with employer-provided health benefits	Medium	One-time
Fair Market Valuation of Out-of-Network Claims	Determine the fair market rate for out of network and large provider claims. Mitigate costs by paying only fair market value of these claims.	Self-funded	Medium	Long term
Transparency in Broker Fees	Determine total broker/consultant fees paid in addition to your fixed commissions/fees for other compensation paid by carriers/other vendors for overrides, administrative and other fees	All groups	Medium	Long term

Options to Control Cost Utilization & Improve Health Status				
Option	Explanation	Best For	Degree of Savings	Long-term Impact or One-time Savings?
Wellness Programs	Programs that encourage and provide incentives for healthy life style choices among plan members. Onsite programs with <u>active</u> participation in nutrition & exercise programs, smoking cessation, and health evaluations have highest ROI with improved Health Status	All groups	Medium to Large	Long-term
Disease Management	An information-based process involving the continuous improvement of value in all aspects of care (prevention, treatment and management) throughout the continuum of health care delivery.	Self-funded, experience rated	Medium	Long-term
Consumer Education	Programs to educate plan participants to be better “consumers” of health care by considering the quality and price of providers when seeking care, and by insisting the providers make such information available to “consumers”.	All groups	Low	One-time
Clinical Rx Programs	A program in which physician dispense pre-packaged medication directly to patients in a clinical setting.	Self-funded, experience rated	Low	Long-term
Account-based Consumer Plans	Plans that create accounts for consumers, such as Health Savings Accounts or Health Reimbursement Accounts, from which participants pay portions of their medical claims directly.	High PPO enrollment, non-capitated HMOs	Medium	Long-term
Dependent Eligibility Audit	An audit to review the eligibility of all dependents by requiring evidence such as birth certificates and or college records to ensure the plan only pays claims for eligible dependents.	All groups	Medium	One-time
Claims Audit	A comprehensive review, usually by an independent firm or agency, of all claims to insure they are paid in accordance with the plan document.	Self-funded	Low	One-time
Performance Guarantees	Provisions written into provider contracts to require that providers meet certain performance standards, usually regarding quality and price.	Self-funded	Low	One-time

The Health Status is the reciprocal of the Health Risk Factor that many carriers include on their renewals (i.e., a HRF of 1.1 means your group is at 10% higher risk for high cost services). Carriers simply multiply your utilization X cost of services by your HRF to bump up your total premiums. We wanted to emphasize the positive results from improving your Health Status, so we utilized the HRF reciprocal; the reciprocal of 1.1 = 0.9, which would increase the costs when you divide the results of the old formula. If your Health Status is higher, your HRF would be below, 1.0 which would result in a reciprocal that is greater than 1.0, which would decrease the costs of the old formula when you divide it by your Health Status.

Anything you can do to increase your Health Status (lower your risk) will reduce your costs — even if some units of service increase, such as preventative health screening visits, immunizations, etc. The evidence shows that an early increase in lower cost preventive visit utilization will have a long term impact on lowering the utilization of high cost interventional visits when combined with active participation in wellness and health promotion activities.