

# Answers to lectures

## 5, 7, 8

Business, Industries



**ASSIGN  
BUSTER**

## Answer to Lecture 5 -HealthPlan Operations

In the article released by Healthcare Price, Cost and Utilization Benchmarks entitled ‘ Study Reveals Best Practice In Plan Administrations’, it was stated how Sherlock Company conducted a very innovative study on more than 1,700 statistical data offinanceand operations (Study reveals best practice in plan administration, 2006, p. 214). From the given article, if I were to pick only three operating metrics, which I would use in monitoring a health care plan, I would choose the following metrics:

Membership growth rate – This is very important, since it reveals the highest rate of membership growth, which is directly connected to the total marketing and commission costs. Going over the advertising & promotion, the average group size, the total marketing, and the commissions would make way for lower advertising costs, which would deliver greater privileges of producing higher profits and income.

Total Costs of Market – This is also very important, since it reveals the overall cost of marketing, from advertising costs to product development and marketing research. It would reveal the customer satisfaction rate, and would be linked to membership growth rate and group growth rate. Higher costs mean growth for the product.

Local Market Share – This cannot be abandoned as well, especially that it shows the rates of marketing and members, wherein greater rates mean fewer opportunities for brokers. Market share would reveal the approximate number of employees, as revealed in the study (Study reveals best practice,

2006, p. 214). This influences the total cost of marketing, which would directly influence savings and profit.

The membership growth rate, the total costs of market, and the local market share are three of the most important metrics that can be used in monitoring health care plans. They are directly linked to one another, and producing one without the other would be almost useless. The whole picture is drawn by comparing the three most basic metrics as a whole.

#### Answer to Lecture 7 – Public Sector Managed Care

In the article released by Managed Healthcare Executive, and written by Jill Wechsler (2007), it revealed how the Congress pushed through its legislation to entail the Health and Human Services or HHS to “negotiate directly with pharmaceutical companies on prices for medications covered by the Medicare drug benefit” (Wechsler, 2007). The ‘non-interference’ act of the Medicare Modernization Act or MMA was replaced with the HR 4, with a requirement for the government to negotiate prices of drug manufacturers on prescription drug plans and the Medicare Advantage drug plans.

From what it appears, the federal government’s act of negotiating drug prices on behalf of Medicare beneficiaries is a good and sensible act. Medicare is a government health care project. It concerns medical privileges that are to be scattered among its legal citizens, and would, therefore, need proper execution of prices, products, and the market. A failure in this aspect would not only affect the citizens of the present era but also those that would avail it in the future. As spoken by Sen. Baucus, the act would also produce “better prices for seniors” (Wechsler, 2007), so that it reflects a

good and sensible act, so long as there is a rightful cause and target for each of the projects and legislations involved.

Certain monopoly drugs need greater attention and supervision by the government, which Wechsler proposes as the “ certain unique drugs where the market fails to provide seniors with affordable medicines” (2007). A targeted legislation will do no harm—even to the ongoing market competition—if the pharmaceutical companies are treated evenly and fairly, not as an interference to the marketingenvironment, but as a way to manage the environment more effectively without the use of tricks. However, this would also mean that what Wechsler (2007) indicated as a ‘ limited clout’ would have to be improved for greater liberty on the side of the pharmaceutical companies. Limiting their capacity should give rise to other opportunities that can be made available, other than their freedom to negotiate prices.

#### Answer to Lecture 8 – Trends and Current Issues

In the article released by the HealthLeaders Magazine entitled ‘ 5 Intersections’, Jim Molpus revealed that “ Healthcare is approaching a hopeful turning point in 2006... the intersection of extreme cost pressures with improvingtechnology” (2006). He described the ‘ high cost and poor quality’ of the healthcare industry, saying that ‘ optimism’ would make way for future influences and development that build some ‘ propitious intersections’ and what Molpus called “ a navigable healthcare system” (2006).

There are five trends that would most probably arise in terms of healthcare management: first is the explosion of P4P or pay for performance, which is improving nowadays, as stated by the CMS; second is the improvement of quality of healthcare service, especially since only 55% of the total amount of patients in U. S. A. receives recommended care service (Molpus, 2006); third is the decline of what he called the ‘mess-information era’, where the dispense of healthcare information will center more on consumer needs; fourth is the growing force of the uninsured, wherein the middle class is also being swept down among the list of the uninsured; fifth and final trend is that the stakeholders will start in becoming more self-interested, together with the growth of the P4P programs (Molpus, 2006).

If I were to choose mainly one of the five trends that appear to be the most important for the country at the present era, it would definitely be the fourth trend, which speaks of the growing force and number of the uninsured. This appears to be the most significant among the five listed under trend because it is the most powerful evidence that is available, which would prove that the healthcare industry is in critical need for some quality improvement, some redesigning and reinvention. It is the most powerful force that would influence the explosion of P4P, the improvement of quality, the decline of the mess-information, as well as the booming of more self-interested stakeholders. There are 45. 8 Americans that are without adequate health insurances (Molpus, 2006), and this should trigger forces among its citizens.

## References

Molpus, J. (2006, December). 5 Intersections. Retrieved March 30, 2008, from the HealthLeaders Media database: [http://www.healthleadersmedia.com/content/81594/topic/WS\\_HLM2\\_MAG/5-Intersections.html](http://www.healthleadersmedia.com/content/81594/topic/WS_HLM2_MAG/5-Intersections.html).

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Wechsler, J. (2007, February). Congress moves to curb Medicare drug spending. Retrieved March 30, 2008, from the Managed Healthcare Executive database: <http://managedhealthcareexecutive.modernmedicine.com/mhe/Politics+and+Policy/Congress-moves-to-curb-Medicare-drug-spending/ArticleStandard/Article/detail/401866>.