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MEDICAL MANAGEMENT PROGRAMS DRIVE SAVINGS IN SELF-FUNDED PLANS

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NEW IDEAS FROM THE FRONTIER OF HEALTH CARE™
**Great-West
HEALTHCARE**

By Terry Fouts, M.D.

Every day, Salt Lake City-based Doppelmayr CTEC takes people to new heights, installing and retrofitting gondolas, chairlifts, trams and sky rides at resorts and scenic locales throughout the continent. Every year, corporate health care costs scale new heights as well, but Doppelmayr CTEC is controlling these costs with self-funding.

The Society of Professional Benefit Administrators reports that approximately two-thirds of U.S. employers self-fund their group health plans. Unlike the fully insured model, by self-funding Doppelmayr CTEC pays only for actual employee claims costs each month - instead of a fixed premium - plus some administrative costs. The company limits its total exposure with protection called stop-loss insurance. Doppelmayr CTEC pays its underlying medical claims up to a certain level, a ceiling, when stop-loss kicks in. This coverage shields the firm from really big claims costs that could hinder its business success.

The advantages of self-funding are that your company could save money and assume more control over employee benefits by financing and administering your own health plans. Because self-funded plans are governed by federal rather than state laws, your firm has greater flexibility in deciding whether to add state-mandated benefits. And if you're a multi-site employer, like Doppelmayr CTEC, this flexibility allows you to offer one, consistent benefits plan from state to state. Savings of between 10 and 20 percent versus fully insured health care are not uncommon in self-funding, and rate increases at renewal are typically a fraction of the industry average. Doppelmayr CTEC, for instance, is saving 15-20 percent versus average premiums for fully insured plans.

If you self-fund, the goal is to minimize utilization and claims costs. And the key to that, of course, is to keep your employees healthy. Now there's a way to help you do this: Combine your self-funded group health plan with a medical management program.

REDUCING PLAN UTILIZATION AND CLAIMS COSTS

A medical management program educates employees and ensures continuity of care across the continuum of health - from wellness to chronic conditions, such as asthma and diabetes, to hospitalizations for heart attacks and other emergencies.

It makes sense to manage hospitalizations, to monitor the appropriateness and necessity of inpatient services and make sure they're delivered cost-effectively. After all, these are big-dollar items that can strain your budget. But is a program for wellness and chronic conditions like asthma really necessary? At first glance, it might look like a soft investment.

But here are the hard facts:

Chronic conditions such as asthma and diabetes cost corporate America more than \$500 billion annually. Plus, the 10 percent of employees with such conditions drive nearly 80 percent of claims costs.

In the American Journal of Health Promotion, a reported study of more than 46,000 public and private sector workers revealed that about 25 percent, or \$20 million, of their total annual health care expenditures was attributable to "modifiable health risks," including obesity, tobacco use, poor exercise habits, high cholesterol and high stress, among others.

Six additional studies appearing in the Journal of Occupational and Environmental Medicine and similar publications linked higher health risks with higher health care costs, with one analysis concluding that high-risk employees average three to four times greater annual medical plan charges than workers with fewer risks or none.

Similarly, a study of employees at one of the nation's largest bank holding companies, published by the American College of Occupational and Environmental Medicine (ACOEM), linked the number of health risks with pharmaceutical costs. As risk factors per worker increased from zero to six or more, average annual corporate drug costs per worker rose in a stepwise manner: \$345, \$443, \$526, \$567, \$750, \$754 and \$1,121, respectively.

The point is clear: Unaddressed, chronic conditions and poor health habits can compromise the health and productivity of your employees, the success of your self-funded health plan and the profitability of your company. This is why we recommend that you combine your group health plan with comprehensive medical management for wellness and chronic conditions, as well as for acute care.

Quantifying The Payoff

The investment will pay off. For instance, employers who address chronic conditions using Great-West Healthcare's program enjoy a 2:1 return on their investment (ROI). The disease management component saves companies between \$270 and \$1,000 per enrolled member per year. And the pharmacy component can save firms up to an additional \$300 per member per year.

The savings to employers come from lower hospitalization

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rates, smokers who quit, heart-failure patients who elect vasodilator therapy to minimize future risk, chronically ill employees who stick to a regimen of prescribed medications and scheduled doctor visits, healthy workers who are on the job more and sick in bed less, better informed members who eat sensibly and exercise regularly, and so on. In short, your savings increase as your workers' health risks decrease, and medical management helps make this happen.

Even so, companies have viewed with skepticism claims of ROI and measurable outcomes from medical management programs. The problem, it seems, is too many measurement tools, not too few.

In 2002, the ACOEM conducted a study on the feasibility of using measurements across various industries and diseases. Published in March 2003, the study exhaustively reviewed six "instruments." An additional 27 measurement tools were identified but fell beyond the practical scope of the study. With this preponderance of measurements in medical management, the ACOEM not surprisingly concluded that there was a "lack of standardization of outcomes, measurements and processes."

The good news is that national experts with the Disease Management Purchasing Consortium (DMPC), the standard-bearer in medical management, announced in August that they verified savings methodologies for Great-West Healthcare and seven other leading managed health care plans. The DMPC's Savings Measurement Certification Program red-flagged major systematic errors and certified the ROIs of the eight programs as valid, replicable and "reflecting actual performance," according to Al Lewis, executive director and founder of DMPC.

NECESSARY INGREDIENTS: WHAT YOU SHOULD LOOK FOR

So when you shop for a medical management program, be



sure to choose one with ROI measurement certified by the DMPC. Here are some other features that separate the best programs from the also-rans:

Comprehensive care: The best programs help members manage their health across the spectrum - wellness resources for healthy, productive workers; disease management for chronic conditions that drive 80 percent of claims costs; and inpatient care for better health results and lower hospitalization costs.

Continuity of care: A primary nurse should serve as a member's single point of contact across every stage of his or her health -- from maintaining a healthy lifestyle to managing a chronic illness to facilitating a hospital admission, discharge and recovery.

Pay-as-you-go model: Your company should pay only for members who are actually enrolled in the program. This will lower overall program costs and allow you to see exactly what your firm is paying for.

Real-time reporting: Advanced reporting capabilities should detail cost trends, medical costs, managed care provider utilization, large-claim analysis and pharmacy utilization trends. Additional reports should let you view detailed information demonstrating program participation, adherence to clinical recommendations and sav-

ings. Still other reports should drill down to a greater level of detail and analysis of medical, dental, and pharmacy information. In short, reports should give you a clear snapshot of the medical management program's impact on your plan's actual costs.

The English philosopher Francis Bacon said, "A wise man will make more opportunities than he finds." Implement a solid medical management program and you will create a strong opportunity for healthier employees and greater success in self-funding at your company.

NOTE: The foregoing article is based on research reported by the American Journal of Health Promotion, American College of Occupational and Environmental Medicine, Disease Management Association of America, CorSolutions Inc., and Great-West Healthcare.

As chief medical officer at Great-West Healthcare, Dr. Terry Fouts has national responsibility for all Medical OutreachSM programs including care management, wellness, pharmacy, disease management and technical assessment. Prior to joining Great-West Healthcare, Dr. Fouts held several national and international senior-level positions in managed care organizations over the past 20 years. Great-West Healthcare, which refers to the group health and life products of Great-West Life & Annuity Insurance Company and its affiliates, is a national employee benefits provider operating a health care network of more than 5,300 hospitals and 515,000 providers and providing health care coverage to approximately 1.9 million people.

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