The Healthcare Problem & Our Approach to Solving It

The Problem with Healthcare

The current healthcare model has many problems that contribute to the escalating cost of medical care. Let's face it, the big insurance companies have incentives that are not aligned with your company, they are aligned with their stockholders.

When the government enacted the Affordable Care Act (ACA) in 2010, one of the pillars of the law was the Medical Loss Ratio (MLR) rule. The purpose of the rule was to ensure that insurance companies use a percentage (80%, for example) of each premium dollar to pay for medical claims. The other 20% could be used to pay overhead expenses such as administrative costs, marketing, salaries, commissions, and profits. If the cost of paying claims was less than 80%, the insurance company would be required to return money to the employers it insures. At that point, insurance companies no longer had an incentive to help employers contain medical claims costs and had every reason to watch costs increase because it reduced the probability of having to return money to its book of business.

The Problem with Healthcare Cont.

It is easy to understand why the stock prices of the big insurance companies have increased more than 300% in the past 10 years.
Prescription drug cost make us at least 25% of the total healthcare spend for most companies and with the largest Pharmacy Benefit Management companies being owned by the big insurance companies, the fox is in the hen house. This once again leads to misguided incentives that are not aligned with your company.
Company CEO's and CFO's need to start thinking of the insurance carrier ID card as an unlimited company credit card. Think about it, what else in the world do we purchase like healthcare? Your employee takes that unlimited card like they are walking into Costco but without any prices displayed on the merchandise. They load up their cart with what they perceive is the best they can find with zero regards for cost because hey, it's covered. When they get to the checkout, they are told don't worry, we will bill your employer next month. They leave not knowing the cost or quality of what they selected. The correlation between cost and quality when it comes to healthcare is unlike anything else they purchase. Typically, in healthcare, the cost for better quality is less expensive due to efficiencies and quantities.

Our Solution to the Problem

The only way to truly gain control of your healthcare spend is to use Supply Chain Management for what is most company's 2nd or 3rd largest expense.

Since 85% of health insurance premium is directly or indirectly related to claims, wouldn't it make sense to focus on the claims cost rather than administrative cost.

In every company, the Pareto Principal exist as it relates to healthcare cost. 20% of your employees are accountable for 80% of your claims which represents 85% of your premium. The best way to address these super utilizers is to implement meaningful strategies that will reduce the number, size, and frequency of claims. This can be achieved without reducing employee benefits levels by ensuring these employees access care at the right time, in the right place, and for the right price. We help companies just like yours implement meaningful cost reduction strategies every day. Let the Next Generation Benefit Advisors at Demarie & Timmerman show you how this approach can work for your company.