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Actuarial aspects of Medical Effectiveness Report complete

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The SOA Medical Effectiveness Task Force was formed in 1993 to explore the subject of medical effectiveness and to identify ways in which actuaries can contribute to the analysis of this issue. Under the direction of its chair, Lee Launer, and under the auspices of the SOA Health Benefit Systems practice area, the task force has completed its report. Following is a synopsis.

Potential of performance measurements

Health plan performance measurement reports offer great potential for consumers, health plan managers, and employee benefit managers as a tool to make better informed buying decisions. Widespread use of these reports has the potential to improve the quality of medical care and to enhance cost control efforts.

However, the promise of performance measurement reports will not be realized unless they are rigorously prepared, using quality data and consistent methodologies.

Many health care reform proposals include some form of performance measurement report. Under most reform scenarios, it would be common for health plans to develop and report standardized performance indicators on criteria such as:

- Access
- Cost
- Patient satisfaction
- Medical effectiveness
- Quality measures

Each of these performance criteria are evaluated in more detail in the task force report.

Actuarial contribution

Since performance measurement reports are primarily the collection and analysis of data (a core competency of actuaries), providing input on the preparation and evaluation of these reports is an area where actuaries can make a meaningful contribution.

The task force report provides actuarial guidance to individuals or organizations producing or evaluating these reports with two objectives:

- 1) To identify performance indicators that would be considered meaningful in developing or evaluating the performance of a provider
- 2) To provide guidance on methodologies to use in developing or evaluating these reports, including the:
 - Statistical credibility of the underlying data
 - Calculation methodology
 - Method of displaying the results
 - Reliability of the results

Performance measurement expected to increase in prominence

Since cost management and quality control efforts will remain fundamental concerns in the health care arena, performance measurement analysis will remain an issue of increasing significance. Several organizations, such

Sample Performance Measurement Report

General Hospital/Acute Care Facility		
	Health Plan XYZ	Regional Norm
Admissions	1000	—
Admissions/1000	71.4	75.0
Days	4000	—
Days/1000	285.7	300.0
Average length of stay	4.00	4.50

as the National Committee for Quality Assurance, the Joint Commission on Accreditation of Healthcare Organizations, and the Health Care Financing Administration have devoted significant time and effort to develop performance measures.

As the reliability of data bases increases and as valid, reliable performance measures are established, health plan performance measurement reports will continue to gain in prominence.

To obtain a copy of the task force report, please contact SOA Book & Publications at the Society office, 708/706-3526. Please enclose \$5.00 for each copy.