

Executive Summary

I. Conclusions

The information and analysis in this report indicate that the Los Alamos National Laboratory (LANL) employee/retiree health care plans provide excellent coverage at well below average premium costs to members. LANL's health care costs have been rising at only about 60% of the rate of increase of either national insurance costs or total national health care expenditures. The University of California's (UC) stewardship of LANL's health care benefits have kept these benefits in congruence with best national employer practices while keeping cost growth below average.

Private health care services in Los Alamos County are found in far greater abundance and variety than is typical for towns of its size. Los Alamos has about 4 times the median number of physicians found in 18,000-person communities. This also brings about a corresponding unusually high abundance of medical specialist local availability. The local hospital, Los Alamos Medical Center (LAMC), by most measures of size performs many more services than is usual in comparable towns. The local physicians are well compensated on average, practice in a relatively low cost business environment, and LAMC enjoys very healthy financial margins that are two to three times greater than its peers' margins.

A. The LANL health care plans are in excellent condition.

1. UC maintains staff expertise and the national relationships required to insure almost 300,000 people. Its mission is to assure first rate health care benefits for the entire university. LANL's plans are designed and administered by UC to meet the best national practices for health care coverage provided to employees.
2. LANL's employee premium share, at 15% of insurance costs, is lower than almost all other major New Mexico employers. LANL's employee premiums are less than one half the national average employee share of about 35%.
3. LANL's gross (employer plus employee/retiree) health care costs have been rising at 3.5% per year since 1994. National average insurance costs rose at 5.8% during the same time period and total national health expenditures grew at 5.7%. LANL's employer costs have risen at only 2.2% so the common perception that they are skyrocketing is just plain wrong.
4. Availability of data on statistical utilization of services by LANL employees/retirees is sparse to nonexistent. Accordingly, detailed analyses of current utilization rates under the Blue Cross and Blue Shield of New Mexico (BCBSNM) contract and comparison of these rates with other plans and other populations could not be performed. Older data from Deloitte Touche reports and LANL budgetary sources that could be analyzed, however, revealed no more than a few percent points of abnormalities in any aggregate usage patterns. We tested a number of demographic factors and theories frequently heard about high LANL usage and believe that it is unlikely that any large and important abnormalities exist.

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- B. Los Alamos County is abundantly supplied with medical services and the providers are financially well off.
1. The American Medical Association (AMA) master data file of physicians was matched with a data set containing 119 communities of population within $\pm 1,000$ of Los Alamos County. The median number of doctors is 11 while Los Alamos has 45.
 2. Detailed analysis of specialists in the county revealed no statistically significant difference from what would be predicted based upon national ratios. The local abundance of specialists would typically be found only in a much larger community.
 3. The business practice expenses of physicians practicing in Los Alamos were found to be similar to or less than costs in other New Mexico communities. This is due to similar or lower wage rates paid to employees, lower rents, lower utilities, and equal expenses for most other items such as medical equipment, supplies, and malpractice insurance. The local physicians' practice costs were significantly less than national averages. The cost of living based upon a typical doctor's market basket (high-income people) was found to be similar to other New Mexico communities.
 4. Los Alamos's lower business practice costs, combined with locally higher reimbursement rates, and a normal high-income cost of living imply that the Los Alamos physicians are well compensated. The 1999 local survey of doctor's income and practice revenues showed no statistically significant differences from national or regional averages. The well-publicized local complaints about low doctor incomes have no basis in actual data.
 5. Local hand-wringing about high doctor turnover rates and recruitment problems have no basis in aggregate data. Turnover rates are only slightly higher than those for much larger population groups (amounting to less than one extra doctor turning over per year beyond "normal"). During the March to November 1999 time period, 11 new doctors were recruited to Los Alamos County – a number equal to the grand total found in a median community of Los Alamos size.
 6. LAMC performs many more procedures than most hospitals in comparably sized communities. It operates on a larger scale than most. (The following data is the latest available for our full data set of 119 comparably sized communities - usually about 2 years old.)
 - a. 85,000 annual outpatient visits at LAMC versus 21,000 median
 - b. 47 staffed beds at LAMC versus 37 median
 - c. 232 births at LAMC versus 152 median
 - d. 268 employees at LAMC versus 161 median
 - e. 1,539 admission at LAMC versus 1,139 median
 - f. \$6.5 million total payroll at LAMC versus \$4.1 median
 - g. \$18.5 million total expense at LAMC versus \$10.1 million median

7. Several factors provide support that LAMC is financially stable.
 - a. LAMC has a 7.7% financial margin compared to 2.9% for the median hospital in our 119 comparably sized community data set. (Nationally, large hospitals average about 4% and small hospitals about 2.5%).
 - b. LAMC performs four to five times the small-community hospital median number of outpatient procedures (LAMC has over twice those of either Taos' Holy Cross Hospital or the Española Hospital). These are generally more profitable than inpatient procedures.
 - c. 41% higher Medicare charges at LAMC than the median small-community hospital (after correcting for case mix index).