

HEALTH CARE COSTS: THE GOOD, THE BAD AND THE UGLY

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THE GOOD

The rate of increase in health care costs is moderating. Health care costs for most employers are no longer increasing at double-digit rates. Costs are going up, not because of inflation, but generally because we are getting more "good stuff." Health care plans are paying for better drugs and better technologies than before. We are also consuming more health care as we age. Our rate of growth is roughly the same as that in other countries. People with insurance have access to the most advanced health care in the world.

THE BAD

The United States spends almost twice as much per person on health care as the median for other industrialized nations. This puts us at a disadvantage in the global marketplace. The United States is the only industrialized nation without some form of national health insurance. Over 15 percent of the population has no health insurance, and the uninsured get care that is more like Third World care than the advanced care received by those with insurance. As a result, Americans have a lower life expectancy than people in other industrialized nations, higher rates of infant mortality and lower rates of childhood immunizations, just to mention a few of the problems.

THE UGLY

Even for people with insurance, the qual-



ity of care is not as good as it could be or should be, even though it is the best in the world. According to the Institute of Medicine, 225,000 people die each year due to preventable hospital and drug errors. Preventable adverse drug events in hospitals cost \$2 billion per year. Medical errors cost \$37 billion per year. According to Rand, 45 percent of patients receive inadequate care. According to the Employee Benefits Research Institute, 20 percent of patients do not take prescribed medications due to prohibitive cost.

WHAT'S AN EMPLOYER TO DO?

First, employers need to recognize that there is no silver bullet that will solve the health care cost crisis. Costs are going up for a variety of reasons and no single one approach will address each of those caus-

es. Some of the reasons health care costs are rising more rapidly than general inflation include:

- Demographics
- New drugs
- New technologies
- Cost shifting
- Nursing shortages
- Mandated coverage
- Unnecessary care, including care rendered because of:
 - Defensive medicine
 - Inappropriate consumer demand
 - Lack of evidence-based medicine
 - Oversupply of some providers
 - Fraud & abuse
- Leveraging effect.

It is also helpful to think in terms of different segments of the employee population. Some health care cost control techniques can work across the spectrum of employees, but others should be targeted to specific populations. Employees can be categorized into the following groups:

- The well
- Those at risk
- Those with chronic conditions
- Those with catastrophic conditions.

Additionally, any of these employees could fall victim to acute conditions at any time.

Some of the cost control approaches that work across the health care continuum include:

- Cost sharing/cost shifting
- Consumer-driven health plans
- Tiered plans
- Managed care.
- Patient Advocacy
- Care Coordination
- Transplant Case Management.

For employees who are well, the objective should be to keep them well. Tools to do so include health promotion programs, such as:

- Education
- Screenings
- Immunizations
- Healthy lifestyle promotion.

This group also has a lot of maternity cases. Prenatal wellness programs can have a big payoff in a short period of time. Preventing just one neonatal intensive care-unit case can pay for years of wellness programs.

For those employees who are at risk, health risk management programs can include:

- Health risk assessments
- Targeted behavior modification
- Stress/mental health management
- Physical activity campaign
- Predictive modeling.

Disease management programs for the chronically ill should include:

- Patient identification and automatic enrollment
- Care coordination
- Compliance tracking and support.

Good disease-management programs will use practice guidelines modeled on evidence-based medicine and will also address comorbid conditions.

High-cost care management for the catastrophically ill should include:

- Case Management
- Discharge Planning
- Navigational Support

Cost containment approaches for the acutely ill can include:

- Nurse advice line
- Self-care skills
- Online resources
- Safety programs, not just at work but for the home as well.

CONCLUSION

While there are definitely steps employers can take to mitigate their health care cost increases, there are also some things that are simply beyond their control. Governmental intervention will be needed to provide universal coverage and stop cost-shifting due to the large number of people without insurance. Increased use of electronic resources can improve quality of care, but the government should provide standards so systems can communicate with one another.

John C. Garner is the Founder of Garner Consulting, an employee benefits consulting firm in Pasadena, California. He is also author of the Health Insurance Answer Book and Vice President of the International Society of Certified Employee Benefit Specialists. Mr. Garner was also a presenter at PIHRAs Compensation & Benefits Symposium in February 2006.

Reprinted from PIRHAScope, May/June 2006, a bimonthly publication of the Professionals In Human Resources Association.