How to Justify Second Opinion Benefit Programs

Many self-insured employers are looking for ways to reduce the cost of an episode of care, whether it's by bundling payments, using centers of excellence, or steering members toward second opinion benefits. In this case study, we'll look at how one employer calculated the cost of common conditions treated by surgery to find out how second opinion benefits might impact their spend.
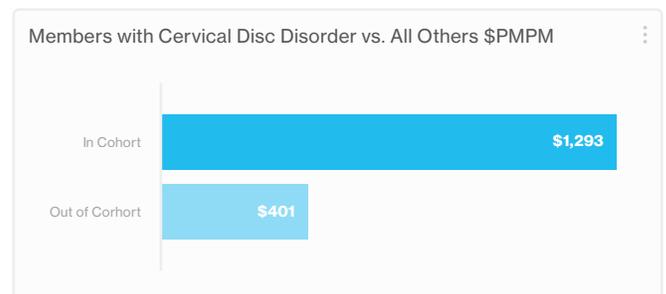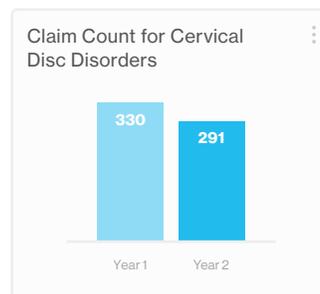
Second opinion benefit programs are one of the many tactics employers are using to contain healthcare costs. These programs help members seek second opinions before surgery or other major procedures to ensure they're getting the best advice. But they can be pricey, too.

Episode of Care

An "episode of care" is the full set of services used to treat a condition or conduct a procedure. A knee replacement is a good example; the episode of care would include initial doctor's visits, imaging, surgery, post-surgical follow-up, and physical therapy.

The challenge.

How can an employer find out if using a second opinion service is worthwhile? That's where Artemis comes in. We make it easy for our customers to group and compare claims, calculate costs, and determine ROI for their benefit programs. In this analysis, we helped one customer look at episodes of care for five common conditions:

01 **Cervical disc disorders**
02 **Degenerative joint disease of the hip**
03 **Degenerative joint disease of the knee**
04 **Low back pain**
05 **Obesity**

First, we set up "Cohorts," groups of members with claims indicating the condition. This allowed us to compare costs for those with one of these diagnoses vs. those without.

Claim Count for Cervical Disc Disorders

330 — Year 1
291 — Year 2

Members with Cervical Disc Disorder vs. All Others $PMPM

In Cohort — $1,293
Out of Cohort — $401

We can see that for cervical disc disorder sufferers, PMPM costs are approximately 3 times higher than others in the population without this condition.

Next, we looked at the number of claims for each of these conditions. Here's an example from the analysis around degenerative joint disease of the knee:

Members with Degenerative Joint Disease of Knee Claims	Members with Degenerative Joint Disease of Knee Surgery Claims	Members with Degenerative Joint Disease of Knee Surgery Claims and Second Opinion Cases
116	50	1

116 members had claims for this condition during the analysis period. 50 opted for surgery as a treatment, but only one of those members sought a second opinion before the procedure. For this population, there's clearly a gap in those looking for outside confirmation before choosing surgical intervention.

Finally, for each of the five conditions, we calculated costs over time. For those with claims for obesity, there's a clear trend.

Employer Paid for Obesity

$380,894	$634,197
Year 1	Year 2

Per 1000 for Obesity

28.6	25.0
Year 1	Year 2

While the per 1000 rate of members with obesity has dropped slightly year over year, the employer paid amount has nearly doubled. This wasn't the case for the other four conditions we explored; all the other Cohorts saw small drops in employer paid amounts:

Employer Paid Amount for Degenerative Joint Disease of Hip

$331,082	$285,663
Year 1	Year 2
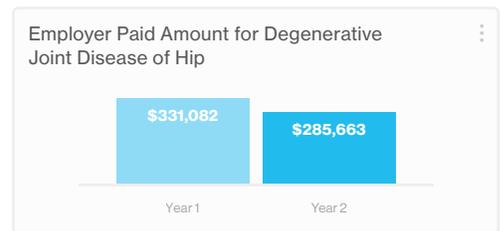
This analysis illustrates a few clear findings for the employer:

01   Members with these common conditions that are usually treated by surgery incur higher PMPM costs than those outside the Cohort.

02   Those with claims for these conditions choose surgery as a treatment, but most do not seek a second opinion before going "under the knife."

03   While costs are down slightly year over year for 4 out of the 5 diagnoses, these conditions are still very expensive for payers.

Taking action.

Armed with the data, this customer is making the case for a new second opinion benefit program to help employees get smart on their treatment options before they choose surgery. Not only will this impact costs, but it will also impact the quality of care for their members.