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# 3 MEASURING THE IMPACT OF HEALTHCARE INTERVENTION

In **Part 2, Chapter 1** we discussed how members' healthcare needs change over time. We also discussed the increasing levels of complexity in the healthcare system and how members struggle to understand exactly what they are covered for.

In their role as experts, healthcare consultants will give employers advice on the range of healthcare cover to offer to their employees after taking into consideration the specific industry and the profile of the membership base. Based on the choices on offer, the healthcare consultants will then advise members on which choice of healthcare cover would suit them best.

While the decision of benefit design is not in the control of the employer or the employee in the open medical scheme market, one advantage members have in this environment is that they can change their option within their scheme once every year. This enables them to choose appropriate cover each year and should therefore aid in avoiding over- or underinsurance (without taking affordability into consideration).

So how can we help members here? One way to promote a proactive response from members is to provide them with a measure of their utilisation rates in their plan's benefits over the previous year. This gives us a retrospective insight into whether the member and their family are

over- or underinsured. We can then send intervention letters to members to prompt them to contact their healthcare consultant and get advice on the best option to choose for the upcoming benefit year.

Because of confidentiality issues, the data available for this analysis is somewhat limited and only high level information on benefit utilisation is available. In addition, very few people record full information on out-of-pocket expenditure. That said, what data we **do** have is particularly valuable.

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Even with limited data, we can send intervention letters for the following situations:

- Members who potentially face a large **self-payment gap** and hence out-of-pocket expenditure. This may be because they chose the wrong option or they used their day-to-day benefits inefficiently.
- Members who are **overinsured**. This is based on individuals' medical savings account (MSA) balances, accumulation of day-to-day spend towards the threshold benefits, as well as whether they are registered for the chronic illness benefit. Where members are not registered for chronic conditions, have high MSA balances and are not expected to reach their above threshold benefits (ATBs) during the year, they are likely to be overinsured and may be able to benefit from downgrading to a lower cost option. The lower option would still give the member enough cover (based on the expected claims pattern), but they would save money they could use elsewhere.
- Members who are **underinsured**. This is based on the MSA balances. If the member's full MSA is exhausted at a certain point during the year, it may indicate that they are underinsured and need more cover.

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The intervention analysis is based on only a subset of information and upon further investigation, which would occur as part of a full needs analysis, the overall recommendation may change. The additional information could include considerations such as affordability constraints, expected medical procedures in the future, once-off events that occurred in the previous year that are not expected to be repeated, the level of subsidy, or just-in-case cover. Overall, however, the intervention process should still help to prompt the majority of members who are deemed to be potentially on the wrong option, to consider a change.

Measuring the number of interventions made each year, and whether members respond to these, would assist healthcare consultants to assess whether their advice is adding value to these individuals' lives. A lower proportion of interventions from

year to year would indicate that a larger proportion of the membership base is on the right option, and we could assume that this is a result of the advice provided.

Additionally, measuring the number of option changes each year gives an indication of whether members are settling into their benefit options and understanding the benefits on offer. A high level of movements would indicate that members are on the wrong option, that their needs have changed, or that they are struggling to settle down.

Putting these concepts into real terms, let's consider a subset of our client base in 2013. During the year-end process, we performed the intervention analysis.

The table below shows the percentage of members who were identified for intervention and of those, the percentage

of members who either upgraded, downgraded or did not change options. Note that not all members who received intervention letters would have sought advice or changed options.

Of the group of members assessed, 22.8% received intervention letters and of these, 8.4% changed options. This may or may not have been as a direct result of the intervention letter, but it is likely that the letter prompted a more measured approach to their option choice for the 2014 benefit year. Further to this, the changes made resulted in a savings to total contributions of 0.7%, showing that intervening in members' option choices each year helps them to choose the most appropriate cover and to not overspend on medical scheme contributions.

Reason for intervention	Excessive out-of-pocket expenditure (high self-payment gap)	Potentially underinsured (MSA exhausted)	Potentially overinsured (non-utilisation of chronic benefits and ATB)	Total
Percentage of members identified for intervention	2.5%	13.1%	7.2%	<b>22.8%</b>
Percentage of option upgrades*	6.4%	5.1%	0.7%	<b>3.9%</b>
Percentage of option downgrades*	5.9%	2.3%	8.4%	<b>4.6%</b>
Percentage of option continuations*	80.6%	81.1%	85.4%	<b>82.4%</b>
Percentage of exits*	7.1%	11.5%	5.5%	<b>9.1%</b>
Annual additional cost (or saving) from interventions	-0.6%	1.3%	-2.8%	<b>-0.7%**</b>

\* Percentage of those members identified for intervention

\*\* This is a weighted average effect based on the size of the contributions