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Transparency Leads Actuarial Survey of Trend-Benders

by Sara Teppema



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A common criticism of the Patient Protection and Accountable Care Act (PPACA) is that the new law does not do enough to impact health care costs and their continued high projected trends. Recent articles in several prominent health care journals (including a *Health Affairs* article by SOA '10 Health Meeting keynote speaker David Cutler) have debated the PPACA's potential to moderate future health care trends.

This past May, over 600 U.S. based Health Section members participated in a survey about ways to "Bend the Cost Curve." In addition, the SOA fielded a brief survey of consumers to gauge their understanding and ability to bend the curve. So, where exactly do actuaries and consumers stand on this issue?

First of all, actuaries believe that health care needs to be more transparent in terms of quality and especially in terms of costs.

"The focus on transparency is essential for the future of the United States health care system, as pricing, effectiveness of procedures and quality of provider care are needed to help the medical community be more transparent in the ways in which to deliver care to patients," says Susan Pantely, FSA, MAAA, and Consulting Actuary for Milliman, Inc.

Table 1 conveys this belief, ranking the responses to the question "From your actuarial perspective, please rate the below recommendations in terms of how effectively they will reduce the trend of either price or utilization (or both) for commercial (i.e., non-Medicare) populations." Price transparency is the recommendation that was rated most often as "very effective."

In addition to transparency, the vast majority of actuaries believe that additional costs could be carved out of the system by combating fraud and abuse and reducing medical errors.

CHART 1

EFFECTIVENESS OF INITIATIVES FOR COMMERCIAL POPULATION

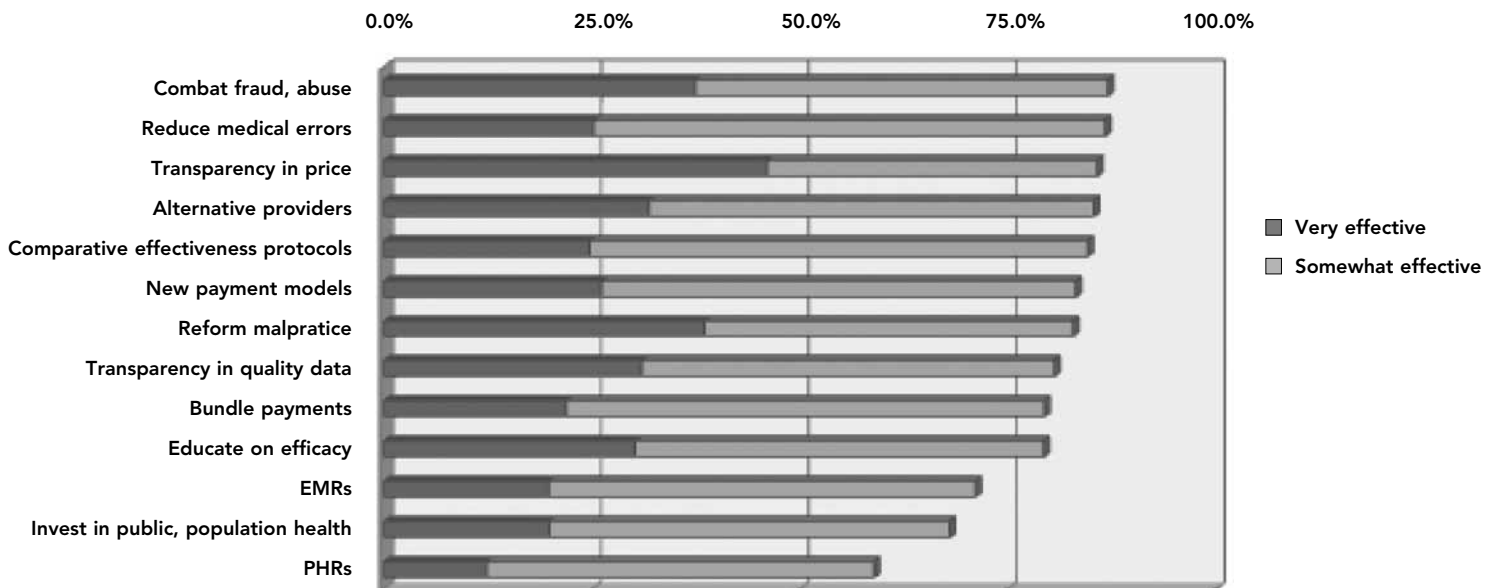
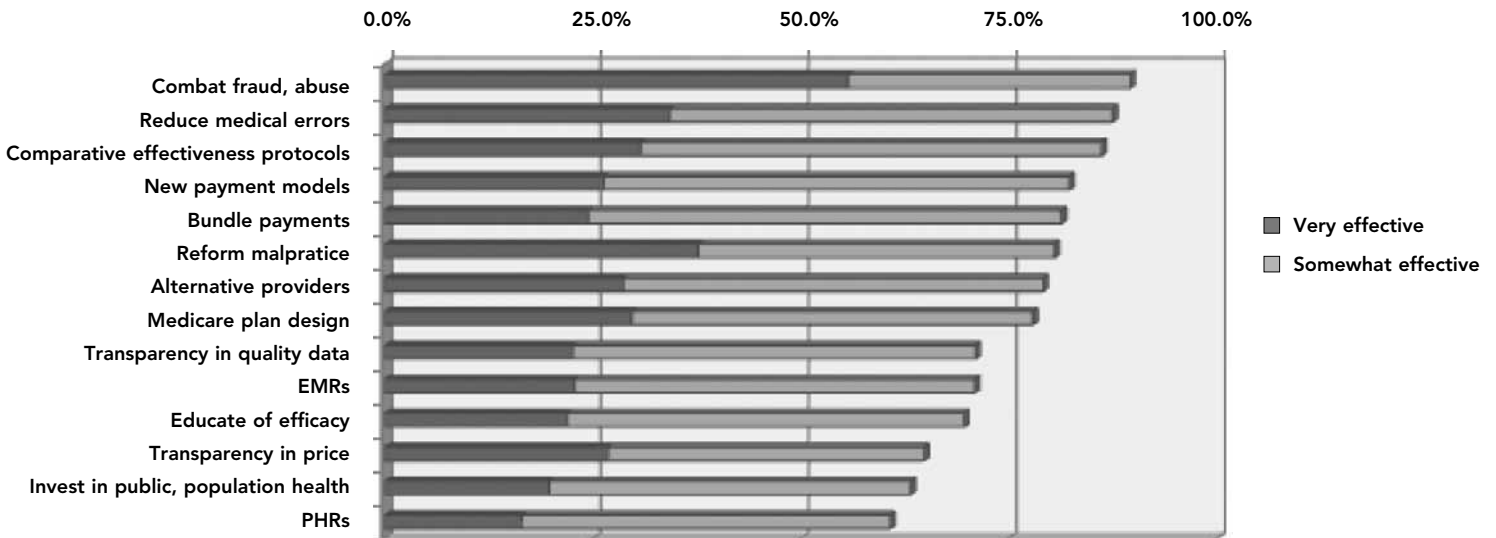


CHART 2
EFFECTIVENESS OF INITIATIVES
FOR MEDICARE POPULATION



A large majority of actuaries believe that provider payment systems reforms can be effective to reduce trend. These include alternative providers (such as retail clinics, nurse practitioners, etc), comparative effectiveness protocols, new payment models (such as accountable care organizations), and bundled payments.

Worth noting is the fact that 39 percent of respondents cited malpractice reforms as a “very effective” strategy—this is the second-highest number of “very effective,” after price transparency.

When the same question was asked of the Medicare population (“From your actuarial perspective, please rate the below recommendations in terms of how effectively they will reduce the trend of either price or utilization (or both) for the Medicare population,”) the responses show different priorities. As Chart 2 shows, reducing fraud and abuse is deemed the most effective way to bend the Medicare trend,

with more than half of survey respondents saying that combating fraud and abuse would be “very effective.” Medical errors is the next most-effective strategy (although fewer actuaries rated “reduce medical errors” as “very effective” than “somewhat effective”), and provider payment reforms such as comparative effectiveness protocols, new models and bundled payments are next on the list of effective strategies.

As was the case with the commercial population question, malpractice reform received the second-highest number of “very effective” responses for the Medicare population.

The survey asked for a response to several statements about employer-sponsored health care coverage: “Please rate your agreement with the following arguments for or against the effectiveness of employer-sponsored coverage to bend the cost curve downward.”

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CHART 3
EMPLOYER-SPONSORED COVERAGE

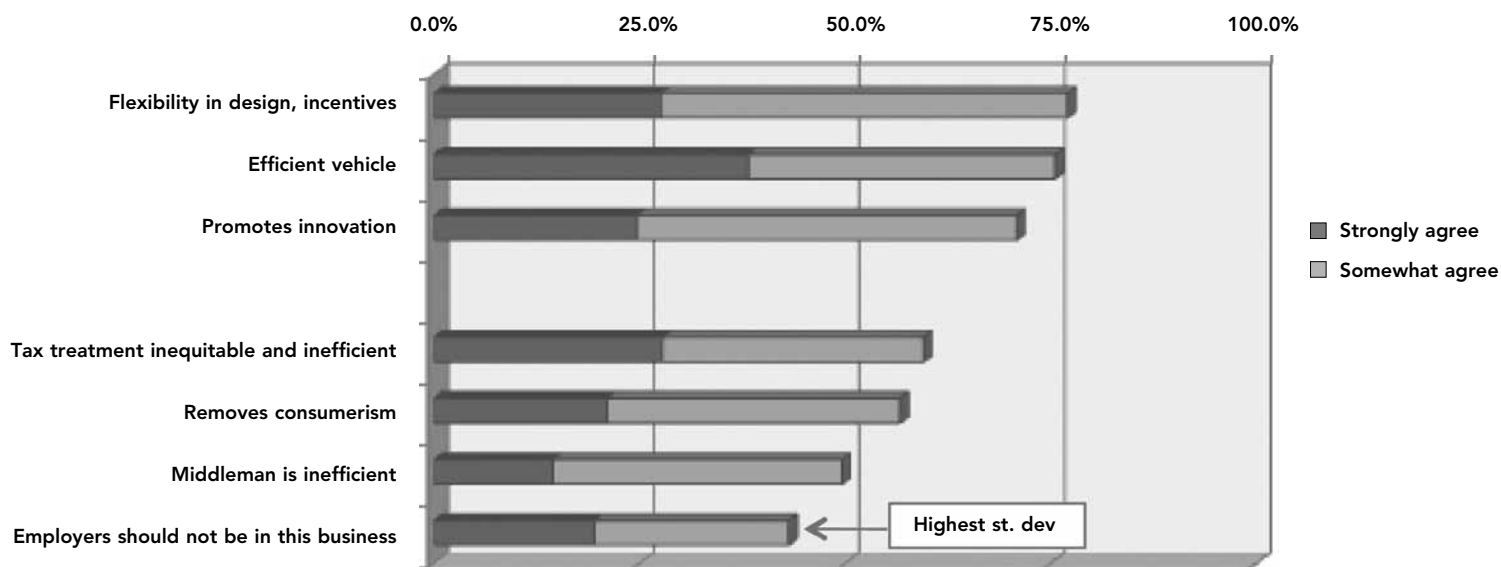


Chart 3 summarizes the level of agreement with several statements about employer coverage.

The top three statements demonstrate a level of agreement in favor of employer-sponsored coverage, and the bottom four statements demonstrate a level of agreement against employer-sponsored coverage. Graphically, it is clear that actuaries are generally in favor of employer-sponsored coverage, but not by an overwhelming majority. In fact, more than half of respondents agree that the tax treatment of employer-sponsored coverage is inequitable and inefficient. The last statement may be the most interesting: 43 percent of respondents agree that “Employers should not be in the business of providing health care,” with about half of these in strong agreement. The responses to this statement, however, have the highest variance of all the statements, demonstrating that actuaries disagree considerably on whether or not employers should provide health care benefits.

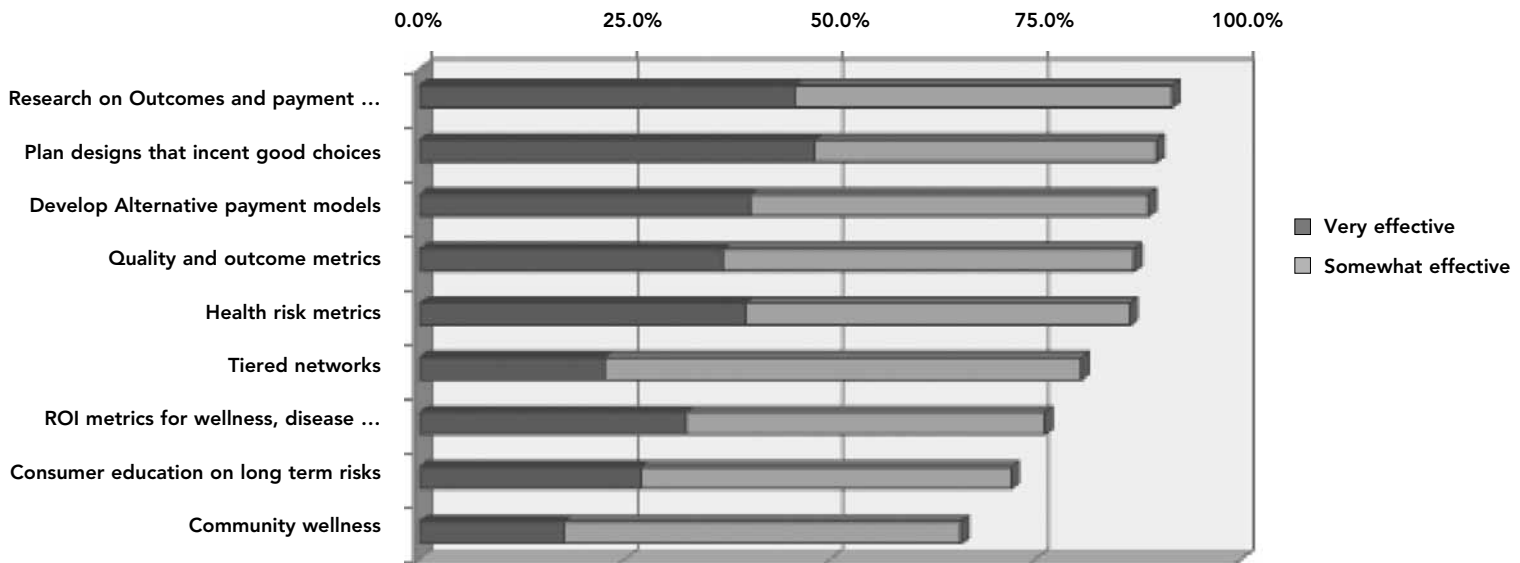
The last rating question was “Thinking of the roles in which actuaries may help individuals make bet-

ter choices as patients and consumers, how effective are each of the following?”

Many strategies are considered to be effective in helping individuals, including actuarial research on outcomes and payment models, development of new payment models, and development of metrics for quality, outcomes and health risk. Nearly half of respondents think that a “very effective” solution is to assist in designing plans that incent good choices by patients and consumers.

Interestingly, this need was magnified by the responses from consumers. 1,000 consumers were asked to complete the following statement: “I would be able to make better decisions about my health if I ...” More than one-third of responding consumers—35 percent—responded “There is nothing that would give me the ability to make better decisions about my health.” Clearly this is an opportunity for actuaries to assist consumers in making the right choices through education, research and creative plan designs!

CHART 4
EMPLOYER-SPONSORED COVERAGE



In response to that same statement, 26-30 percent of consumers said that they would make better decisions about their health if they knew more about their long-term health risks (30 percent); if they had access to a wellness program to get information on nutrition and exercise (27 percent) and if they had better information to manage a medical condition (26 percent).

Consumers also responded to the statement “I would be able to better control my health care costs if...” And once again, the strongest response (39 percent!) was “There is nothing that would give me the ability to better control my health care costs.” Other popular responses were “health care providers told me ahead of time about the costs and quality of services so I could choose my provider” (37 percent); and “My physician informed me ahead of time about the cost of a procedure, the number of times s/he has performed the procedure and the results, before administering the procedure” (30 percent).

Finally, 83 percent of consumers surveyed agreed (and just under half of these strongly agreed) that

they “would be willing to participate in a program that encourages me, through financial incentives, to follow my prescribed treatment plan for disease(s) I currently have, as well as prevent future illness by following a healthy lifestyle.”

The survey to the Health Section asked additional questions regarding respondents’ opinions on the best and worst aspects of the PPACA, and what else is missing from the act. See future issues of the *Health e-News* and *Health Watch* for more reporting of these results.

I encourage you to consider how you may be of service to consumers and the public as health reform unfolds. A clear need exists to educate and engage patients and consumers! I welcome your ideas as to how the Society of Actuaries and the Health Section can further this mission as well. ■