

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



Managing Medical Costs: Scheme Perspectives

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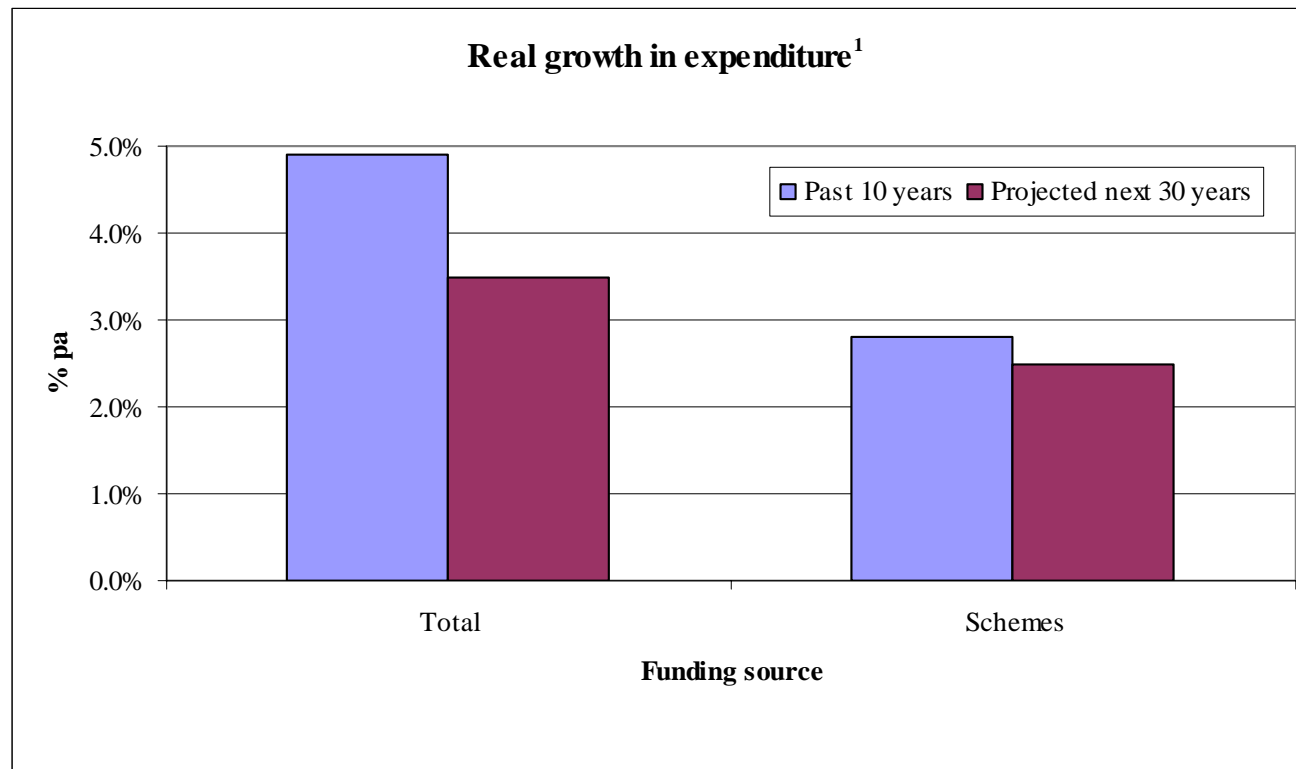
Overview

- Australian health landscape
 - Trends in the broader health system
 - NHHRC recommendations
 - Relative importance of schemes as health funders
- Scheme perspectives
 - Impact of ‘compensation’ on outcomes
 - Funding approaches
 - Treatment outcomes and billing practices
 - Controls used to help manage medical costs
 - Wider system issues



Trends in the broader health system

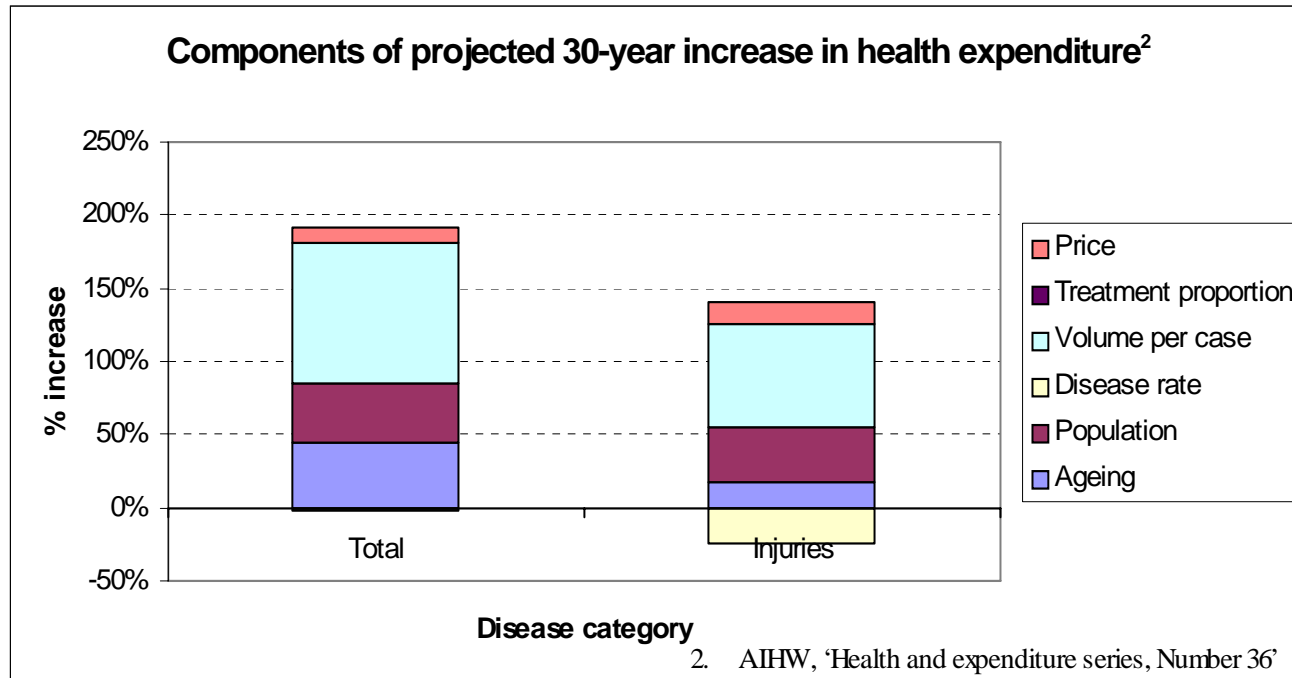
- Increasing demand and rising costs



1. AIHW, 'Health expenditure Australia 2006-07'
AIHW, 'Health and expenditure series, Number 36'



Trends in the broader health system



Projected increase in health expenditure over 30 years:

- 189% (3.5% pa) in total
- 116% (2.5% pa) for injuries



Trends in the broader health system

- Concerns about quality of service
 - Inconsistent quality and safety standards
 - Workforce shortages
 - Inefficient processes and overly expensive inputs
 - Lack of transparency and communication
- Information technology
 - Potential to improve care integration, reduce administrative inefficiencies, increase standardisation and knowledge transfer

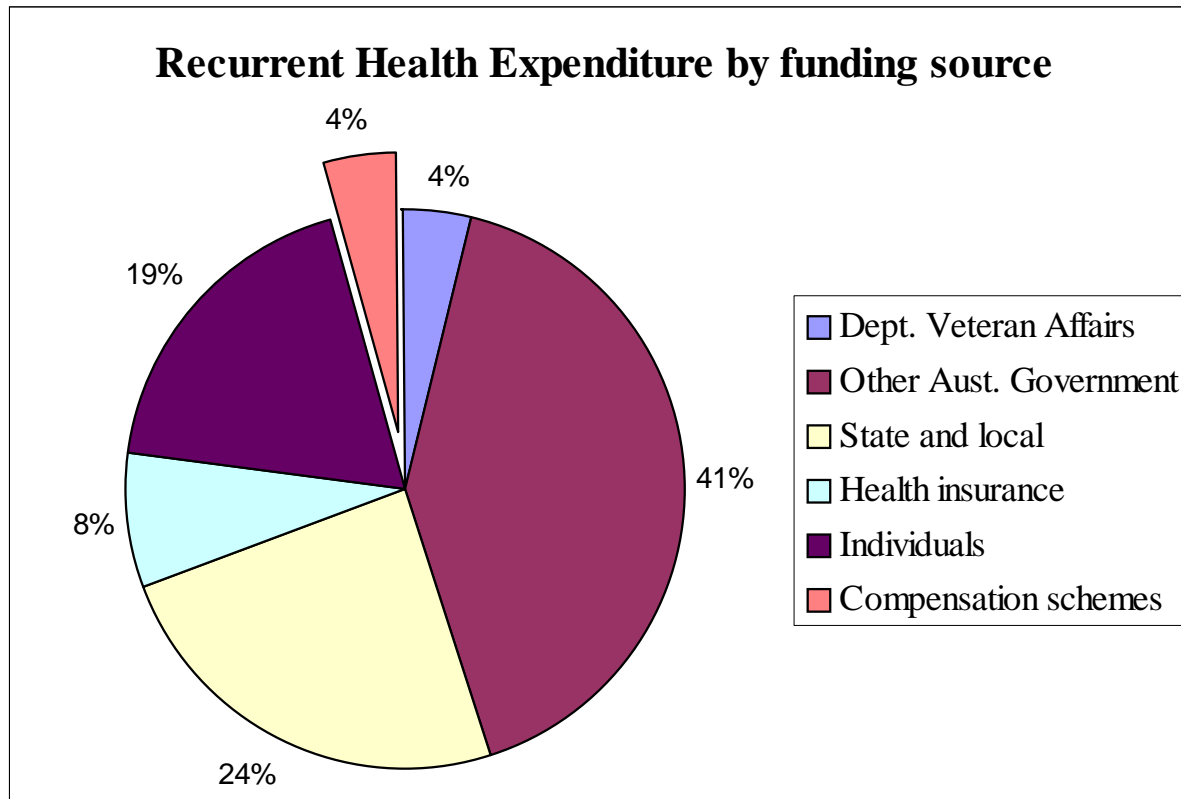


NHHRC recommendations impacting Schemes

- National Health and Hospitals Reform Commission report in 2008
 - Building comprehensive primary care centres
 - Person-centric provider team
 - Improved funding and purchasing models
 - Outcome and episodic funding
 - Improved management of health information
 - E-health records, E-therapy, E-guidelines
 - Prevention and early intervention
 - Workplace opportunity

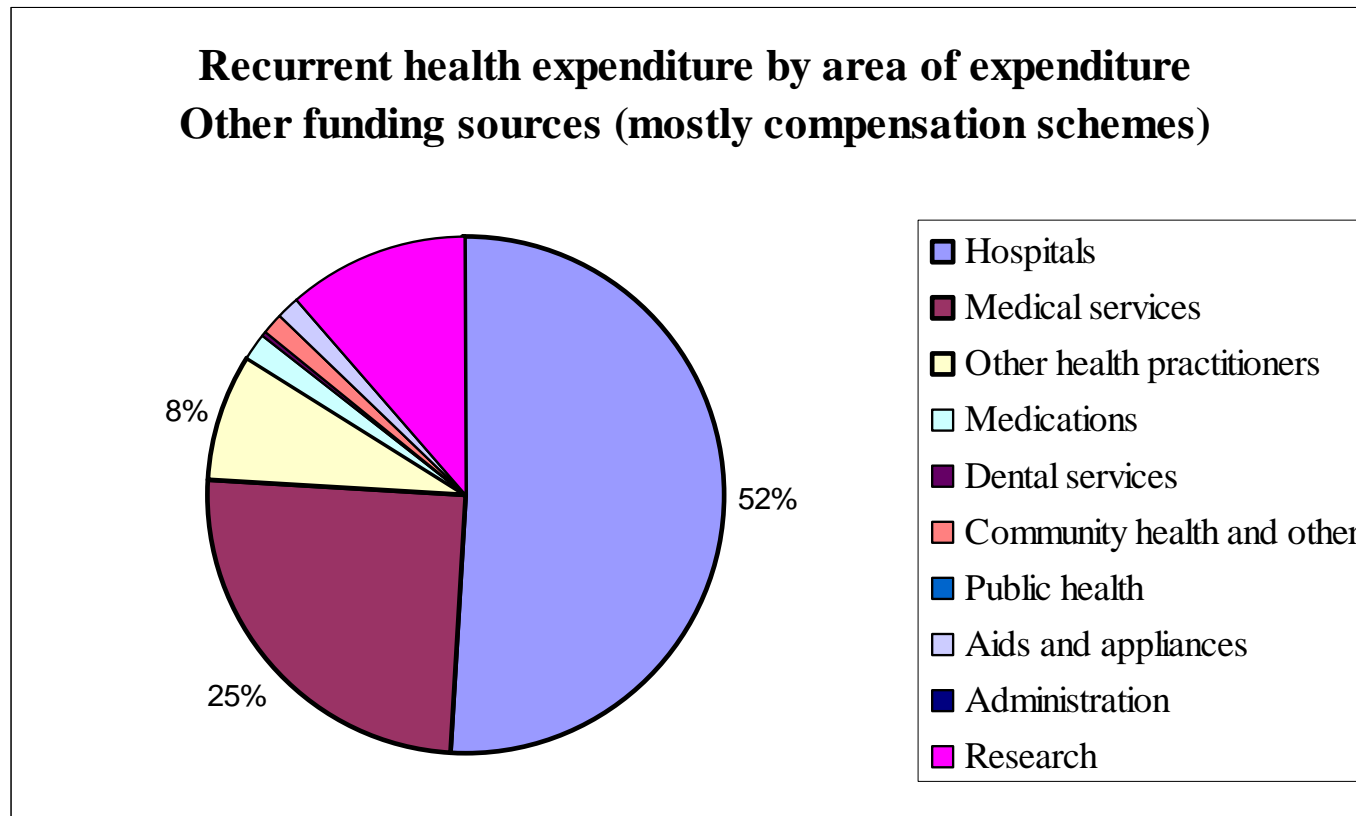


Schemes' importance as a source of funds



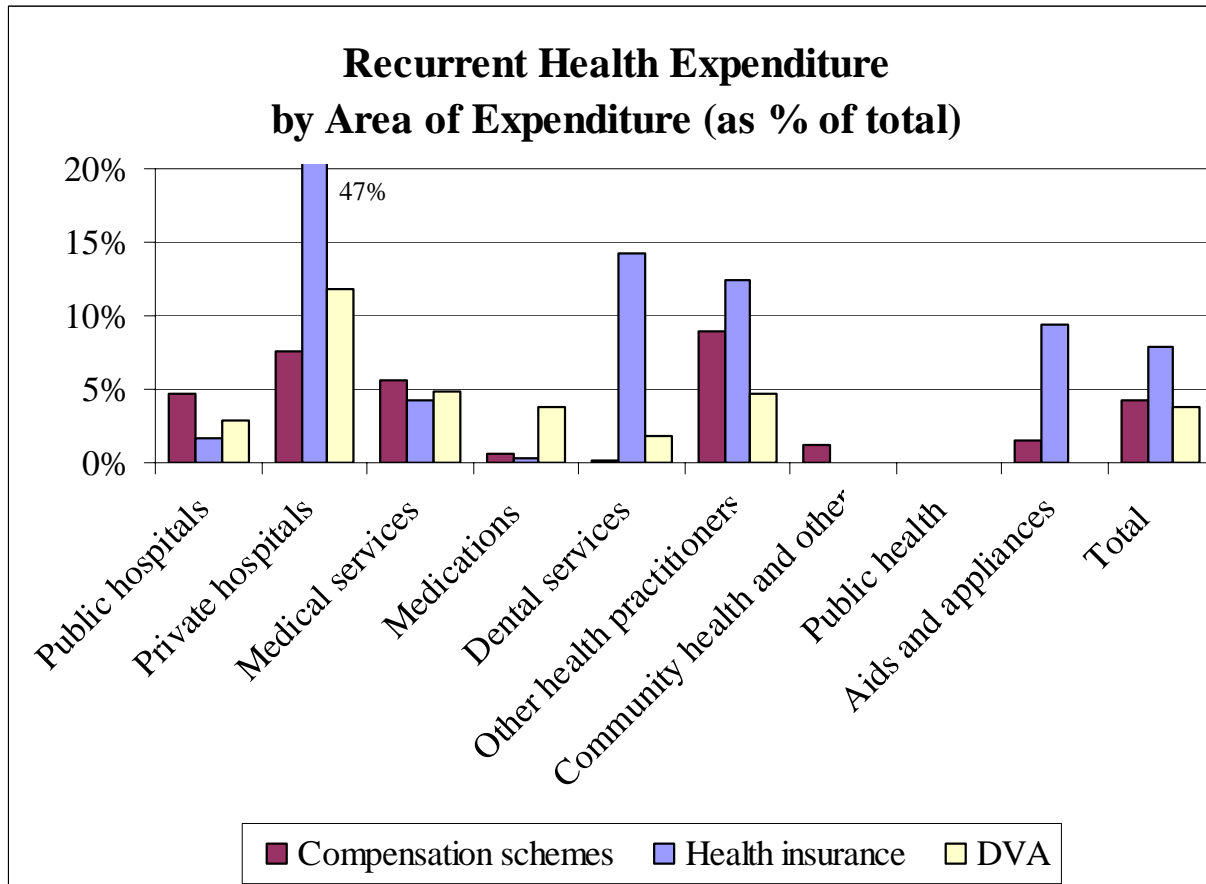


Schemes' importance as a source of funds: Areas of expenditure





Schemes' importance as a source of funds: Share of funding



Insurer	Share of private hospital funding
Medibank	13%
BUPAMBF	13%
HCF	4%
NIB	3%
HBF	3%
Other	10%
Total	47%

Schemes	8%
DVA	12%



Impact of ‘compensation’ on outcomes

- Various studies conclude compensated patients have worse health outcomes
- Suggested drivers:
 - Psychosocial environment
 - Initial response by insurers & physicians
 - Case management
 - Length of time off work
 - Adversarial court system



Impact of ‘compensation’ on outcomes

- Scheme responses:
 - Accept provisional liability
 - Early notification incentives
 - Alternative dispute resolution processes
 - Periodic rather than lump sum payouts
 - Education of case managers
 - Guidelines for treatment pathways



Funding approaches

- Primary funding approach:

Scheme	Public Hospital	Private Hospital	Doctor, Allied Health
DVA	case mix	contracts	fee for service
WorkCover NSW	fee for service	fee for service	fee for service
WorkCover QLD	grant	fee for service	fee for service
WorkSafe VIC	case mix	fee for service	fee for service some contracts
TAC VIC	case mix	fee for service	fee for service some contracts
ACC	bulk funded (emergency) contracts elective surgery budget	contracts elective surgery budget	fee for service some contracts some copayments



Funding approaches

- Possible changes within existing funding arrangements:
 - Increased consistency in schedules
 - Partnership between schemes and/or other funders for contract negotiation
 - Publishing schedules and rules (similar to WCRI in the U.S.)

	1st physiotherapy service:
	\$
DVA	57.6
WC NSW	72.8
WC Qld	67.0
WorkSafe	85.3
TAC	53.5
ACC	24.5



Treatment outcomes and billing practices

- Fee-for-service used in majority of cases
 - Significant trust placed in medical providers to act competently and bill appropriately
 - Incentive for over-servicing as fee-for-service rewards clinicians for activity not outcomes – more of an issue for allied health
 - Scheme responses focus on establishing clinical guidelines and frameworks



Treatment outcomes and billing practices

- Fee-for-service used in majority of cases
 - Tendency for clinicians to explore new technologies and provide top-of-the-line products
 - prosthetic disc, computerised leg, implantable pain therapy
 - titanium knee, top-of-the range hearing aids
 - Incentive for cream skimming
 - Victorian Ombudsman's report cited a range of potential opportunistic billing practices



Controls used to help manage costs

- Monitoring of fee-for-service data
 - Billing
 - Consistency of billing with MBS rules and schedules
 - Monitoring and benchmarking
 - Average number of episodes of care
 - Frequency, amount and type of service by specialty
 - Comparisons between claims managers
 - Comparisons of care and after-care by providers
 - Outlier investigation
 - Claim level and provider level
 - Cluster analysis of outlier providers



Controls used to help manage costs

- Scheme response to controls analysis
 - Requires transactional level data – which may not have been collected historically
 - May require additional data (e.g. theatre reports)
 - May increase tension with providers
 - Can be difficult to change provider behaviour
 - Needs consistency between Scheme message and case manager implementation
 - Schemes currently focused on surgery (hand, shoulder, knee), MRI, anaesthetic, radiology and pathology



Controls used to help manage costs

- Use of treatment guidelines & frameworks
- Use of medical panels
- Use of contracts to incentivise
- Use of co-payments to limit treatments
- Work with specialty bodies to educate providers and follow up with monitoring
- Educate claim managers
- Outcome fees currently not seen as practicable



Wider system issues

- Managing the relationship between scheme, provider and claimant
- Differentiating between injury vs. wear-and-tear for long-term injuries
- Integrating electronic systems to reduce admin, increase timeliness, capture data
- Specialised claims managers for high severity claims
- Fragmented state-based system