Background Reading

Peter Drucker wrote "You cannot manage what you cannot measure". Measure and Monitor are deemed synonymous. So it is that the *Experience Monitoring* work-product does the *measuring* part; the *managing* part is offered as an E-Text at www.awpse.com/planmanagement. The one helps the other.

While the monitoring work-product broadly sets forth the maladies, the E-Text that discusses the managing process broadly sets forth a menu of possible cures. A close alignment of the maladies with the cures is beyond the scope of either the monitoring or the managing.

It might be argued that the insights needed to match the maladies with the cures will be sharpened if several risk-related work-products are obtained: (a) actuarially-determined economic value of both (i) plan and (ii) stop-loss benefits and (b) statistical variations in (i) claim reserves and (ii) expected future claim projections.

The major categories of the contents of the E-Text, *Self-Funded Health Plan Management,* are as follows:

- **Plan Amendments**
- **Plan Administration Changes**
- **Physician-Involved Changes**
- **HR-Related Changes**
- **Administration Cost Reduction Changes**
- **Stop-Loss-Related Changes**
- **Provider-Reimbursement Change**

Each such Major Category is divided as follows:

Plan Amendments

The eight candidate amendments are these:

<u>One. Demand Management</u>.
Reduce benefits for non-compliance with behavioral or wellness requirements.

<u>Two. Spouse Eligibility</u>
A spouse is not eligible if otherwise eligible on another heath plan.

<u>Three. Double Coverage</u>
No covered person on this plan may be also covered under other plan.

<u>Four. Prescription Drug Benefits</u>
Rx benefits are optional.

<u>Five. Employees over Age 65</u>
Modify the required hours minimum so that active workers over 65 can still work but not receive plan benefits and gain Medicare as primary.

<u>Six. Advance Medical Directive</u>
Require such as a condition of plan eligibility.

<u>Seven. Early Retirees Treated as COBRAs</u>
COBRA period is extended to age 65 and early retiree benefit is eliminated.

<u>Eight. Attained Age Funding</u>
Adopt such consistent with ADEA limitations.

Plan Administration Changes

There are six in number.

One. Adopt an aggressive anti-fraud/abuse program.
Two. Adopt a comprehensive audit program with special emphasis on special-purpose audits. It is the special-purpose audits that we learn of the (a) aberrations,

outliers, instances of abuse, anti-selection, etc.
Three. View health plan costs and their companions (workers' compensation disability, base compensation, measures of productivity) as a single issue.
Four. Look to medical errors as reimbursable expenses.
Five. Become proactive in underwriting by using either (a) its own models or (b) commercially-available models. Being dominate in underwriting gives the Plan Sponsor a credibility advantage with respect (i) the ADEA law, (ii) stop-loss acquisition and the ACA.
Six. Redesign all of the claims and record-keeping functions so That they are all (or nearly all) web-based and automated.

Physician-Involved Changes

Health Care Protocol Agreement

The Plan Sponsor, as one of its ERISA fiduciary obligations, should encourage, but does not require, each plan beneficiary, to have a Health Care Protocol Agreement (see sample below) in place with its physician(s). This is a fiduciary issue because such agreement is believed to be in the best interests of the (a) Plan, (b) Plan Sponsor, (c) Plan Beneficiary and (d) Plan Provider.

Sample Agreement

Provider:_____

Patient(s)_____

Effective Date_____

The Provider and the Beneficiary/Patient agree that the manner of delivering and receiving health care will be changed or modified in eleven ways:

One. The Agreement will be contractual in nature.
Two. The Beneficiary/Patient must provide a Health Care Power of Attorney.

Three. Prudent, but not defensive medicine, will be practiced.
Four. *Physician-Extenders* will be used to the greatest extent that is practicable.
Five. *Electronic Medicine* will be accepted and practiced to the greatest extent possible.
Six. Legal issues will be dealt with only by mandatory arbitration.
Seven. Health care shall be both User-friendly and Provider-friendly relying on new-millennial practices (franchising, networking, independent contractors, etc,) – to the greatest extent practicable.
Eight. The concept of the *Appropriateness-of-Care Index* will be accepted by both the *Provider* and the Beneficiary/Patient.
Nine. The *Provider* and Beneficiary/Patient both agree that *High-Tech* medicine will be applied in every way practicable.
Ten. The Beneficiary/Patient consents to not engage in activities that are conducive to poor health (smoking, obesity, e.g.).
Eleven. Both the *Provider* and the Beneficiary/Patient agree that specialist referrals will be made *sparingly* and jud*iciously* but with deference to care and treatment issues.
Twelve. Where financially reasonable, the Provider extends an expectation to the User of a *Dividend* (monetary or otherwise) which is attributable to the changes herein discussed.

The Provider and User also agree that the logic and purpose of these changes and modifications have a purpose that far transcends their individual needs and wishes. Such purpose is that: (a) as a global issue, (b) people are living longer, (c) new and expensive Rx and procedures emerging, (d) supply of physicians (primary-care in particular) is dwindling, (e) new sources of financing (Affordable Care Act, e.g.) providing a dramatic increase in the demand for care, and (f) in many nations (United States, in particular) the economics of health care is contrary to typical models. The six issues are coming together as a *perfect storm* to cause an increase of demand for health care and a decrease of supply of providers of care.

HR-Related Changes

Contingent Employees

Grouping incudes (a) leased employees aka independent contractors, (b) so-called *temps* and (c) co-employees (arranged through PEOs). The use of this grouping has grown in popularity and offers the employer many opportunities to gain advantages in many areas including health plans.

Administrative Cost-Reducing Changes

Common Services

The health plan retains its ERISA single plan identity but looks to the XYZ Trust for all of its requisite services: (a) claims and recordkeeping, (b) stop-loss, (c) etc. Cost-savings from such sharing is a popular and effective cost-saving measure. For a sample of the requisite trust agreement, see www.awpse.com/SFTrustAgreement.

Web-Site Provided Risk/Actuarial Work-Products

Such are available at www.awpse.com and make available a menu of useful work-products at very low fees ($50 for an uninked claim reserve, e.g.) The *additional* charge for the work-product to be inked is $150.

Stop-Loss-Related Changes

Both the plan document and the Plan Supervisor's Agreement might be amended to achieve a variety of useful goals relative procedural issues. Also, stop-loss limits might need to be changed. Also, such changes as (a) using a commercially-available Underwriting package or (b) requesting that the stop-loss agreement be experience-rated may serve a useful purpose.

Provider-Reimbursement Changes

Medicare-Linked Reimbursements

All covered care will be reimbursed by the pan at X% of what would be paid by Medicare.

Responses to the Affordable Care Act

There are several responses that deserve consideration:

One. Make risk, in its broadest meaning, a required management consideration.
Two. Make use of the Exchanges as a risk management tool.
Three. Anticipate the eventual regulation of the IRC Section 105h Discrimination requirements.