Shrinking Health Care Costs

How managing your employees' use of imaging services can lower your bottom line

Every employer is facing increases in the cost of health care, which are a function of price, utilization and intensity. And with every employer looking for ways to lower costs, imaging services are a prime target. Imaging services such as MRIs are one of the fastest-growing components of health care; and there are opportunities to help identify and limit all three cost drivers.

"High-cost imaging is something that you, as an employer, want to keep your eye on because it's trending higher, typically, than the rest of your categories of care," says Mark Haegele, director, sales and account management at HealthLink. "But the great news is that this is an area that you can control and you can manage."

What is high-cost imaging and why is its use increasing?

Imaging services are tests such as X-rays and ultrasounds, as well as high-tech imaging including MRIs, CT scans, PET scans and nuclear cardiac imaging.

While some experts say that imaging growth has slowed in recent years, it's still one of the fastest-growing segments of medical costs, accounting for nearly 15 percent of all health care costs, according to Blue Cross Blue Shield. As an employer, your inpatient costs may be consistent year over year and your physician costs might be consistent year over year, but for many employers, imaging costs are trending much higher than those in other areas.

How can employers address increasing use and cost?

Most managed care companies have drastic variations in their imaging contracts with providers within their network. At Hospital A, the cost of a MRI might be $600, while the cost of that exact same MRI at Hospital B, right down the street, is $4,000.

The discrepancy exists because, as managed care companies negotiate with hospitals, there is give and take on each type of care, from inpatient to outpatient to emergency room to imaging.

Hospital A may have offered the managed care company a good deal on MRIs in return for higher outpatient surgery costs, while Hospital B might need less income from its outpatient surgery but a higher MRI rate. Employers and employees are typically in the dark about these variations within a network.

In addition to educating employees on how to choose where they get their imaging services, you can align incentives or bonuses to drive employees toward lower-cost options. For example, if employees know their MRI co-pay is $25, do they really care if the MRI costs $600 or $4,000? The two MRI choices are both top-quality providers, and more than likely the exact same machine. But if you, as a self-funded employer, can offer the employee a $100 gift card if he or she chooses the $600 MRI location over the $4,000 location, your company saves more than $3,000.

How can employers help control overutilization of imaging services?

Overutilization issues often arise when there is no continuity of care by employees. An employee might go to a doctor and get a CAT scan at one hospital, but the next hospital doesn't get the employee's records, so the same test may be repeated. Overutilization occurs most often with aliments that are hard to diagnose, and in cases in which patients are constantly going in for tests for ailments such as migraines or for sleep studies.

Employers should use comprehensive case management to identify employees who have no continuity of care and/or have chronic problems that are most likely to result in overutilization. By managing health care cases closely, employers can help employees identify and retrieve previously done tests.

In addition, education can result in a decrease of utilization. A recent National Imaging Associates study found that a large percentage of MRIs are ordered to meet patient demand rather than to meet a true diagnostic need.

What is intensity of imaging services and what opportunities exist for employers to decrease these costs?

Intensity is when employees receive PET scans, when their problem could have been diagnosed with CAT scans. The intensity level of the service is higher than it needs to be, and therefore, the costs associated with that are higher than they need to be.

There are doctors who automatically run all MRIs, which translates into thousands of dollars, when they could have first run a CAT scan, which, in comparison, costs hundreds of dollars. For example, more than 10 percent of chest CT tests are ordered with no claim evidence of a previous plain film of the chest, according to a National Imaging Associates study.

In a self-funded environment, through physician profiling and comprehensive medical management, you can help reduce inappropriate intensity levels of services to employees. There are imaging programs in which employees call to pre-certify services, and if a higher level of care was ordered than is necessary, that can be managed down to a lower level of care.

By looking at all three factors — price, utilization and intensity — employers and employees can work together using benefit design, education and aligned incentives to lower the cost of imaging services.