Making conversation

Combat health care inflation through better choices

My name is John Elliott and I lead a team called Collaborative Ventures Group that works on creating innovative solutions for groups of employers. Together, Collaborative Ventures Group and Health Action Council are bringing our aggregated analytics forward to foster meaningful dialogue to support self-funded employers and their strategic planning. Please know, these insights are driven by self-funded employers like yourself.

We hope you find this month's topic relevant - and please contact Kevin Gregory or myself, if you would like to discuss how we can apply these ideas to your health care strategy.

How to Combat Rising Unit Costs

In May 2022, the Consumer Price Index rose by 8.6%, which is the highest increase since December 1981.[1] When you exclude Food & Energy from the May results, the increase reduces to 6.0%[1] , so while Food & Energy are rising higher than the rest of consumer services, inflation is prevalent in nearly all aspects of our economy. For employers and their health benefit programs the impact of inflation for the economy has yet to be fully realized as many healthcare providers sign multi-year contracts. As these contracts expire and get re-negotiated, the self-funded employer can expect to see unit cost increases comparable to the rest of the US economy.

There are a variety of strategies that employers can take to help avoid the full impact of these pricing increases and nearly all solutions involve consumers navigating the health care system differently. Consumers are managing their family budget by driving less, buying a half-gallon rather than a gallon of milk, and changing their discretionary spending habits. These changes in consumer spending has been so swift and predominant that many retailers are caught with higher than expected inventories.[2]

For the health care consumer, immediate changes in health care spending habits are not as obvious. To minimize health care cost increases, a savvy employer needs to drive differences in utilization patterns, and health care shopping behavior. To address the health care unit cost inflation, an employer should have a comprehensive strategy that may include navigation resources for employees, plan incentives and robust communications. Listed below are two strategies that we are pursuing with companies participating in the UnitedHealthcare and Health Action Council solutions.

Episodic Cost versus Unit Cost: 17% lower costs

One strategy that can help mitigate rising plan costs is greater member utilization of the most cost-effective providers in their marketplace. No one wants to have a surgical procedure with the surgeon that orders the most tests, operates at the most expensive facility and has a re-do rate that is above the national average. For UnitedHealthcare, we study these factors and designate the most cost-efficient providers in our network. We call these providers our "Premium Providers" and we designate these high performing physicians on our directory and train our advocates and nurses to refer members to these high performing providers. For Health Action Council, we study not only the cost savings of these high performing physicians, but also our level of utilization. The chart below shows the effect when a member receives most of their care from a Premium designated physician- 17% lower per capita costs

Episodic Cost Savings of Premium Providers

2021	High Premium Utilizers	Low Premium Utilizers	Difference
Risk Adjusted Allowed PMPM	$361	$436	-17.3%
Re-admission Rate	5.6%	10.0%	-43.7%
ER Per 1,000	170.0	255.3	-33.4%
Urgent Care Per 1,000	248.7	262.1	-4.8%
Members	50,279	84,846	

For Health Action Council plan sponsors, we have set the goal of 10% Premium provider steerage above what's available in the local marketplace. Based on the experience of Health Action Council plan sponsors, 10% additional utilization of Premium providers would lower costs by 1.7%.

Care Re-direction to Maintain Costs

How much does a bottle of water cost? It depends on where you buy it: airport gift shop? baseball stadium? grocery store?

Now change this consumer scenario to a health care decision…how much will it cost to get a prescription for my child's pink eye? to get a doctor's note to go back to work? to get my knee fixed?

The example below uses Health Action Council plan sponsor 2021 utilization to showcase how much re-direction is needed to eliminate the unit cost increases of 8.6% trend, which is the May 2022 CPI results quoted above. If we could simplify the health care system to just Emergency Room and Urgent Care visits, then we can see that it would take migrating 10% of Emergency Room visits to an Urgent Care setting to eliminate the cost impact of 8.6% inflation for both services. For employers wanting to lower their health care costs, migration more than 10% would be required in this current trend environment.

Impact of 8.6% Inflation	No Migration	5% Migration	10% Migration
ER Visits	$ 63,186,200	$ 60,026,900	$ 56,867,600
Urgent Care	$ 5,650,600	$ 5,882,900	$ 6,115,200
Total	$ 68,836,800	$ 65,909,800	$ 62,982,800
Year over Year	8.6%	4.0%	-0.6%

This basic example can be applied to many aspects of your health spend and various other places of service for shoppable expenses? For example, utilization of Ambulatory Surgical Centers versus inpatient/outpatient facility care, rate of Home Infusion for medical specialty drugs, expansion of virtual care services to primary and specialists.

What is my opportunity for savings?

UnitedHealthcare and Health Action Council have been studying the underlying data that drives the risk profile for self-funded employers since 2010. We welcome the opportunity to continue this conversation with your organization and conduct an opportunity assessment for your health care spending. The goals cited above are dependent on your current plan's performance and the resources at your disposal. With some common datasets, we can compare your consumer utilization patterns to assess your care navigation opportunities. If you want to continue this conversation, please feel free to contact me or Kevin Gregory to schedule time.

[1] Bureau of Labor Statistics, June 10, 2022, Consumer Price Index May 2022
[2] Wall Street Journal, June 7, 2022, "Target warns progit to drop due to high inventory levels", Sarah Nassauer

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