

# A balancing act

How to control health care costs even as prices continue to increase **Interviewed by Meredith McKenzie**

**M**edical costs are continuing to escalate, a trend will likely continue for years. Employer sponsored health insurance premiums have increased 119 percent over the last decade. The average employer sponsored premium for a family of four costs close to \$13,000 a year, with employees paying for about 30 percent of this cost. Increased hospital and pharmaceutical costs and high tech radiology technology all play roles in escalating medical costs.

You want to find a way to control some of these costs and possibly shift some of it to your employees without having them pay too much out of pocket.

"It's a struggle for everyone," says Kirk Cianciolo, DO MBA, senior vice president and chief medical officer with AvMed Health Plans. "But as you start to control costs, and it begins to plateau or even decelerate, you can enrich benefits and lower the out of pocket costs for members."

*Smart Business* spoke with Cianciolo about various ways to control health care costs, through plan design and educating employees on healthier lifestyles and smart medical care.

## How can you design your plan to help control costs?

You want to look for unique benefits in your plan design. You also want to develop a plan that offers a compromise between what you're looking for and what your employees want. You may want to offer something different, such as limited networks or unique pharmacy benefits. One option is to find ways to change your benefits without having to move a lot of the costs over to employees. So that means looking at a different type of coverage, such as a higher deductible, higher co-pay, or a limited formulary or network. All of these items would lower premiums and minimize any transference of additional costs to employees.

Another option is to not change your benefits and move to either a high deductible plan or shift some costs to employees. The final option is to have things remain the same and just absorb the costs.

## What role does the health of the work force play into rising health care costs?

The four primary factors that lead to increased costs are tobacco use, exercise,



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diet and stress. These are all things that we can change and control as individuals. But the motivation, timing and reasoning for change vary for everyone, and hasn't been figured out yet. Determining what motivates people to manage these factors in their personal lives will have a huge impact on overall medical costs. You can actually decrease the severity of disease in the country by 30 to 40 percent if you concentrate on controlling these four factors.

And starting to make these changes doesn't have to be anything big. There's a misnomer that people have to have their weight normalized before they see any benefits. But someone who loses five or 10 pounds will immediately begin to see changes in their blood pressure or cholesterol levels. Ultimately you do want to normalize weight, but even in the early stages of weight loss you can start to see dramatic changes. It's about getting your employees to understand that they don't have a huge mountain to climb, they just need to start climbing it.

You may not know what those drivers are for individuals and groups, but you do know that they'll change when they are ready. The key is continuing to educate employees and familiarize them with what's available and the tools out there to help in the transformation. Employees will

then have that information at their fingertips when they're ready to change and it can assist them in the change process. So you need to have the information available when employees are ready.

## What about the size of a group?

The greater the size, the more economies of scale, so there will be a bigger impact. Larger groups try and keep benefits close to what they were and have the employer absorb some of the costs. The other costs are then transitioned to employees.

Smaller groups tend to price shop and look for equivalent benefits or an alteration in benefits so they can get the best price. For instance, some plans might offer dental or vision, but they'll drop those benefits to maintain the medical benefits.

## How can you educate your employees on the importance of controlling costs?

You have to make sure employees have a larger responsibility in the process, either through understanding benefits or what their out of pocket costs will be for certain medical expenses. For example, most people don't know what a physician's office visit costs, one day in the hospital costs, or what an MRI costs. People are surprised at what the actual costs of these items are when they either receive high deductibles, out of pocket costs are increased, or information is shared more regularly.

Members are also beginning to ask more questions. They will ask their physicians if they should use a generic or brand name drug, or if they really need a certain test done or if a less expensive one will be fine. People are asking those questions because there's a lot of duplication that adds tremendous dollars to the system. <<

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