

# Signature Healthcare Foundation

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## **Healthcare Reimbursement:**

## **Where Does the Money Go?**

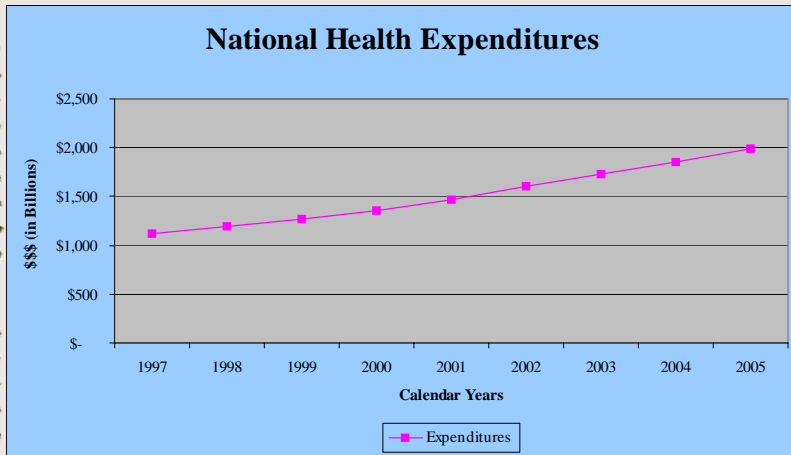
October 26, 2007  
Daniel S. Pribe, FSA, MAAA

### Where Does the Money Go?

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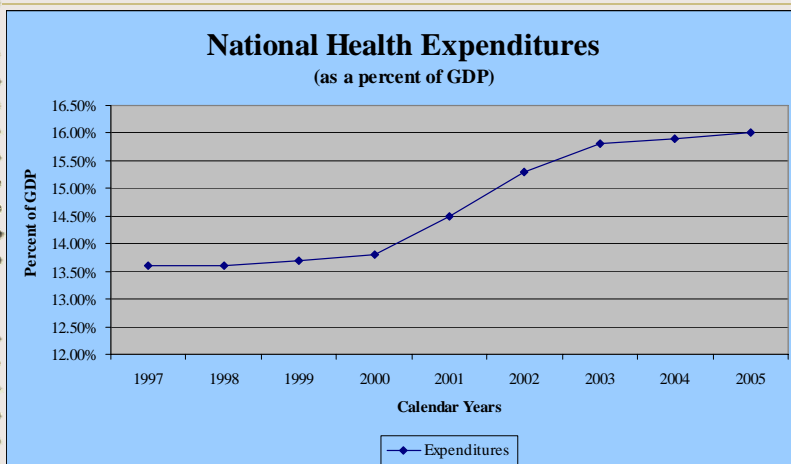
- **Ways to look at health expenditures:**
  - **Trajectory of healthcare expenses**
  - **Breakdown by Type of Service**
  - **Breakdown by Cost per Person**
  - **Breakdown by Condition**
- **Potential Reimbursement Trends**

## Trajectory of Healthcare Expenses



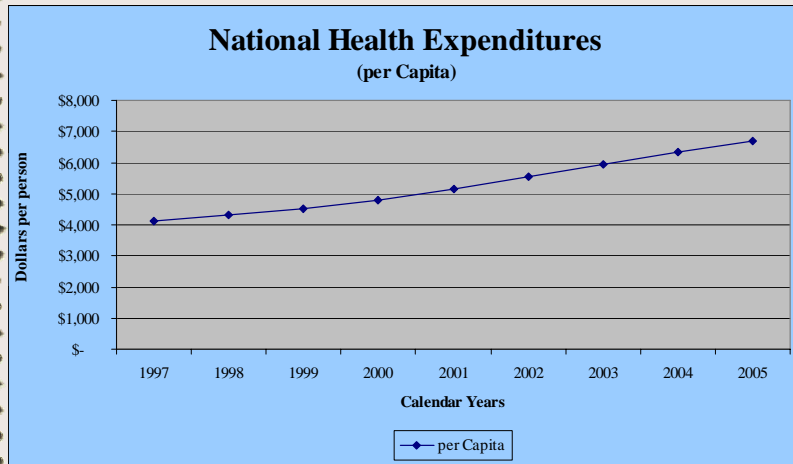
Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis, and U.S. Bureau of the Census.

## Trajectory of Healthcare Expenses



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## Trajectory of Healthcare Expenses

### Example of Trend Analysis:

#### Sample Trend Breakdown

<u>Breakdown:</u>	<u>Utilization</u>	<u>Cost</u>	<u>Composite</u>
Inpatient	0.0%	5.0%	5.0%
Outpatient	7.0%	5.0%	12.4%
Physician - Primary Care	3.0%	5.0%	8.2%
Physician - Specialty Care	4.0%	5.0%	9.2%
Medical Only			9.3%
<b>Prescription Drugs</b>	5.0%	5.0%	10.3%
<i>Composite</i>			9.5%

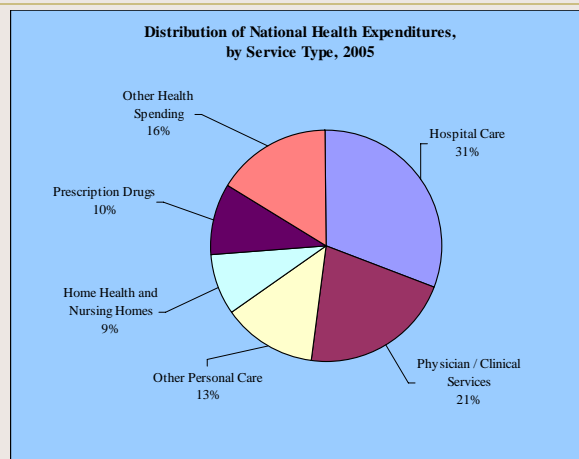
Source: Example for presentation.

## Trajectory of Healthcare Expenses

### Additional Analyses:

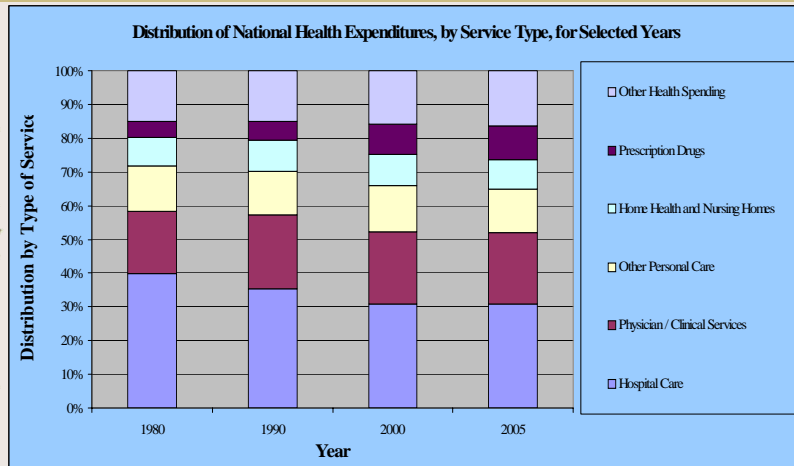
- **By Population (Commercial, Medicare, Medicaid)**
- **By Product (e.g., Individual vs. Group)**
- **By Region**
- **By Service Type sub-groups:**
  - ER Utilization,
  - Brand vs. Generic,
  - Radiology Services.

## Breakdown by Type of Service



Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group

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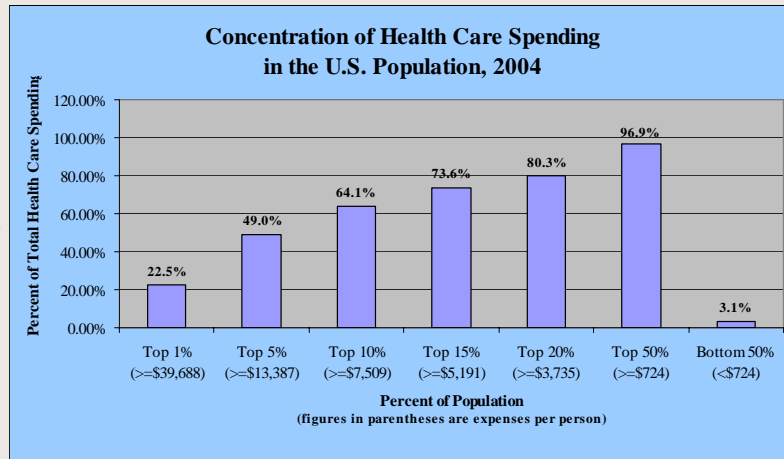
## Breakdown by Type of Service

### Example of Per Member Per Month (PMPM) Calculation:

<i>Breakdown:</i>	Annual Utilization per 1,000 Members	Cost per Service	Claims per Member per Month (PMPM)
Inpatient	65	\$ 7,000	\$ 37.92
Outpatient	3,500	350	102.08
Physician - Primary Care	4,500	50	18.75
Physician - Specialty Care	8,000	100	66.67
Medical Only			225.42
Prescription Drugs	10,000	\$ 70	\$ 58.33
<b>Total Monthly Claims Cost</b>			<b>\$ 283.75</b>

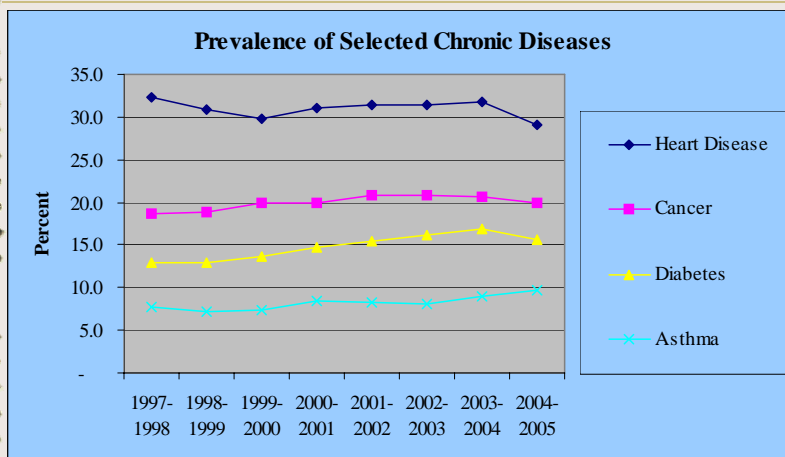
Source: Example for presentation.

## Breakdown by Cost per Person



Source: Kaiser Family Foundation calculations using data from the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), 2004.

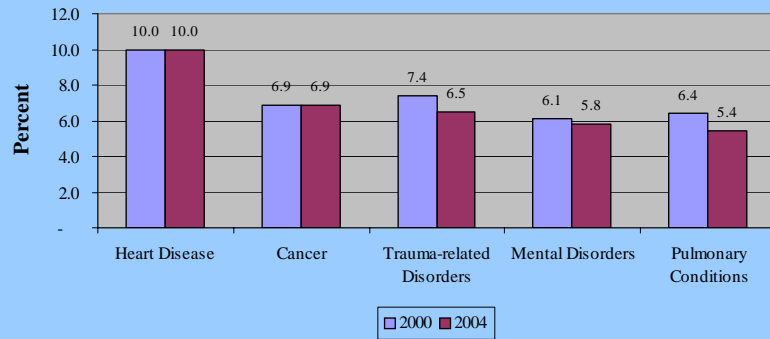
## Breakdown by Condition



Source: Centers for Disease Control and Prevention, Trends in Health and Aging, Prevalence of Selected Chronic Conditions., Web site: <http://209.217.72.34/aging/TableViewer/tableView.aspx?ReportId=380>. Accessed October 22, 2007.

## Breakdown by Condition

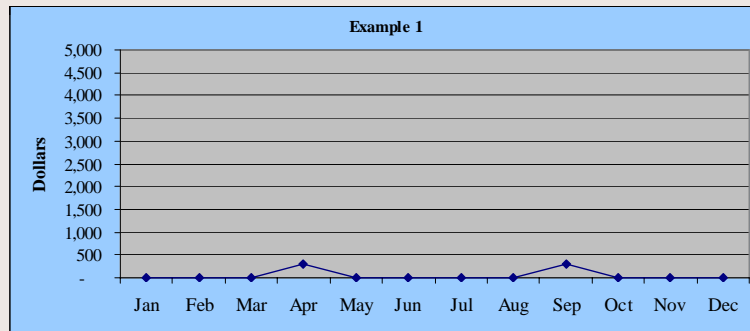
The top five most costly conditions as a percentage of total expenditures, 2000 and 2004



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2000 and 2004

## Breakdown by Condition

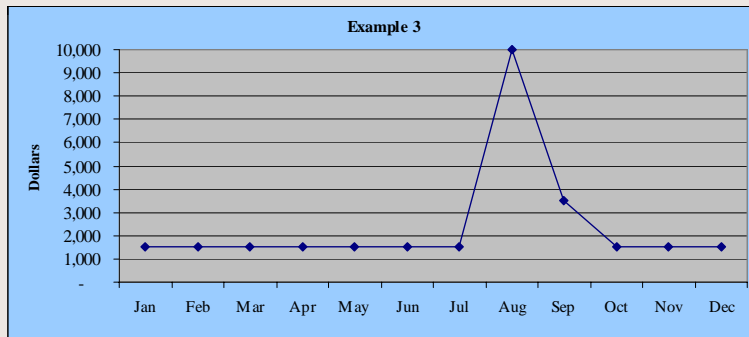
### Emergence of Claims – Most People:



Source: Example for presentation.

## Breakdown by Condition

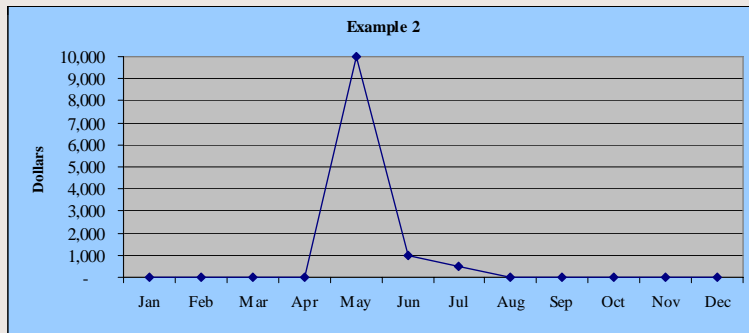
### Emergence of Claims – Chronic Condition(s):



Source: Example for presentation.

## Breakdown by Condition

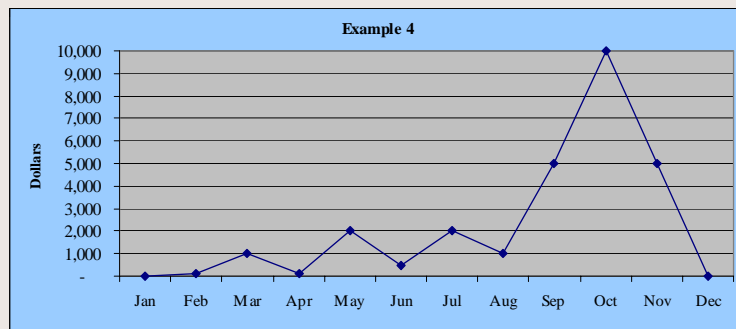
### Emergence of Claims – Acute Condition (e.g., trauma):



Source: Example for presentation.

## Breakdown by Condition

### Emergence of Claims – Other Conditions (e.g., Cancer Treatment):



Source: Example for presentation.

## Reimbursement Trends

- **Increase in Quality Incentive Programs**
- **Reimbursement based on quality**
- **Move to carve outs**
- **Concentration on outliers**
  
- **Increase in Disease Management / Care Coordination programs**
- **Physician to Physician Interactions**
- **Increased use of technology**
- **Increased pressure for transparency**

A spiral-bound notebook with a brown cover and a light beige page. The page has a thin brown border and a horizontal line. The text is centered on the page.

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