

Background

Our client is a West Coast self-insured employer with employee and beneficiary membership of 40,000. The employer also provides health services in the market and is an Analytics for Risk Contracting (ARC) client.

The employer has used ARC to identify specific opportunities and interventions to improve financial performance and quality for its beneficiaries.

Leveraging ARC's capabilities, the employer identified important cost drivers (see right):

- Using ARC's stitched claims and attribution methodologies, a wide range of member usage and cost variation were detected around medical and pharmacy claims
- An aggregation of both medical and pharmacy claims showed total cost of about \$607 PMPM
- High emergency department (ED) utilization rate
- There was a high OON spend, of which 33% had an in-system alternative

Current State Performance

Category	Client Performance	Regional Benchmark
Total Spend PMPM (Medical + Pharmacy)	\$607	\$450
Admit Per 1000	68	57
ED Per 1000	263	226

The Challenge

The self-insured employer has a combined medical and pharmacy spend of \$607 PMPM with a growth rate of 5%, an amount greater than the regional benchmark of \$450 PMPM. The employer contracted with ARC to identify and create initiatives to improve the medical management of its employees and improve financial performance. Insights gained from ARC highlighted specific areas of opportunity within the self-insured population for initiative design and implementation to reduce the overall PMPM spend.

Opportunities include:

- Reduction of preventable ED visits
- PMPM reduction in lowest performing risk pods
- Reduction in OON spend
- Rx dispensing re-allocation savings
- Appropriate management of members 65 years and older

The Findings

Using our "attribution methodology" and Geographic Risk Pod assignment, the analysis conducted yielded the following findings:

- **\$8.3M** spent on ED services. 60% of all emergency department (ED) population visits were preventable and accounted for 49% of all ED spend
 - The most common diagnosis of members' preventable ED visits were Esophagitis/Miscellaneous Gastroenterology, which accounted for 18% of visits and 28% of ED spend
 - Members with no attributed primary care physician (PCP) have **\$1M** of in-network spend for preventable ED visits
- In-network preventable ED spend accounts for \$7.3M, of which **\$4.5M** is concentrated in neurology, gastroenterology and cardiology
 - Of the \$78M of OON spend, **\$25M** was spent on services where there was an in-system alternative
- Members over 65 represent 5% of the member population and 13% of medical spend
 - Members over 65 have **three times the average** number of chronic conditions compared to the overall population
 - Currently, the medical per member per month (PMPM) is **\$1,544** compared to **-\$900** in a Medicare Advantage (MA) population and the under 65-plan average of \$548
- There is a large gap in cost between drug dispense through retail and specialty pharmacy channel

The Approach

<p>1. Opportunity Assessment</p>	<p>Initiative Analysis</p>	<p>▶ Geographic Risk Rod Selection</p>	<p>▶ Benefit Design</p>	<p>▶ System-wide Impact Assessment</p>	<p>▶ Provider & Leadership Engagement</p>
<p>2. Initiative Development</p>	<p>Financial Modeling</p>	<p>▶ Governance</p>	<p>▶ Operational Infrastructure</p>	<p>▶ Training</p>	
<p>3. Launch</p>	<p>Use ARC dashboards to monitor progress</p>	<p>▶ Utilize funds flow model to inform financial incentive payments</p>			

Indicates ARC Suite of Tools Role

Results

Engaging in close collaboration with our subject matter experts, the team thoroughly walked through the analysis conducted and developed initiatives for revenue enhancement and cost saving opportunities to help reduce medical and pharmacy spend.

OPPORTUNITY	INITIATIVES AND REQUIRED ACTIVITIES	POTENTIAL ROI SIZE
<p>REDUCE PREVENTABLE EMERGENCY DEPARTMENT VISITS</p>	<p>Required Activities: Improve access of alternative care environments</p> <ul style="list-style-type: none"> Focus on “frequent fliers” with 3+ preventable ED visits per year Identify members with preventable ED spend without any PCP visits Identify specialty service lines as focus areas for access optimization 	<p>\$7.2M (3.8% of Medical Spend)</p>
<p>REPATRIATION OF OUT-OF-NETWORK UTILIZATION</p>	<p>Required Activities: Empanel members to PCP and align PCP with high performing specialists</p> <ul style="list-style-type: none"> Focus on high cost and volume service lines with OON utilization Provider referral education to repatriate care for specific service lines Link to PCP overall panel of risk members with in-network PCP in order to align financial incentives and allow for consistent care model 	<p>\$25M (32% of Out-of-Network)</p>
<p>DRUG DISPENSING TYPE RE-ALLOCATION</p>	<p>Required Activities: Evaluate PBM and specialty drug contract, educate members in the optimal dispensing channel</p> <ul style="list-style-type: none"> Evaluate high cost drug dispensing channels Consider converting all specialty drug refills to be channeled through the specialty PBM 	<p>\$600K (2% of Pharmacy Spend)</p>

Next Steps

For successful implementation of the developed initiatives, the self-insured employer will engage human resources, TPA/MSO, care management and physicians leaders to collaboratively develop an implementation roadmap.

ARC will monitor interactive reporting, future opportunity identification, ROI modeling and forecasting and Geographic Risk Pod management.

[Learn more with our team today!](#)
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