

Chapter VI

The Healthcare Cost Dilemma: What Health Insurance Companies Can Do To Mitigate Unsustainable Premium Increases

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Introduction

The current state of the healthcare industry is one of flux and change. Countless articles and books have been written about the topic, and most suggest either putting control of healthcare into the hands of the consumer — much like we did with retirement planning — or government-based care rationing to a much greater degree than we already do today. So many factors have contributed to the rising costs of healthcare that one can barely grasp the grave realities of what the future holds. Projections of healthcare cost inflation have revealed future increases from 12% to 15% year-

over-year into the foreseeable future. While quite disturbing, is this really surprising? Is there any other industry where purchase criteria does not include price? Can you imagine going to the grocery store, filling your cart, taking your groceries home and then getting the bill a few weeks later? Would you shop differently if you did not know the price? Who would buy the generic store brand, the larger size package, or wait for a sale? Nothing would ever go on sale. It would be difficult to make value decisions when benefits are known but not the price.

We are not arguing that healthcare purchasing is synonymous to grocery shopping, but rather, embarrassingly analogous — laundry detergent technology will not save someone's life. There are many drivers in healthcare that can be used to control costs, technological innovation being one of them, but the landscape is extremely complex and interdependencies among several “competing” constituents make coordination nearly impossible. While little can be done to control costs resulting from new technology, access to care, the aging population, or cost shifting from the government to the private sector, insurance carriers can focus on the following: provider quality standards, delivering benefit plans that force consumers to understand the costs and quality of healthcare procedures, partnering with other organizations to raise the awareness that lifestyle choices (smoking, eating, exercise) lead to the majority of healthcare costs, pushing for generic over branded pharmaceuticals, becoming more efficient and effective by optimizing their internal processes, and so forth.

This chapter focuses on managing the internal costs of doing business and generating incremental sales in a health insurance company, and covers a wide range of best practices, including why we must:

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