Data Analytics: The Key to Optimizing Self-Funded Plans

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From pitch velocity in baseball to voter patterns in key districts, analytics drives decision-making across every industry and field. Yet, when it comes to managing self-funded health plans, which account for almost two-thirds of covered workers nationwide, many employers haven't fully embraced the power of analytics to manage costs and improve outcomes.

Controlling healthcare costs requires addressing three variables: the cost of care, quality of care and frequency of care. Without a clear understanding of these components, organizations are making decisions in the dark. Since up to 70% of healthcare spending is linked to lifestyle choices—factors employers can identify and address through data-driven strategies—the potential impact is substantial.

While many self-funded employers achieve savings compared to fully insured plans, significant opportunities often remain hidden within their health plan data. Traditional surface-level analysis—examining top prescription costs or reviewing general plan performance—only scratches the surface of what's possible with modern analytics.

The HR value of analytics—beyond basic reporting

Advanced analytics reveals crucial patterns in employee health utilization that surface-level reporting often misses. For instance, detailed pharmacy analysis can uncover cost-saving opportunities by identifying inefficient prescription filling patterns and utilization trends. It can also highlight medication adherence challenges among employees with chronic conditions, enabling benefits teams to develop targeted programs that improve health outcomes and reduce unnecessary emergency care costs.

The healthcare industry has grown increasingly complex. Specialty drug costs continue to rise, site-of-care options have expanded and new payment models emerge regularly. These changes create new cost-saving opportunities, but only for organizations that can analyze their data effectively.

Analytics can identify when employees receive specialty infusions in hospital settings at premium prices when the same treatment could be administered at lower-cost locations without compromising care quality. Similarly, pattern analysis in claims data can show which providers consistently deliver optimal outcomes for specific procedures, helping employers design networks and incentives that guide employees toward high-value care options.

Starting small with analytics for big impact

Organizations new to analytics should take a focused, step-by-step approach rather than trying to analyze everything at once. Start by addressing known problem areas: Identify a challenge that needs improvement or where information is lacking, gather the relevant data and analyze that first. Understanding the "why" behind one issue can lead to meaningful solutions.

For many organizations, managing chronic conditions offers a logical starting point. Analytics can reveal not just how many members have chronic conditions like diabetes but also information like medication adherence rates, care patterns and intervention opportunities. For instance, if an employer discovers that high co-pays prevent diabetic members from filling prescriptions, they can implement a zero-dollar co-pay program for diabetes medications and use analytics to track the impact on adherence and overall health costs.

Organizations successfully leverage analytics by:

- Establishing baseline metrics

- Implementing targeted interventions based on data insights

- Consistently measuring outcomes and making adjustments

This process helps benefits teams demonstrate ROI and gain support for expanding analytics initiatives. As teams become more sophisticated, they can layer in additional data points and analysis types, gradually building toward a comprehensive view of plan performance and opportunities.

Evolution and adaptation

As healthcare continues to evolve, analytics capabilities must keep pace. High-cost specialty medications, including breakthrough treatments for cardiovascular disease and weight management drugs, have transformed the benefits landscape. These innovations bring both opportunities and challenges for self-funded plans.

Most sophisticated self-funded plans utilize specialty drug management programs and rebate optimization strategies—approaches that rely on detailed data analysis to implement and monitor effectively.

As employee benefits become more complex, it drives the need for more sophisticated analysis and management approaches. Forward-thinking organizations recognize that comprehensive analytics isn't about controlling costs alone—it aims to create more effective, sustainable health plans that serve business objectives and employee needs.

By embedding analytics into their benefits strategy, organizations can move beyond reactive cost management to proactive plan optimization, ensuring their investment in employee health benefits delivers maximum value.

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