



The Illusion of Healthcare Reform

Why Healthcare Exchanges Are the Wrong Answer

To reduce ever-increasing healthcare costs, self-insured American employers are now offering benefit plans and giving workers subsidies for buying health insurance from a menu of plans in private healthcare exchanges. A new health risk score analysis shows how consumers' choices exposed some health insurance providers to substantial losses.

Allure of Multiple Choice

The government Affordable Care Act healthcare exchanges are the model that consultants are using to construct private healthcare exchanges for private employers. These roughly match the levels of coverage in health exchanges created under the Affordable Care Act. They range from high-deductible, low-premium bronze and silver plans to low-deductible, high-premium gold and platinum plans.

A Behavioral Economics Population Risk Analysis

Using our comprehensive Research Reference Database, we analyzed what happened when a benefit program is replaced with a private health exchange. We used our Human Capital Risk Index® (HUI, pat-

ent pending) to compare plan populations.

Consumer Choice & the Pricing Problem

What did we find? People are smart and make rational decisions in choosing the health plan option that best fits their needs. Those who chose the lowest-premium, highest-deductible bronze plans had HUI scores of 0.6, well below the average of 1.0. Silver plans attracted HUI scores of 1.0; gold, 1.49; and platinum, 1.75. This shows that consumers made rational decisions based on assessments of their own risk.

Using traditional actuarial risk analyses, insurance companies significantly overpriced the bronze and silver plans. Bronze premiums of

about \$4,000 were twice as high as the participants' actual health costs in 2013. Gold and platinum plans were under-priced — by about 40 percent for the platinum level.

Recipe for Failure

For insurance companies with greater exposure to gold and platinum policies — with above-average HUI scores — the potential for losses was as high as 20 percent. Those companies that attracted below-average HUI ratings stood to be well in the black with margins of 50 percent.

There are two takeaways: HUI scores could have great utility in plan pricing, and offering a single, aligned-incentives health plan would prevent the problem.

Multiple Medications: A Top Problem in the 5% Population

The use of multiple prescription medications, or polypharmacy, is a common problem within the 5% high-risk, high-cost population that the KnovaSolutions clinical prevention service engages. The average person in this group is taking more than 10 unique prescription medications. Polypharmacy causes poor job productivity, high absence rates, and low work quality.

The KnovaSolutions team, which includes a licensed pharmacist and master's-prepared nurse, addresses the issue of polypharmacy by assessing the medications for interactions, duplication, compliance, effectiveness, and

appropriate dosages. This assessment leads to many positive outcomes for the member including improved adherence in medications, a decreased number of medications without adverse side effects, less time away from work with medication adjustments, as well as improved health and productivity.

Research Findings

A Game-Changing Predictive Health Risk Index

We're all defined by numbers such as age, weight, and credit scores. Each of these tells something about you now or in the past, but none of them can predict your future. Learn how our Human Capital Risk Index® predicts your future health [here](#).

Healthcare Reform Seminar in Nebraska

Nebraska employers and healthcare organizations participated in our first healthcare reform seminar Nov. 14 in Omaha. The 26 individuals representing 20 companies learned how they can seize the initiative to carry out their own market-based reform programs even as the Affordable Care Act substantially increases costs with mandates for expanded benefits.

HCMS participants included Dr. Hank Gardner, our CEO; Shawn Petrini, our chief clinical officer; Justin Schaneman, vice president of data analytics; Dean Thompson, vice president of marketing and sales; and Neil Sullivan, senior human capital management consultant.

The program covered population risk analysis, the problems associated with health insurance exchanges, and the superiority of econometric over actuarial modeling. Breakout sessions provided deeper dives into the elements of our 5|50 Solution.

We plan to host a series of healthcare reform seminars in 2015 around the country and will be in touch when we come to a city near you.

**Check out our website's
new content and
updated design:**

www.hcmsgroup.com



KnovaSolutions in Action: Alternatives to Drugs and Surgery

A female KnovaSolutions member who was recovering from surgery for colon cancer told her KnovaSolutions clinical prevention team about chronic pain in her left knee. Cortisone treatments and prescription pain medications over the years hadn't provided significant relief.



The member asked about other options. Her KnovaSolutions nurse discussed with her the risks and benefits of knee surgery and non-surgical alternatives.

With support from her clinical prevention team, the member decided to try a physical therapy program aimed at strengthening the muscles that support the knee. With completion of the program and continued exercise, she reports the knee is now nearly pain-free. She says she is happy she avoided another surgery and no longer needs narcotic pain medications.