



Five Year Pathology Review

2014

(succinct version)

(Published October 2014)



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Section 1: Pathology trends

Once again our review of industry trends coming out of the CMS data shows that increased utilisation is the main cause of above inflationary pathology increases. Factors that could be behind this increase include improved disease management initiatives, improved disease screening, changing diagnostic and therapeutic approaches, an increased disease burden, changing membership demographic and defensive medicine against the backdrop of increased medical malpractice litigation.

The most significant findings of this review are:

- Over the last 5 years, pathology utilisation has increased more rapidly than utilisation of other services (24% increase).
- The utilisation increase has been the main driver behind an observed increase in pathology costs.
- When correcting for increases in utilisation, it is found that pathology cost per utilisation has increased by 7.9% in real terms since 2008
- This increase is less than the equivalent increase in medical specialists' costs, hospital costs and radiologists' costs.
- Increased pathology utilisation should be expected given the worsening risk profile in schemes and the increase in the prevalence of certain conditions (eg. HIV, Hypertension, Diabetes etc.) being reported by schemes.

Further work needs to be done to understand why medical scheme members are utilising pathology service more often. Schemes should be analysing their data with this in mind.

It is important to bear in mind that practically all pathology services result from clinician referrals. Scheme need to be working with their provider networks to understand and ensure that the increased utilisation of pathology services is appropriate in ensuring members are being effectively treated.

Figure 1 indicates that, when considered in real terms, the increase in pathology claims costs since 2008 has been 33.8%. This is equivalent to 6.0% per annum above inflation. This is substantially above the 10.7% total or 2.0% per annum above inflation at which overall benefits have increased.

Figure 1: Cumulative Growth in Real Benefits Paid Per Beneficiary Per Annum Since 2008

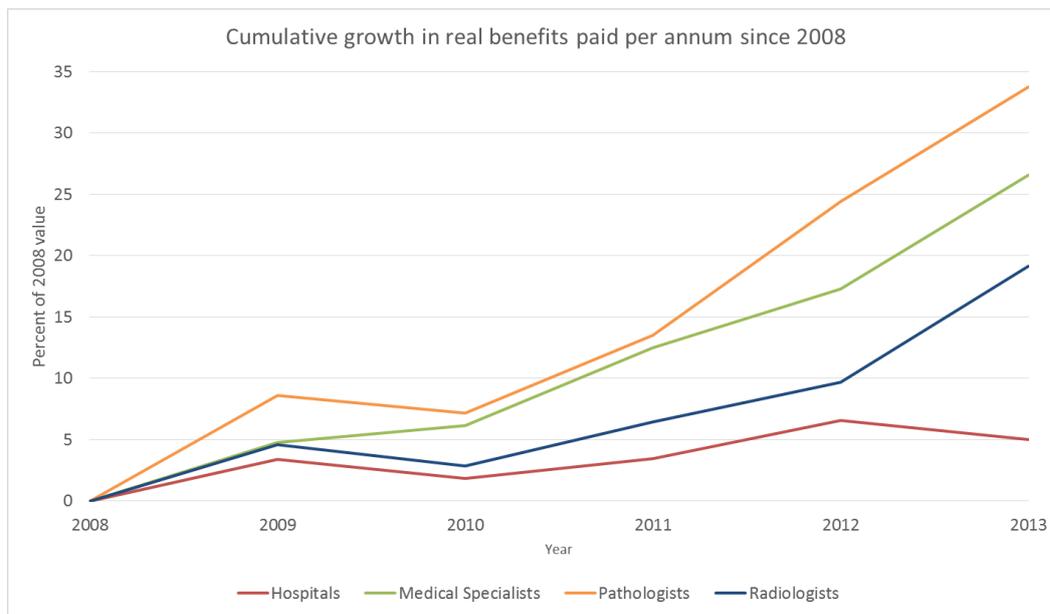
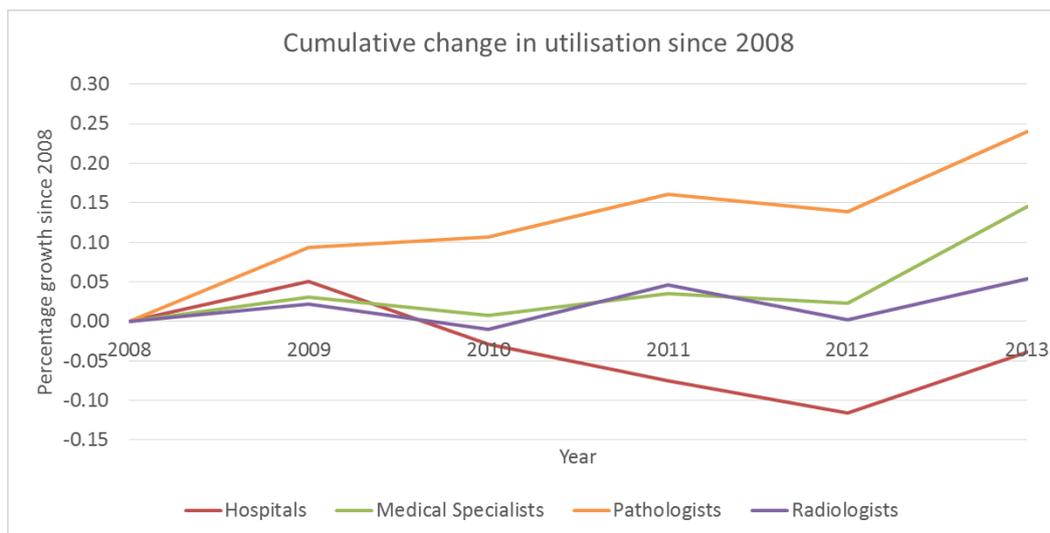


Figure 2: Cumulative Growth in Utilisation Since 2008



As can be seen in figure 2, pathology utilisation has increased cumulatively by 24.0% since 2008 and this cumulative increase has been consistently above that of hospitals, medical specialists and radiologists. The cumulative change in utilisation of radiologists, pathologists and medical specialists has followed very much the same pattern in terms of increases and decreases over the 5 years considered, however, pathologists' utilisation has had a higher rate of growth than the other. Hospital utilisation has fallen substantially between 2009 and 2012, but increased again in 2013.

Figure 3: Cumulative Growth in Real Benefits per Utilisation Since 2008

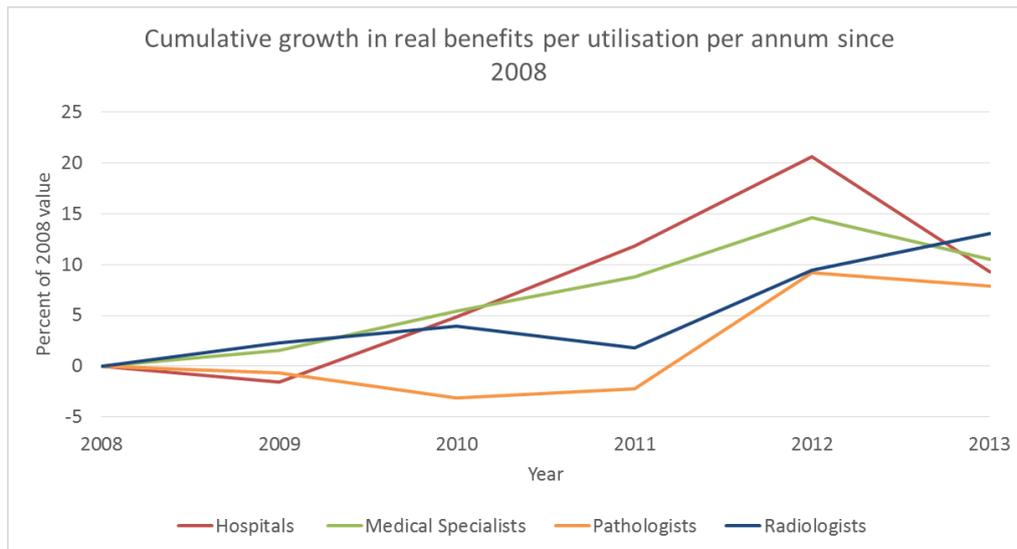


Figure 3 shows the relative stability in pathology costs per utilisation between 2008 and 2011, but also indicates a large increase in cost per utilisation during 2012 and a slight decrease in 2013. It also shows an increase in medical specialists' costs per utilisation between 2011 and 2012 and decrease in cost per utilisation between 2012 and 2013. Hospital costs per utilisation have increased considerably between 2009 and 2012 and decreased sharply since 2012. Radiologists' costs per utilisation seem to have stagnated between 2008 and 2011, but increased sharply since.

Figure 4: Cumulative Increase in Chronic Disease Prevalence

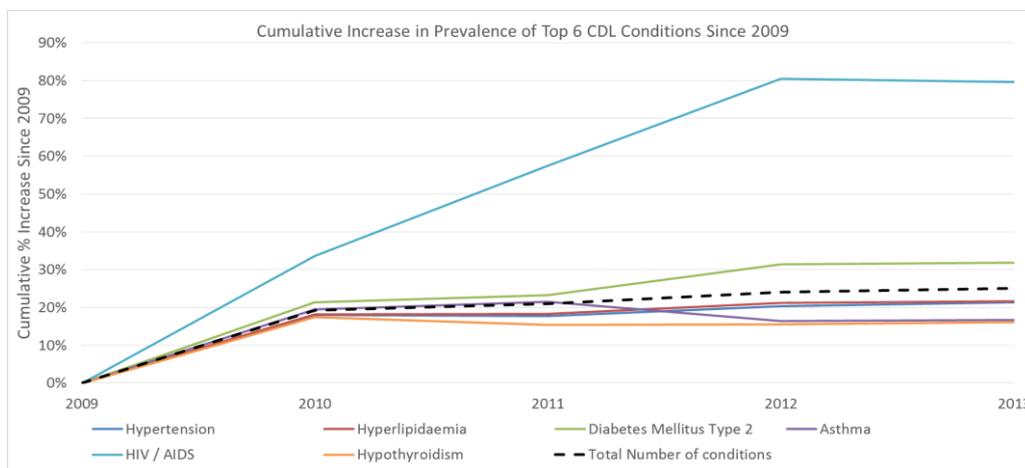
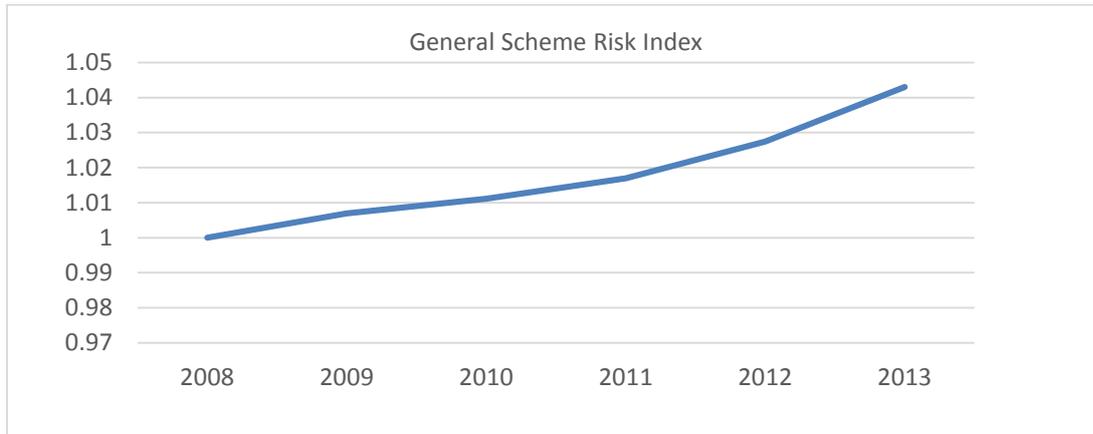


Figure 4 shows the increasing disease prevalence being reported by schemes.

Pathology utilisation will be impacted by this. An increasing age and more specifically the changes in membership in age bands will also impact pathology costs. The General Scheme Risk Index (GSRI) is an Index compiled by Prognosis which corrects for the cost-risk profile of beneficiaries depending on age and gender, by predicting the likelihood of chronic disease and multiplying this with average cost of such disease. This index is shown in figure 5 shows the clear effect that changing age has on scheme risk which will impact pathology costs. The GSRI of the industry has worsened by over 4% since 2008.

Figure 5: General Scheme Risk Index (GSRI) Trend



Section 2: References

All data used for the purposes of this report have been extracted from Lifechoice's databases which have been compiled from the sources listed below:

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