Don’t be average!

GDM Healthcare Advisors LLC

Let's dive into a critical issue that's been largely overlooked in the realm of healthcare, particularly when it comes to employer-sponsored healthcare. It's a math problem. But don’t worry, it's a straightforward one. The culprit here is none other than "the average."

I can almost see the perplexed look on your face as you read this. So, I'll break it down without bombarding you with complex math jargon. Allow me to illustrate this issue with the following example.

Picture yourself as a large employer, seated in a meeting with your carrier, broker, or consultant. Together, you're examining your claims data, and chances are, you've encountered a comparison of your results with the presenter's "book of business" measures. It's comforting to have something to gauge your performance against as it offers perspective. Plus, the term "book of business" sounds compelling, given that it draws on hundreds of thousands, if not millions, of data points. Naturally, every employer wants to understand how they stack up, so it seems like a valuable reference point for evaluating your healthcare program performance.

But let’s not fool ourselves here. These book of business measurements are nothing more than averages, and that's where the problem lies. Sometimes, in these meetings, being average is spun in a positive light.

“Great news, your healthcare cost trends are in line with our book of business.” Seriously, does anyone think the higher inflation associated with healthcare costs is a good thing?

> I don't think there's too much normal out there anymore. Though there's still plenty of average to go around.
>
> *John David Anderson*

“Oh yes, we looked at the rate of emergency room use in your population and it’s very close to our book of business.” Oh! So, are we comfortable with people receiving expensive healthcare in emergency rooms when better alternatives exist or it could have been avoided altogether?

“Your generic substitution use rates are consistent with our book of business.” Huh?

So those are some simple examples of how averages are used in an employer healthcare context. Perhaps they sound familiar? Now imagine you’re attending a parent-teacher conference to discuss your daughter's academic performance, and the teacher says, "Looks like Nancy here is doing great, she's getting Cs in everything!"

Or picture yourself in your annual performance review meeting after pouring your heart and soul into your work for an entire year and your manager says "you're doing great, thanks for being an average employee and congratulations, you're getting an average wage increase".

Right, I wouldn't be excited either. But I've lost count of the number of times I've seen employers settle for mediocrity when it comes to their healthcare plans. They're not doing it alone, of course. Health plans and brokers/consultants, through their book-of-business benchmarking prowess, have made it too easy to show their employer clients what "average" looks like.

One would think given the extraordinary cost of healthcare in the US, how poor so many of our outcomes are and the level of detail we can generate in today's modern age, we would be doing more than measuring and promoting mediocrity. Sure, some plans do show opportunities to save money, but those discussions usually follow a barrage of "average" statistics.

Can't we raise the bar a little higher? It doesn't have to be overly complicated. It just requires bringing a different mindset to how you review your program's experience.

So, here is my short list of dos and don't when it comes to evaluating your healthcare program:

Dos

- **Set your expectations higher for meaningful comparisons.** Make sure your analysis is giving you some perspective on what high performance looks like. A simple starting point is to request information on the top quartile of performance. Mind you, I'm not suggesting you ignore the averages; rather, I am merely encouraging you to know what high performance looks like because that will help frame what real success looks like.

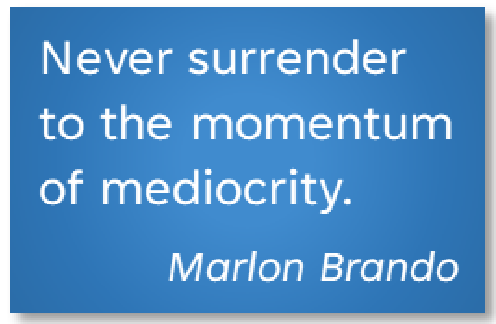
- **Keep it simple.** I'm a fan of simple organizing frameworks because they keep your analytics better focused. For example, the triple aim of healthcare – delivering a better patient experience, improving health status and lowering healthcare costs – can help reframe how you assess your data to measure the value in your healthcare program. This is just one example of a simple, unifying framework for measurement. You may have a specific set of strategic goals or guiding principles for your healthcare program and that is another place to look for inspiration in framing your measurement approach.

- **If you are a large enough organization**, identify where your organization is performing well and look for whether that performance can be extended to other areas. In other words, know your strengths so that you maintain them and then focus your efforts on where the most meaningful areas of improvement are found.

- **Be consistent.** Hold all your vendors accountable for providing useful measurements. Make it clear to them that if they are only showing you what average looks like, you will be disappointed. Challenge them to inspire you on what high performance can accomplish. If they can't demonstrate what that looks like and how it will benefit your program or your people (not just their top line), then they're probably not the right partner for you.

This last point applies more to large employers working with a variety of vendors. But if you're an organization serving large employers, pay attention to the measurement approaches your employer clients are prioritizing. Stay relevant and aligned with their needs.

Don'ts



- **Steer clear of resorting to cost-shifting onto your employees.** Sometimes, cost-shifting may seem like the easiest route, but we've been in an era of high-deductible health plans for over a decade, and we still have a cost problem in healthcare. Medical costs are already burdensome for your employees, and we all want them to come down but cost-shifting really just produces short-term gains.

- **Avoid fixating on unit costs and missing the bigger picture.** This is a pet peeve of mine. We claim to be entering an era of paying for value, yet when it comes to reporting, we inundate discussions with excessive detail on the unit cost of healthcare services. Procedure code cost averages are NOT where you should start looking at the cost of healthcare. These unit costs are just a fragment of what you should be examining in your program experience. The next time someone shows you costs by procedure code, ask them for costs on a different dimension – like by episode of care, disease stage, treatment outcome. If they are lost in responding to that question, you know your measurement partner has come up short.

- **Don't take "no" for an answer.** Keep pushing for simplicity and insights. By championing this cause, you're not only benefiting yourself but also the broader community of employers while urging your vendors to improve.

- **Don't lose hope.** You might get frustrated by the reports and the lack of meaningful insights they provide. But don't give up. Healthcare measurement is improving. There's still work to be done to refine our measurements, but the good news is that we're not starting from scratch.

Closing Thoughts

I hope these thoughts are helpful. If you're an employer reading this, I urge you to reflect on how information about your program experience is currently presented to you and consider how it can be more impactful in driving your strategic objectives forward. This ultimately comes down to a mindset change. It will require you, your organization and your vendor partners to be willful if you want to significantly outperform the average.

If you're an organization serving employers, I cannot stress enough how crucial it is to be an exceptional partner to your clients. Listen to them attentively and be creative in helping them understand what great outcomes could look like for their organization. I understand that creating custom analytics for each client may not be feasible, but you can leverage insights from your entire book of business to showcase the achievements of your high-performing customers. If you can't do this, what exactly are you doing in healthcare anyway?

For questions or inquiries, feel free to reach out:

GDM Healthcare Advisors LLC

Pasadena, CA
gmansur@gdmhealthcareadvisors.com
www.gdmhealthcareadvisors.com

