

# The Fastest Way to Curb Your Clients' Healthcare Spend



## Introduction

# No surprise: Healthcare costs are rising—and fast.

U.S. employers are projected to spend **6.5%** more this year, nearly double the 3.7% increase they shouldered in 2022, according to professional services firm Aon. For most employers, scaling back benefits to rein in spend is a nonstarter. In fact, Mercer's [Survey on Health & Benefit Strategies for 2024](#) found that nearly two thirds of large employers plan to make enhancements to their well-being offerings next year, as they look to strengthen talent acquisition and retention.

Passing on more costs to employees was the go-to cost-saving tactic over the past two decades, but that's not a practice that employers can continue to fall back on. As a result, just one in three large employers expect to raise cost sharing in 2024, according to the survey. Caught between a rock and a hard place of rising costs and rising employee expectations, many employers are eager for fresh strategies and solutions.

To best serve your clients, laser in on healthcare's spending hot spots and the tailored solutions that best address them. While inflationary pressures certainly play a role in the current surging spend, complex and chronic conditions such as cancer, musculoskeletal ailments, and cardiovascular

conditions are still the biggest drivers. Breakthrough treatments, blockbuster medications, and rising incidence rates all contribute to the rise in diagnoses and costs.

"It's not uncommon to see 1% of membership driving 40% of healthcare spend," [noted](#) Aon's North American chief actuary.

At the same time, the fee-for-service healthcare model continues to drive up costs for employers by incentivizing inefficiencies and superfluous care. A *JAMA Network* study found that [approximately 25% of U.S. healthcare spending is wasteful](#).

Centers of Excellence (COE) programs offer a solution, but not all COE programs are created equal. Unit cost reductions are table stakes for most COE programs. But value-based COE solutions that bundle payments further help employers reduce uncertainty in the face of volatility through greater transparency.

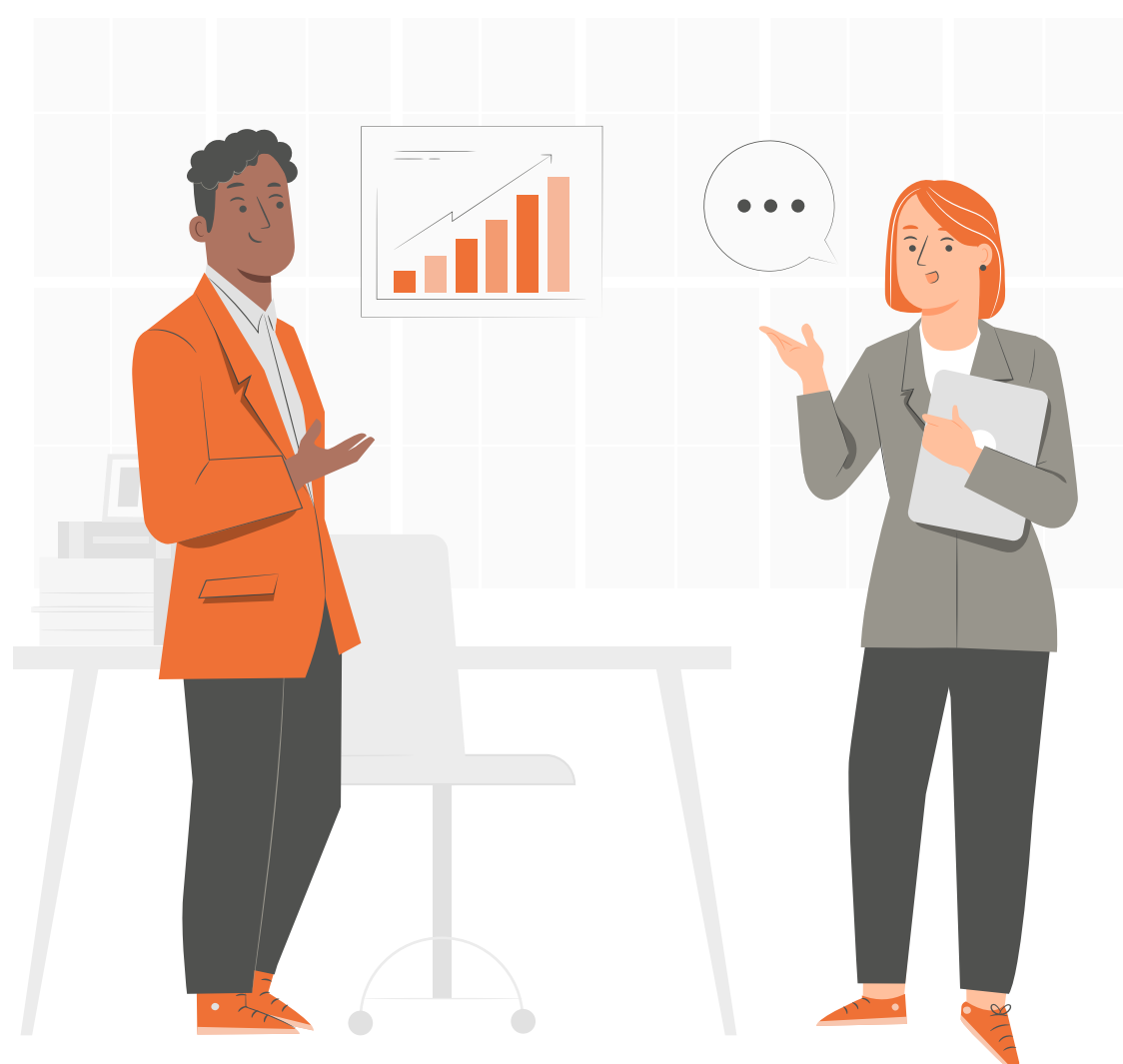
By bundling costs, your clients can better predict their spend across the pricier conditions affecting their employees, even as the healthcare landscape continues to evolve. This report uncovers how COEs can help your clients provide improved quality of life, better health outcomes, and more cost-effective care to their employees while gaining increased ROI and cost predictability.

Here's how to help your clients understand the nuance behind these costly, complex conditions, and why a best-in-class Centers of Excellence (COE) program can help them better predict and manage their spend, while actually bolstering their talent strategies.

Runaway costs for cancer, musculoskeletal conditions, and cardiovascular disease have employers hunting for impactful solutions. Here's how a better COE benefit delivers.

# Spend Hot Spots

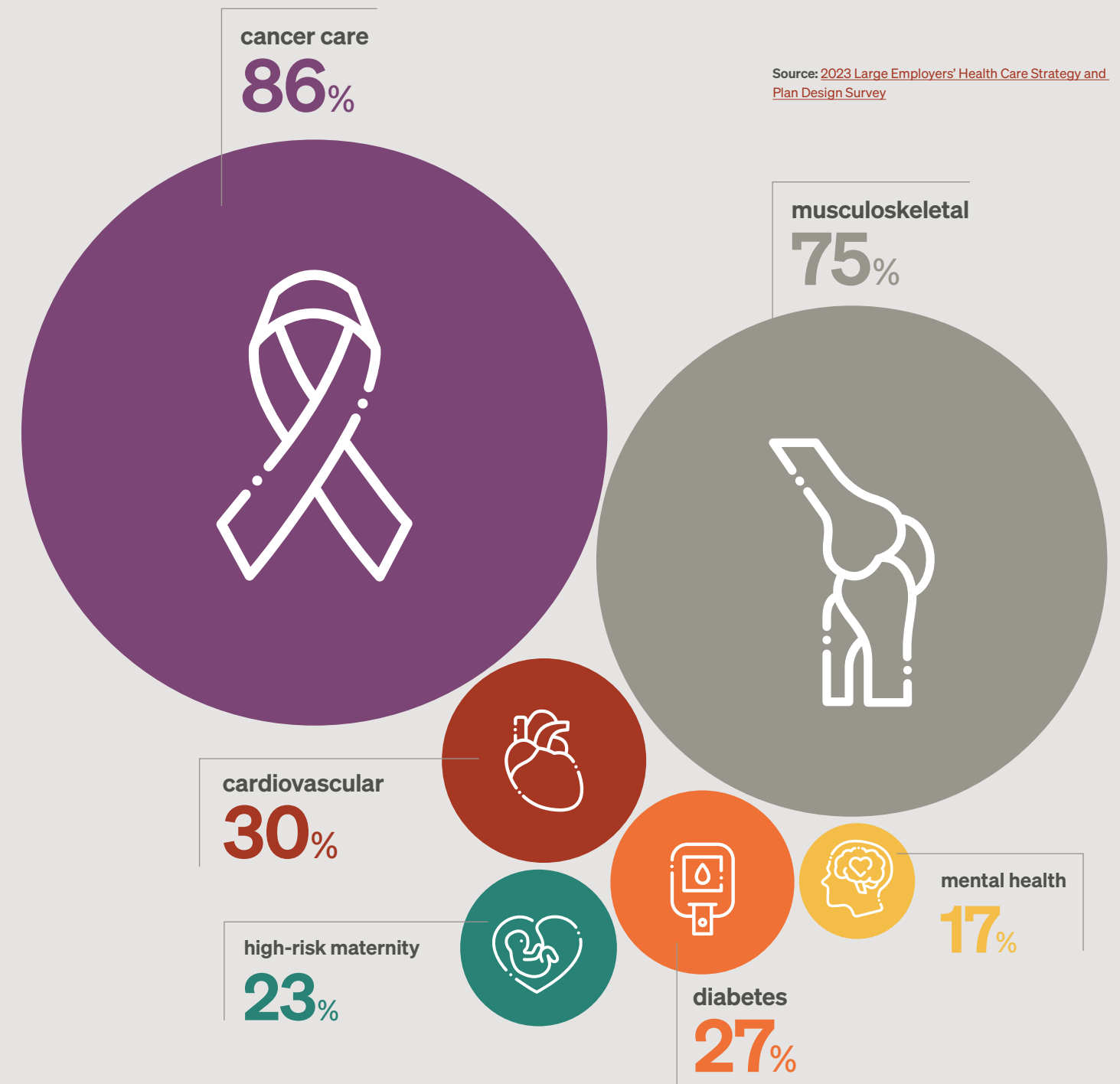
Cancer, musculoskeletal conditions, and cardiovascular diseases have claimed the top three spots driving employers' healthcare costs for the past two years, according to the [2024 Large Employers' Health Care Strategy and Plan Design Survey](#) by the Business Group on Health. Here's a closer look at exactly what's been driving employer healthcare spend over the last three years—and how those figures are steadily changing.



# The Top 6 Conditions Driving Employer Healthcare Spend

% of employers who say condition category is one of top 3 drivers

Source: [2023 Large Employers' Health Care Strategy and Plan Design Survey](#)



## Hot Spot #1

# Cancer

## The Surge

More than **1.9 million** Americans are expected to be diagnosed with cancer this year—exceeding even 2022's estimate, which was the highest level since **at least 2007**. Many patients are being diagnosed with **more advanced, complicated cancers** after delaying screenings during the pandemic. The Business Group on Health **survey** shows 13% of employers have already seen more late-stage cancers, and 44% anticipate seeing such an increase in the future. At the same time, experts are anticipating a **"significant"** increase in cancer cases as the U.S. population ages.

## The Spend

Recent breakthroughs in diagnostic testing, advanced treatments, and medications mean that a cancer diagnosis isn't necessarily the grim death sentence it once might have been. Rather, it's become a much more curable disease. That bright spot is certainly worth celebrating, but it also comes at a financial cost. Costs attributable to cancer are expected to **rise by over 30%** between 2015 and 2030, according to the American Association for Cancer Research. And a Carrum Health analysis reveals that, depending on where a patient receives care, a single employee's full course of treatment can cost \$120,000 to \$400,000. Further, the price of care can fluctuate wildly from patient to patient, making cost predictability a nearly impossible task—and often, even the highest of these costs fails to correlate with positive outcomes.



## Hot Spot #2

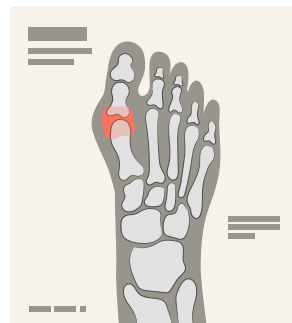
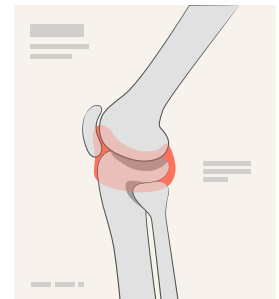
# Musculoskeletal Conditions

### The Surge

Half of all Americans (or about 126.6 million people, according to Hinge Health's [2023 State of MSK Care](#) report) have a musculoskeletal (MSK) condition, such as arthritis or back pain. Though that figure is expected to rise as the national population ages, demographics aren't the only contributor. Reduced physical activity during the pandemic and poor ergonomics in work-from-home environments are also likely at play, according to Willis Towers Watson's [2023 Global Medical Trends Survey](#).

### The Spend

While cancer was the top driver of employer healthcare costs in 2022, musculoskeletal diseases remain one of the most ubiquitous and expensive health problems worldwide. MSK healthcare spend has nearly doubled in the past decade, to roughly \$20 billion, with wild swings in cost variability from patient to patient. Yet, unlike rising cancer costs, that runaway spend is not the result of new breakthroughs in treatments or diagnostics that improve patient outcomes. If anything, MSK can be fraught with ineffective or inappropriate care. Surgery, for instance, accounts for 63% of annual MSK spend overall. Yet that same Hinge Health report estimates that 20% to 40% of surgeries to treat lower back pain fail. And [a study](#) published in *Arthritis & Rheumatology* found that over one third of total knee arthroplasty surgeries were deemed inappropriate. An additional one fifth were deemed inconclusive.



### Musculoskeletal Conditions

# 20-40%

Research shows that 20% to 40% of surgeries to treat lower back pain fail.



### Hot Spot #3

# Cardiovascular Disease

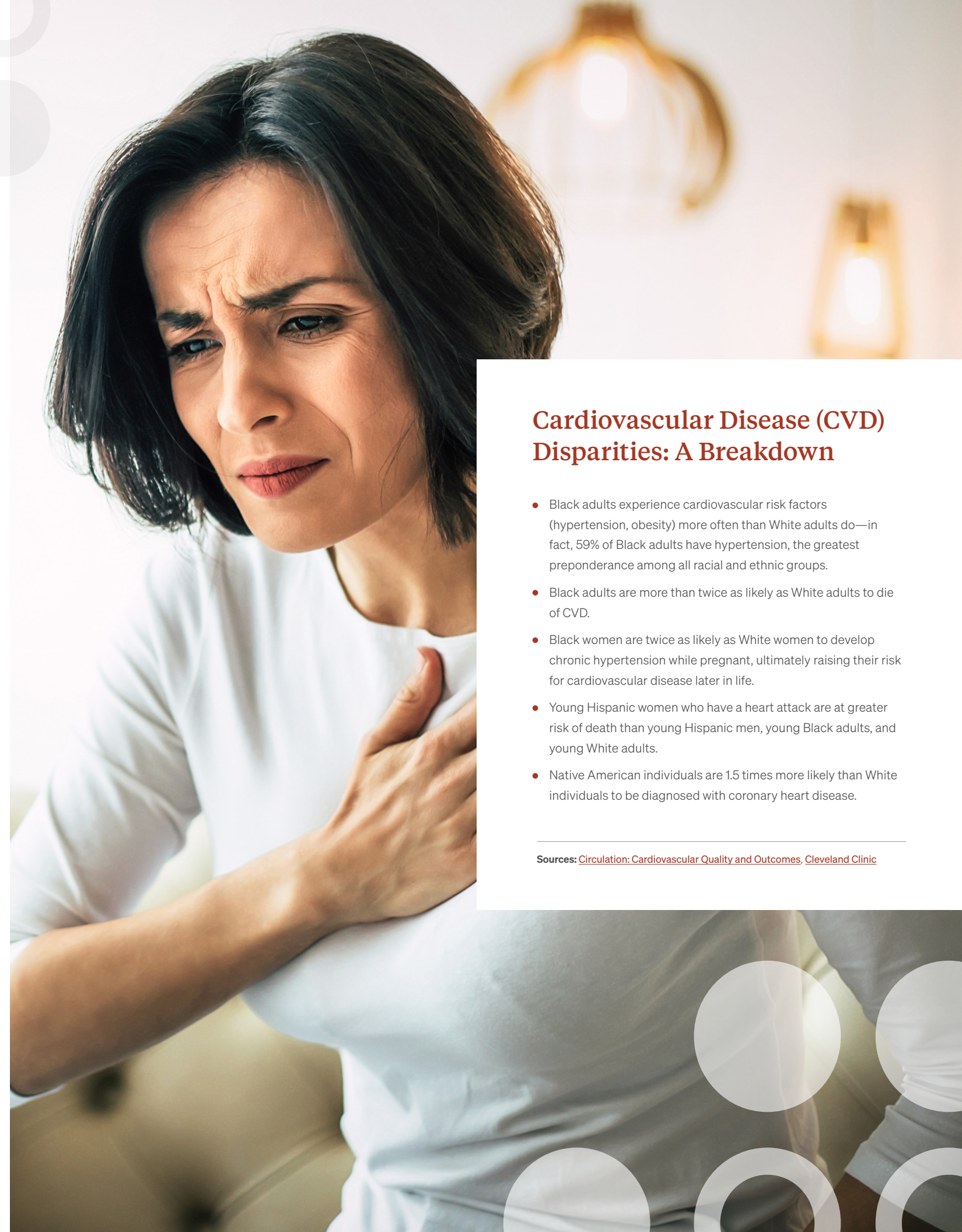
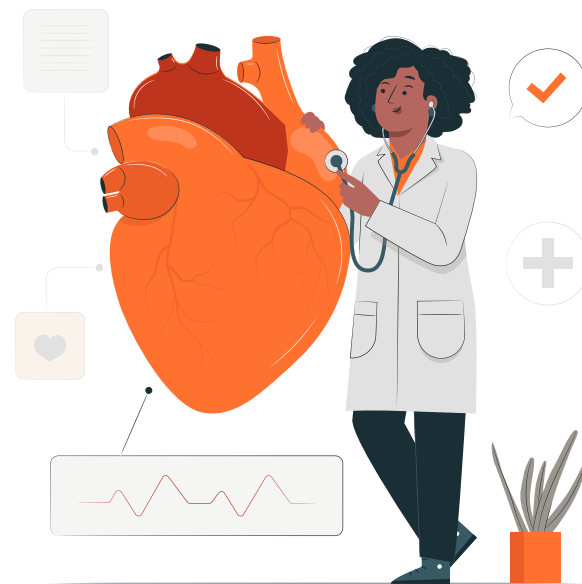
#### The Surge

Long the **leading** cause of death for men and women, cardiovascular disease affects nearly half of U.S. adults. Incidence rates aren't only stubbornly high; they're also trending in the wrong direction. Rates of cardiovascular disease are expected to see a steep rise by 2060, driven by significant increases in the disease's underlying risk factors (namely: obesity, hypertension, dyslipidemia, and diabetes). A 2022 study in the *Journal of the American College of Cardiology* projects incidence of stroke could increase by 34% and heart failure by 33%. While cardiovascular disease is expected to climb across all demographics, researchers note that Black and Hispanic populations will be hardest hit—just one of the many ethnic disparities that plague this area of medicine.

#### The Spend

As both treatment intensity and incidence rates rise, the financial burden for treating cardiovascular disease has ballooned. Employers spend **\$216 billion** on direct medical costs for the condition each year, and lose **\$1,100 per employee** in lost productivity. As bad as that burden is now, employers would be wise to brace for things to get worse: Overall medical spending on cardiovascular disease is projected to more than double over the two decades leading to 2035, when the total may top **\$749 billion**, according to a report by the American Heart Association. At the same time, indirect cardiovascular disease costs are projected to climb by 55%—putting the total cost of the ailment at \$1.1 trillion—with little predictability in pricing, or outcomes relative to pricing, to be found.

Worse yet, a great deal of this cost may come from overtreatment: Coronary stents have been deemed the most overused service across multiple medical specialties, **according to the nonpartisan healthcare think tank Low Institute**. And a major **2018 study** in *The Lancet* found that implanting stents to relieve angina, or chest pain due to heart disease, is ineffective.



### Cardiovascular Disease (CVD) Disparities: A Breakdown

- Black adults experience cardiovascular risk factors (hypertension, obesity) more often than White adults do—in fact, 59% of Black adults have hypertension, the greatest preponderance among all racial and ethnic groups.
- Black adults are more than twice as likely as White adults to die of CVD.
- Black women are twice as likely as White women to develop chronic hypertension while pregnant, ultimately raising their risk for cardiovascular disease later in life.
- Young Hispanic women who have a heart attack are at greater risk of death than young Hispanic men, young Black adults, and young White adults.
- Native American individuals are 1.5 times more likely than White individuals to be diagnosed with coronary heart disease.

Sources: *Circulation: Cardiovascular Quality and Outcomes*, Cleveland Clinic

### Cardiovascular

**\$1.1** trillion

Over the next two decades, the total cost of cardiovascular disease in America is projected to climb to \$1.1 trillion.

# What's Behind Clients' Runaway Costs?

As complex as healthcare costs may be, it's clear that some factors fuel spend without delivering much benefit. For clients that want to prioritize cost containment without sacrificing health outcomes or the employee experience, be ready to educate and empower them on what to avoid.

## Overtreatment Fueled by Fee-for-Service Models

Conventional fee-for-service payment models incentivize providers to take action—even when a more conservative path or wait-and-see approach might lead to better outcomes. Consider the treatment of back pain, for example. There's no question that surgical intervention is necessary and appropriate for some patients. But only for some. Often, people experiencing back pain benefit just as much from more conservative treatments, such as physical therapy.

In a randomized clinical trial published in [Annals of the Rheumatic Diseases](#), researchers parsed patients with chronic lower back pain into two groups: those who underwent lumbar spine fusion and those who were instead steered toward nonsurgical treatments, such as physical exercises and cognitive strategies. They then analyzed patient outcomes over a four-year period. The results? "Lumbar fusion was not superior to cognitive intervention and exercises at relieving symptoms, improving function and return to work," write the researchers.

Unnecessary surgeries are a major driver of escalating health costs for your clients—but inappropriate care

creates a ripple effect that extends even further. It can put patients in harm's way when a less-invasive option might bring greater relief. It can disrupt the workforce without reason. And, when complications arise, it can potentially kick off months or even years of repeat hospital visits, to the tune of tens of thousands of dollars each. The average cost of readmission to the hospital after a total knee replacement, for example, is \$38,953.

Three out of four insurers cite overuse of care as a key cost driver, according to [Willis Towers Watson's 2023 Global Medical Trends Survey Report](#). When it comes to treating nonmetastatic breast cancer, only 10% of patients receive surgery without chemotherapy or radiation therapy, despite growing evidence that many patients do not benefit from the additional treatment. And long-term [studies](#) have shown that hypofractionated radiation therapy (in which patients receive fewer, higher doses of radiation over a shorter period of time) has equivalent outcomes to traditional radiation therapy. Shorter treatment regimens mean not only lower costs for your clients but also fewer side effects for their employees.

# 75%

Nearly 75% of physicians surveyed in a peer-reviewed [PLOS ONE](#) study believed that doctors are more likely to perform unnecessary procedures when they profit from them and that deemphasizing fee-for-service compensation would cut costs.

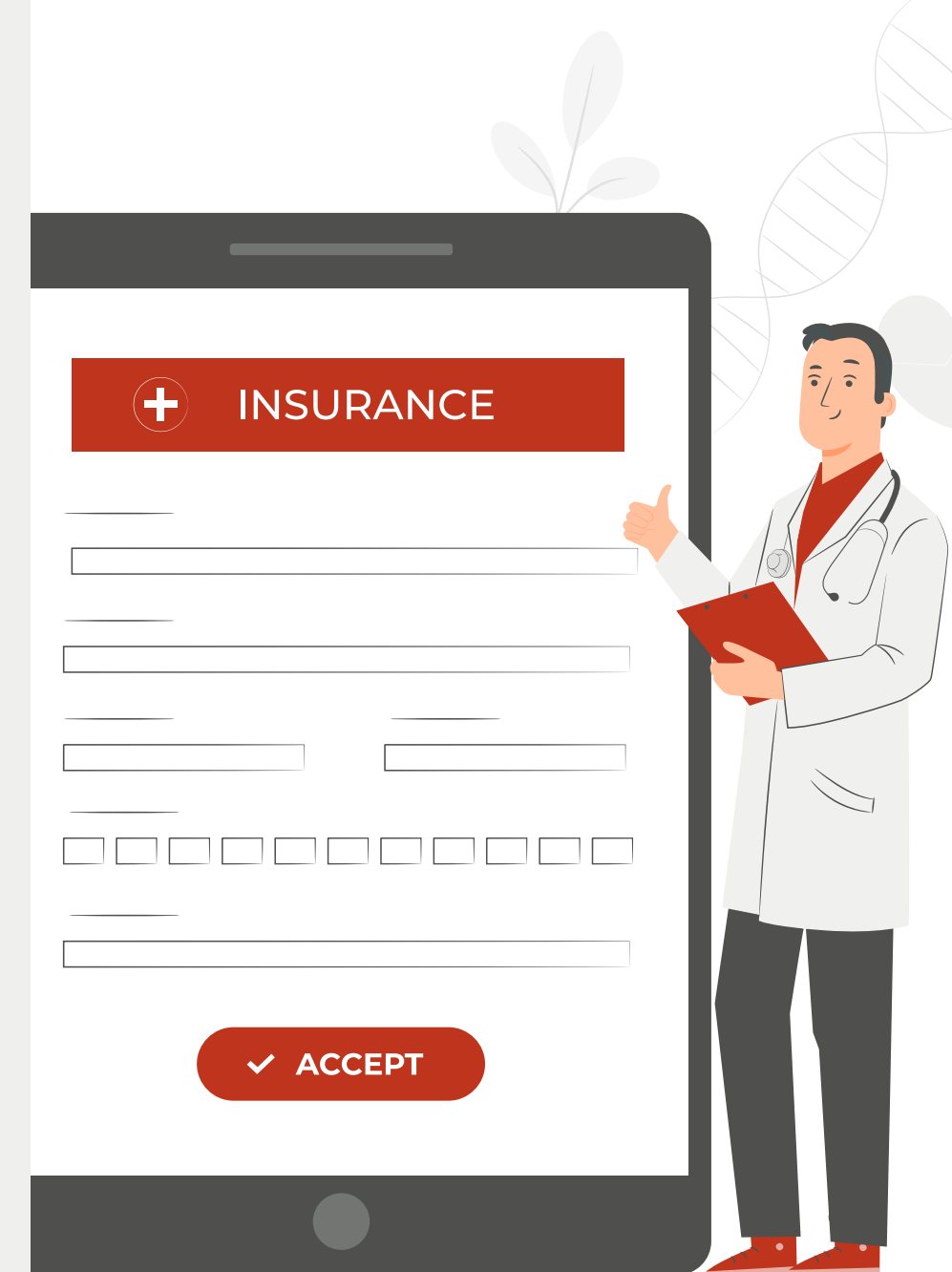
# \$76B to \$101B

The amount of annual healthcare spending waste that [researchers](#) estimate is due to overtreatment.

# 4/4

The number of levers for achieving high-value care—Price, Volume, Mix of Services, and Growth—that the [Council on Health Care Spending and Value](#) says are improved by value-based payment models. (In other words, all of them.)

To help clients contain costs while optimizing health outcomes, prioritize value-based care rather than fee-for-service models. Value-based COE programs for cancer care, for instance, offer a solution by bundling payments and backing treatment with a warranty to encourage providers to pursue the most effective and efficient evidence-based treatment and remove the possibility for additional profit. A value-based COE program combines fewer unnecessary treatments with lower unit costs—the holy grail of cost containment.



## Fragmented Care Navigation

When patients face complex health issues, navigating the maze of available benefits, providers, and treatment options can be incredibly daunting. But the right benefit can turn that confusing maze into a clear and comprehensive path, in which employees are swiftly and smoothly guided along. That helps minimize any costly missteps a client's workforce might potentially make—as well as prioritize the often-overlooked actions that can save them money.

Second opinions, for instance, are a powerful step toward minimizing the risk and costs associated with misdiagnosis. For complex conditions, those stakes are significant: The Clinic by Cleveland Clinic estimates that **21%** of initial diagnoses are incorrect and that 66% require significant modification, which adds up to \$65 million in avoidable healthcare spend per 100,000 health plan members. Focusing on thyroid cancer diagnosis, [research](#) has shown that a second opinion of fine-needle aspiration biopsies can reduce the need for diagnostic thyroidectomy (a separate surgical procedure to remove all or part of the organ) by 25%. Second opinions also increased biopsy accuracy from 60% to 74%.

Yet second opinions remain the exception, rather than the rule. Gallup's 2021 [Health and Healthcare survey](#) shows that Americans feel confident enough in their doctor's guidance that only 35% seek out second opinions or do additional research—a stat that's barely budged compared with 2002. More vulnerable populations may not always be aware that getting a second opinion is even an option, with [research](#) showing that doctors are less likely to inform patients who are older or less educated about the possibility of seeking a second opinion.

The right value-based COE solutions can solve these problems by facilitating care with top-ranked specialists to ensure your clients can guide their employees to the appropriate diagnosis and the best treatment available to them. Musculoskeletal patients, meanwhile, gain access to digital physical therapy, health coaching for behavioral change, long-lasting pain management technology, and, if necessary, pre- and post-operative care and high-quality surgery. Cardiac patients, too, are guided to best-in-class providers and receive holistic support throughout their treatment plan. Meanwhile, cancer patients receive up to two years of care, from diagnosis and second opinions through surgery, chemotherapy, radiation, and follow-up visits, at best-in-class cancer centers. A benefit that connects your clients' employees with renowned specialists can also minimize side effects from ineffective treatment and reduce complications that send client costs soaring.

## Medical Avoidance

During the early pandemic, fear of contagion kept many from getting the screenings and medical appointments they needed. But against the modern background of historic inflation and economic uncertainty, it's now [more likely to be financial anxiety](#) that causes people to delay care. Too often, that leads to later-stage diagnosis (when conditions become more expensive and complicated to treat) or missed opportunities to spot and address risk factors before they balloon (such as high blood pressure, in the case of cardiovascular disease).

Clients are eager for a way to ease the financial fears of their workforce and encourage people to access the care they need, as they need it. COEs with [bundled payment models](#) can do just that, by eliminating surprise bills and most out-of-pocket costs. What's more, the best COE solutions take a value-based approach, and both pay providers for consultations and hold them accountable with a warranty.





# Ways to Enhance Cost Containment for Clients

Your clients want to beat back spend for the costliest health conditions, wow their workforce with high-quality care, and bolster employee satisfaction and peace of mind. Connecting them to the right COE can help your employer clients on all fronts.

The first thing consultants should know is Centers of Excellence programs are far from interchangeable. Yes, lower procedure costs are table stakes for these programs, but lower costs on an unnecessarily high number of procedures still means money wasted. And COE program benefits, design, and ROI can vary greatly.

Here are seven things to look for when helping clients choose a COE solution:

## 1. Appropriateness of care

Unnecessary care is not only a waste of money; it's also disruptive to your client's workforce and their employees' lives. The best COEs take a value-based approach to make sure patients get the right care at the right time. They pay providers for consultations and evaluate them on outcomes, creating a pricing model that doesn't reward unnecessary procedures.

# 30%

According to a peer-reviewed [RAND study](#), 30% of people initially recommended for surgery were redirected to less invasive treatments with Carrum Health.

## 2. Quality

While most COE programs blanket-invite systems or facilities to join their network, the best COEs prioritize quality over quantity. That means leveraging a comprehensive set of quality metrics with expert medical advisors to scrutinize both facilities and individual providers. They visit facilities and conduct interviews, then hand-select the providers who stand out from their peers. And truly effective COE solutions are independently validated to meet these metrics by peer-reviewed studies.

### Evaluation metrics may include:

- Strong unnecessary procedure avoidance rates
- Low patient readmission and complication rates
- Meaningful coordination with community providers
- High patient satisfaction and safety measures
- Modest patient recovery times and time back to work post-surgery

# 74-86%

Carrum Health's solution reduces readmissions by 74-86% relative to the national average, according to RAND Corporation.

## 3. Warranty

Rather than reward failure and inefficiency, the best COEs are accountable for outcomes across the entire surgery journey—which means your clients can rest easy about complications and readmissions inflating their healthcare spend.

# 30days

Carrum Health's COE backs every surgical procedure with a 30-day warranty covering readmissions and complications. For cancer, the warranty extends to two years.

## 4. Bundled prices

The right COE can make surprise healthcare bills a thing of the past for your clients. With bundled pricing, they offer pre-negotiated, affordable flat rates for end-to-end care—providing your clients with clear cost transparency and greater predictability around their annual healthcare spend. When those cost efficiencies are passed along to employees (in the form of reduced or eliminated out-of-pocket costs), your clients benefit from greater employee loyalty and retention.

# 45%

Carrum Health's bundled solution saves more than 45% per procedure, according to RAND Corporation.

## 5. AI-powered, intuitive tech

Help your clients simplify setup by looking for COE solutions that are built to “plug-and-play” or seamlessly connect with both COE providers and other programs in your clients' benefits ecosystem. The most technologically advanced programs also leverage AI and predictive analytics to proactively identify with employees who might benefit from a COE, allowing employers to boost utilization and make the most of their investment.

It's no longer enough for employers to point their workforce toward a static website and a 1-800 phone number. Employees have come to expect the same accessible, intuitive tools to manage their health that they rely on everywhere else. Your clients aren't served by a benefit that offers only a slick app or only a digital patient portal. Look for COEs that prioritize robust features and an intuitive user interface across multiple platforms, so employees can easily connect with a care specialist, in a way that works for them.

# 4-6weeks

Carrum Health's technology makes it possible for employers to implement one solution in as little as 4-6 weeks.

## 6. Experience-driven

No doubt, when employees must manage a complex medical condition, they want a provider with top-notch surgical skills and medical know-how. But they also want to be treated with care and humanity. Some COEs have white-glove support embedded through every step of care, from offering a single point of contact so employees can easily ask questions and address concerns to providing extensive support, such as help with travel arrangements or mitigating social support issues.

Consider, too, how high barriers are if and when an individual needs to access services beyond the COE. Does the solution have ample partnerships to provide a comprehensive care experience for your client's employees? What integrations are in place to streamline communications and support patient navigation? How often does the benefit provider assess and augment the member experience—both within its solution and across the ecosystem it's part of?

## 7. Regional care access

The right COE solution needs to be able to expand and contract geographically as employer growth dictates, to ensure that employees can access the best care with ease. Still, while network breadth is important, it shouldn't come at the expense of excellent care. Maintaining the highest quality standards of care should remain paramount as COE programs expand into new geographies. Network breadth is important, but it shouldn't come at the expense of excellent care.

# 95%+

Through our network and partnerships, Carrum Health can provide access to top medical providers that are within driving distance of over 95% of the U.S. population.



“  
My whole quality of life has changed for the better, thanks to Carrum... It's the best decision I have ever made, and I'm proud to say that. Thank you for saving my life.”

**Fidelia** on her double knee replacement

## 4 Steps to Settle on the Best COE Benefit

How do you ensure you're bringing your clients a best-in-class program that delivers savings and satisfaction? Now that you know what to look for in a COE, these steps can help you sift through the options and identify a winner.

### 1 | Scrutinize value-based quality outcomes.

Some COEs are proud to promote key quality metrics, such as unnecessary surgery avoidance and readmission rates. Others? Not so much. Before you assess the ins and outs of every program, ask about the COE's value-based quality outcomes and the methodology they use to establish their provider network. If that data isn't up to snuff, you'll know it's time to move on to other options.

### 2 | Ask around.

Brokers and consultants are uniquely positioned to gather peer feedback and reviews and to assess client satisfaction. Peer-reviewed studies are another way to verify which potential partners are actually delivering the value they promise.

### 3 | Adopt the employee perspective.

If a COE program doesn't have the right technology and customer support capabilities, your clients could be stuck picking up the slack. Download the app and digital platform and spend some time navigating common tasks, keeping the demographics and likely digital habits of your clients' workforce in mind. Any friction or frustration you feel while navigating a clunky app will only be magnified once the solution is implemented.

### 4 | Crunch the numbers.

You already know your clients care about ROI—a lot. So it's no surprise estimating this calculation is a crucial step. If the COE touts a blanket ROI stat across all clients or conditions, ask if they can get more granular and don't hesitate to interrogate the underlying assumptions that inform their math.

# Conclusion

Tough times for employers can, paradoxically, mean big opportunities for consultants. Your clients—eager to rein in runaway spend while safeguarding their talent—are eager for innovative solutions. And now is your chance to offer just that, by guiding them toward a COE solution that's head and shoulders above the status quo. The results are lower costs and predictable planning for employers—and happier clients for you.

## About Carrum Health

Carrum Health was founded in 2014 with a mission to “bring common sense to healthcare” through a value-based healthcare model that benefits families, employers and providers. Headquartered in the San Francisco Bay Area, Carrum’s award-winning surgery and cancer care benefits platform connects self-insured employers with top providers under standardized bundled payment arrangements to better manage healthcare costs. By aligning provider incentives with quality performance, Carrum drives improvements in patient experience and health outcomes. Customers include Fortune 500 companies and public sector organizations. For more information, visit [carrumhealth.com](http://carrumhealth.com).

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