



# Containing Costs

## How cost containment can be part of your targeted health care strategy

Health plans often take a reactive approach to members' health by intervening only after services are rendered, but with detailed data sets, it's possible to manage risk before it occurs.

“By using data to uncover utilization trends, high-risk members, inappropriate and costly treatment and plan waste that may not be visible through simple claim data, the most effective cost management strategies can be customized for each employer's unique situation,” says Brian Fallon, regional vice president, Network Management & Business Development, at HealthLink Inc.

### What are the dangers of a reactive approach to your members' health?

A reactive approach implies no employer or employee engagement whatsoever, where members probably aren't taking an active role in their own health care. This lack of engagement makes a company health plan a commodity. It's there if members need it — but they hope they never have to — and they don't give it much thought until they do. The danger with this approach is that every employer has a bad year at some point, and it will be too late to affect outcomes.

### How can employers change this?

With a proactive approach, employers can predict, prevent and better respond to medical issues before they arise, leading to better quality and more cost-effective outcomes for members.

The first step is to sit down and go through claim data. Data is the key to understanding what is going on within your dynamic health plan.

Next, employers can analyze the benefit offering by reviewing where members get medical services and whether those providers and facilities are in-network, as well as emergency room utilization rates. A detailed review, on at least a quarterly basis, can give employers a good view of what's going on so they can update benefit levels or implement programs to control spending.

## **What risk management strategies have you seen work for effective cost management?**

Designing a program that analyzes and addresses all aspects of the health plan, data reporting, stop loss insurance, network utilization, etc., is the best risk management strategy to contain costs. For example, if an employer discovers members are going out of network, it may be time to re-examine the network. Or, cost data may show that it may be time to add additional stop loss coverage to the plan design. Examining and understanding data is the most effective risk management strategy.

## **How much time and resources are needed?**

It can vary depending on how impactful an employer wants to be. Some strategies, like shopping for a new stop loss carrier or implementing a telemedicine program, don't take longer than a typical renewal. If an employer wants to dive deep into the data, however, in order to build and implement a customized health plan, that can take considerably longer.

## **What mistakes do employers make when setting up these programs?**

The biggest mistake is trying to decide which programs are most effective, and then implementing them on their own. Sometimes data is not credible or there is not enough to make sound conclusions. Employers need to partner with a network that can bring in the large data sets needed to analyze and address risk, and who can collaborate with providers on their behalf.

## **What else do employers need to know?**

No matter what network, stop loss carrier or plan design an employer chooses, cost containment is very important.

It's also critical to understand that cost containment strategies should be as individualized as the group itself. Shelf products should only be considered with the full understanding of what they contain, not just because they are new or seem unique. Cost containment strategies should be based on the member population. These programs are supplementary resources and shouldn't be the sole driver of cost containment. Instead, they should be part of a targeted strategy to control costs.

