

Containing Health Care Costs in United States - By June Chen



Do you know that the United States spends far more on health care per capita than any other developed country; yet it ranks in the bottom 25% for life expectancy? The chart below highlights some statistics on health care costs per capita and life expectancy in 2007 for selected OECD (Organization for Economic Cooperation and Development) countries. You may be surprised at the high cost and poor performance of the US health care system!

NAME OF COUNTRY	HEALTH CARE SPENDING PER CAPITA (US\$)	ESTIMATED LIFE EXPECTANCY
USA	\$7,290	78.0
SWITZERLAND	\$4,500	81.0
CANADA	\$3,900	81.5
GERMANY	\$3,500	79.7
FRANCE	\$3,500	81.0
AUSTRALIA	\$3,400	81.8
UNITED KINGDOM	\$3,000	79.0
JAPAN	\$2,581	82.0
SPAIN	\$2,500	80.0
SOUTH KOREA	\$1,600	79.0
MEXICO	\$600	76.0

What drives high health care costs and how can they be contained?

- Health services costs are dramatically higher per unit in the US than in other developed countries (where prices are often regulated), for example, a head CT scan costs \$950 on average in the US, but \$190 in the UK. *Competition among providers and transparency in pricing methodologies could help to contain the costs.*
- In supporting too many specialists, the US health care system has witnessed increasing specialist-to-primary-care ratios which have raised medical costs in the community without necessarily improving quality. Illustratively, a family physician's average annual compensation is about \$180,000 versus that of an orthopedic surgeon who makes about \$476,000. *Increased compensation and the redirection of training dollars may succeed in attracting more doctors to general medicine with the possible consequence of reduced medical costs.*
- The US fee-for-service system pays for units of service rather than for results, which rewards volume over value and encourages extra visits, procedures and tests. *By changing the payment mechanism to "fee-for-results", significant costs could be contained. Also, since a relatively small number of chronically ill persons account for a large portion of all medical costs; namely, 5% of US patients account for 48% of total health care spending; patients with complicated illnesses should receive care in "Centers of Excellence" with disease-specific expertise; and investment in prevention and wellness, in order to reduce number of chronically ill people, should be made a priority.*
- Patients are often in the care of doctors and facilities which are reluctant to invest in improvements in communications, quality and cost effectiveness. *Provider integration into large multispecialty groups or delivery systems can improve communication, accountability, quality, and cost effectiveness.*

Because many of your members travel to the US to seek better medical care, escalated premiums for them and increased reinsurance premiums rates for you have resulted. To address this challenge and pursue our objective of being a Top Service Provider, IRM has joined forces with WellGuidant to provide you with assistance to invest in prevention and wellness among your membership. This is how WellGuidant can help:

- 1) to educate their insured employer groups on how to be better risk managers with regard to the health of their employees through the use of seminars;
- 2) to redesign their benefit plans schedule to include wellness initiatives to prompt healthy lifestyles;
- 3) to conduct onsite healthy lifestyle coaching sessions on weight loss, tobacco cessation, stress management, nutrition and diet, and exercise;
- 4) to implement onsite disease management programs on heart disease, diabetes, hypertension, and chronic pediatric conditions; and
- 5) to implement and sustain an aftercare coaching program to minimize the potential of relapse by participants.

* * * * *

All of us at IRM would like to send our most sincere wishes for the fast recovery of the people of Chile, Haiti, and others in the region as you work to overcome the difficulties caused by the recent natural disasters.

June Chen, IRM President, March 31, 2010

IRM TEAM MEMBER FEATURE

MARYANN BRICENO, Marketing Assistant

Maryann joined IRM in 2008 as Reinsurance Contracts Coordinator in the Administration area. She was later moved to the Underwriting department and is now Marketing Associate for IRM providing back up support to the underwriting team as needed. Born in Panama, Maryann came to the United States at the young age of one. She attends Florida International University where she is doing her Major in International Business. Her eagerness to learn and willingness to contribute to the company make her a valuable part of the IRM team.



Maryann can be reached at 305-507-8679 Ext. 1028 or via E-mail: mary@irmre.com

PORTFOLIO MANAGEMENT

Managing Medical Care: The Insurer's Role

In recent times, the role of medical insurers has evolved from that of being passive payers of insured benefits to that of being proactive advocates for the delivery of health care to their insured members.

Consequently, insurers have responded with redesigned benefit plans which have included cost containment features including:

Pre-certification, a form of prospective review, occurs where proposed services are assessed for medical necessity in light of reported diagnoses and are conducted on the basis of reports and referrals. Where required as a policy condition, failure to have services pre-certified may result in subsequent claim denial or another form of penalty for the insured member.

Second medical/surgical opinion requires that patients are evaluated by physicians or surgeons as a method of determining medical necessity prior to the planned services being delivered.

Admission review evaluates the first 24 hours of inpatient hospitalization against established criteria for medical necessity.

Concurrent review evaluates hospital inpatient admissions while services are being provided to patients, assesses the continued medical necessity, verifies that treatment plans address the indications for admission, and ensures that the level of care is consistent with medical necessity.

Discharge planning transitions patients from one level of care to another, such as from inpatient hospitalization to outpatient treatment centers.

Retrospective review evaluates care and services that have already been delivered and is used to detect fraud and abuse, and to investigate quality of care issues. This may include hospital bill audits.

Preferred Provider Organization (PPO) steerage involves patients being incentivized through policy contract provisions to utilize health care providers offering pre-negotiated contracted services at discounted fees.

Case management involves the methodology for selection of relevant cases, assessment, identification of problems requiring intervention, on-going monitoring of interventions and services provided, evaluation of the planned treatment, and modification thereof, as necessary.

As the fortunes of reinsurers are meant to follow those of their ceding companies, then success in containing claim expenses through use of medical management techniques by insurers will result in more favorable portfolio results for insurers, and by extension, reinsurers.

In providing value-added reinsurance service, IRM will gladly furnish a list of experienced medical managers in the effort to assist in the management of your health insurance portfolio.

Trevor Hugh B. Stewart, DBA
IRM Consultant
March 2010

CONTACT US

We invite your feedback on the material presented in this newsletter as well as any other matter you consider important and relevant to your IRM relationship. In that context, please contact your account manager or Clara Martell at clara@irmre.com.

IRM, recognized leader of Life and Health Reinsurance Risk Management, is prepared to provide our Clients with leads and recommendations in the areas of Underwriting and Actuarial Services