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Fighting High Medical Costs Behind the Scenes

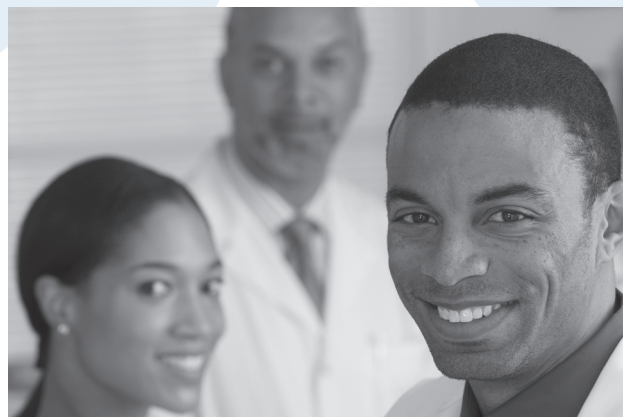
Healthcare costs continue to escalate. The number of uninsured Americans climbs at a startling rate. Presidential candidates claim they have the answers. And hospitals and providers continue to be caught in the vicious cycle.

In the meantime, are there really any concrete actions that can be accomplished now to help solve the affordable health care issue?

Blue Cross and Blue Shield of Kansas believes there are, and for several years has been working with physicians, therapists, psychologists and social workers to gather and share information that promotes efficient practices. Most of the work is done behind the scenes – patients and the general public may not be familiar with the work. Nonetheless, the efforts are beginning to show substantial dollar savings, according to Tom Johnson, director of health informatics at BCBSKS.

"We use a unique suite of business intelligence software called CareEnhance® Resource Management developed by McKesson of San Francisco. This profiling program allows us to analyze the practice patterns of providers and then compare those patterns with other providers in a specific peer group," says Johnson. "Physicians do not have the capability to understand how their practice compares to their peers. For many years, we had established punitive measures such as audits and pre-payment reviews to promote more efficient practices. Unfortunately, what it really accomplished was the development of adverse relationships."

At the heart of the profiling program is the concept of grouping services into "episodes of care." Rather than looking at individual services, the software takes into account all services a member receives for a medical condition. This includes office visits, drugs and surgery – regardless of how long the treatment takes. After the member has gone through a period of no additional treatment ("clean period"), the episode of care is closed. After months of analyzing episode treatment groups, an efficiency index can be applied that compares providers to their peers in how they allocate resources to treat patients.



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To help get physician buy-in, BCBSKS initiated an intensive education program six months before reporting began. Over 50 meetings with physician leaders and influential medical groups throughout the state were held to describe and collect input on the program. In addition, physicians were assured that the program was a tool to improve medical care, not to perform economic credentialing.

According to Johnson, "Our program has gained widespread acceptance because we are careful about delivering our data in a non-threatening manner." If there is a certain provider or group that has been identified as having significant variance from a peer group, meetings will be held to better understand why those variances may be occurring. "We're not out to remove providers from the network, but we do want to make sure we protect the network's integrity," notes Johnson.

Physicians are given the opportunity to change the peer group to which they are assigned, and at no point do the reports identify a physician by name to another physician. Patient care and practice improvement are always emphasized, and each physician receives a personally addressed letter with his or her information.

Over the years, the program continues having a measurable impact. By projecting costs that would have occurred without the efficiency improvements, BCBSKS is able to determine an estimated dollar savings of \$5.8 million annually. "We went to great lengths to not be biased in our savings projections. We brought in the expertise of our actuarial staff to help calculate and validate the savings. The success of our program has even been used as a case study example in McKesson's sales literature."

The physician profile program allows BCBSKS to also concentrate on hot spots where spending has become problematic. For example, the software can create reports on radiology costs, practice patterns for physical therapists and prescription drugs. A few results are highlighted below:

- Radiology costs, once rising 30 percent a year, are now rising by only 20 percent.
- A reduction in coding of upper-level evaluation and management services (office visits) resulted in a savings of \$100,000 over a six-month period.
- Practice patterns for physical therapists and chiropractors have now gained greater consistency.



Johnson says that positive change from the utilization reports also comes from what he calls the sentinel effect. "In other words, if you know somebody is looking at you, you change – and our reports are a gentle reminder that we're still looking."

Johnson notes that several other carriers use the McKesson software and that BCBSKS continues to refine the program to empower the provider network. "Physicians understand that improving medical practice, not just reducing costs is the overall goal."

While escalating health care costs continues to be a national issue, encouraging physician efficiency through meaningful information is one way BCBSKS is affecting positive change and ultimately, contributing to lower medical costs.