



# **The Future of Chronic Care in America: Fat People Meet Skinny Benefits**

**Ian Morrison**

[www.ianmorrison.com](http://www.ianmorrison.com)

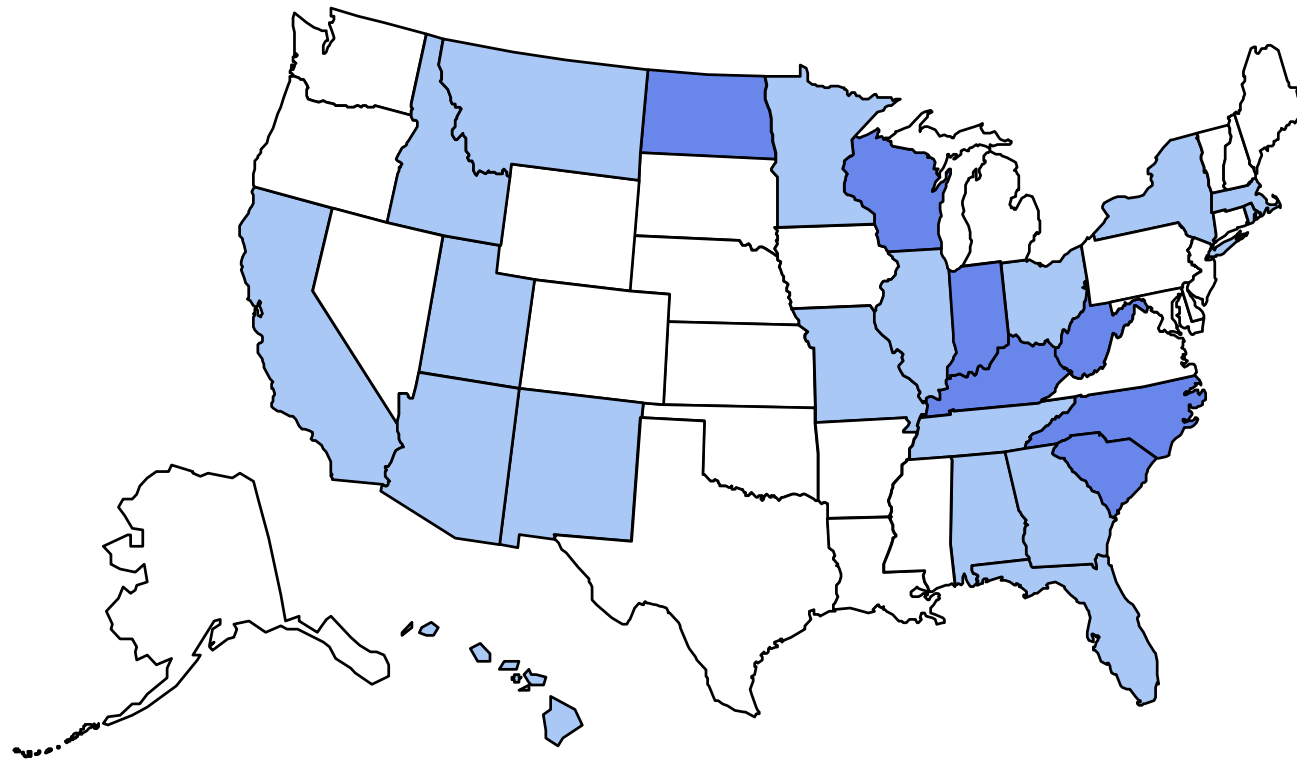


- Fat People
- Skinny Benefits
- Implications



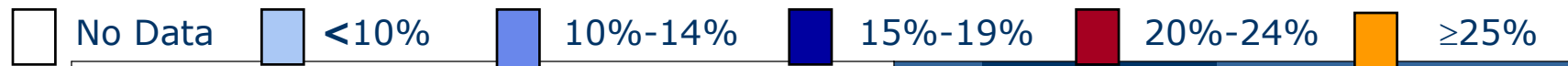
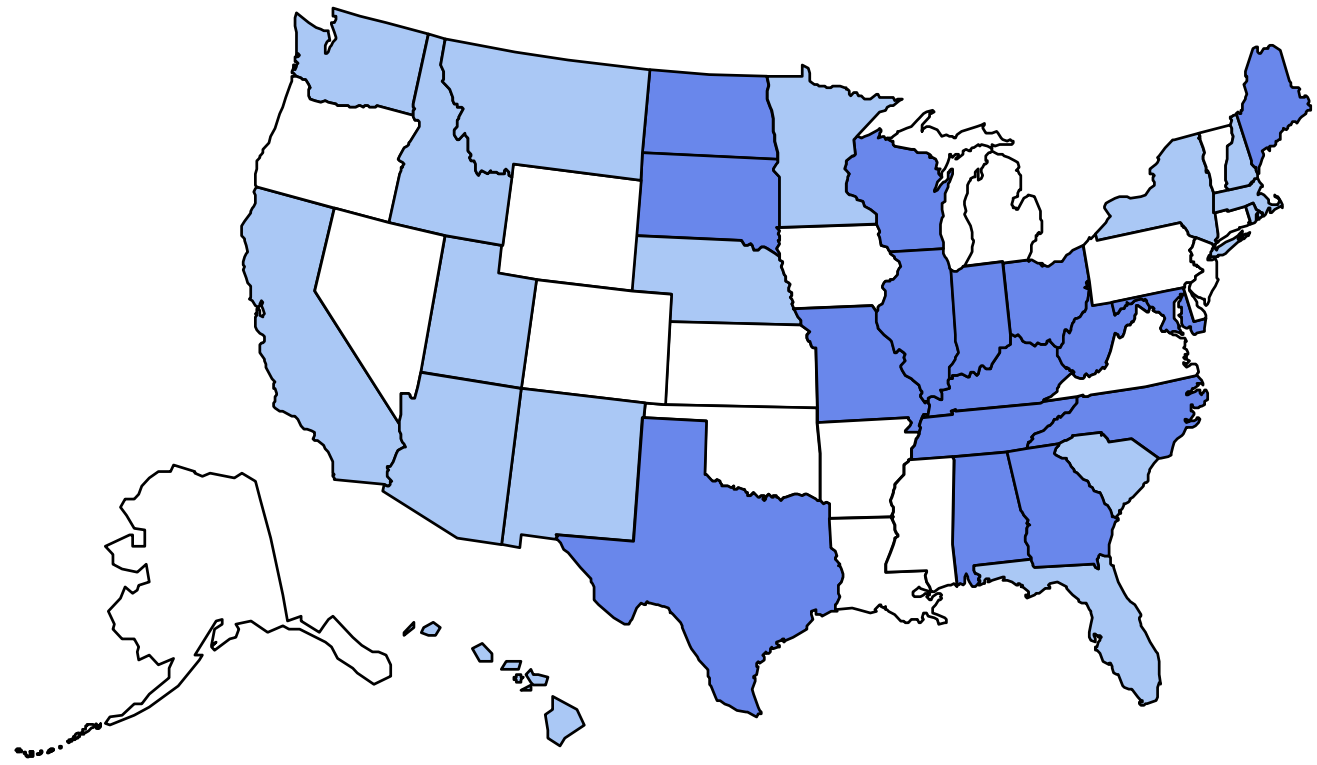


# Obesity Trends\* Among U.S. Adults BRFSS, 1986



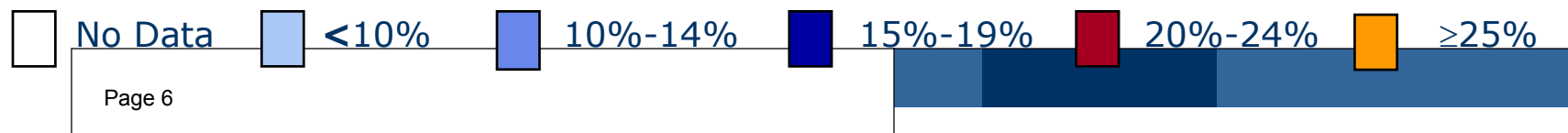
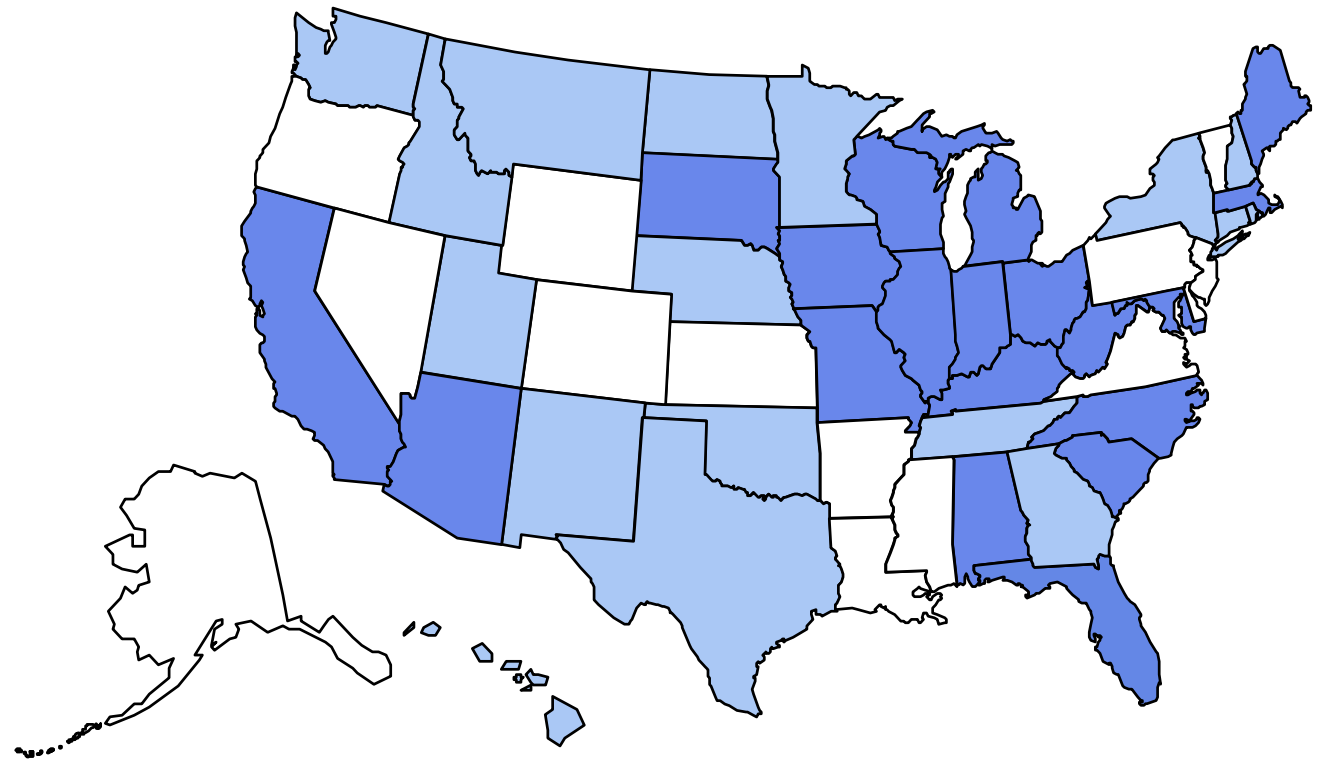


# Obesity Trends\* Among U.S. Adults BRFSS, 1987



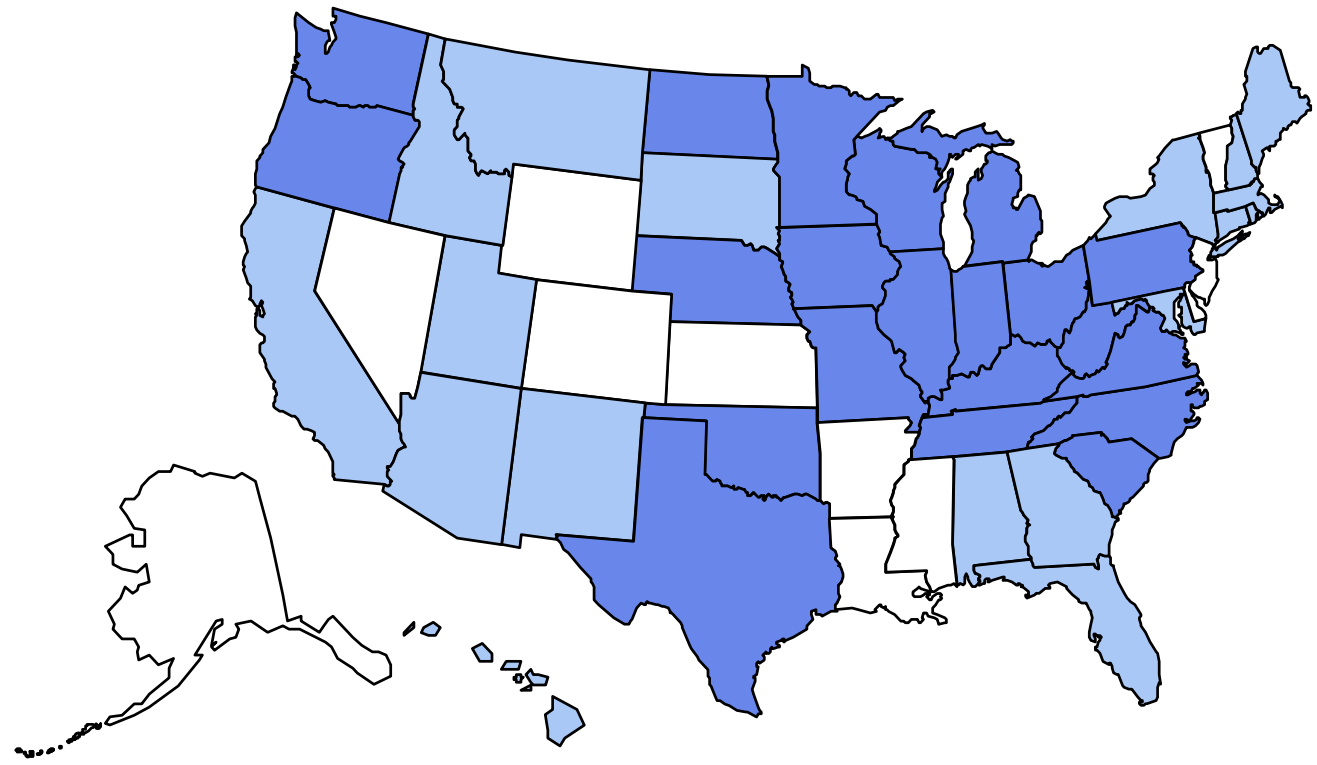


# Obesity Trends\* Among U.S. Adults BRFSS, 1988



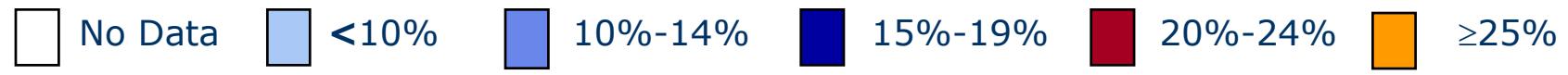
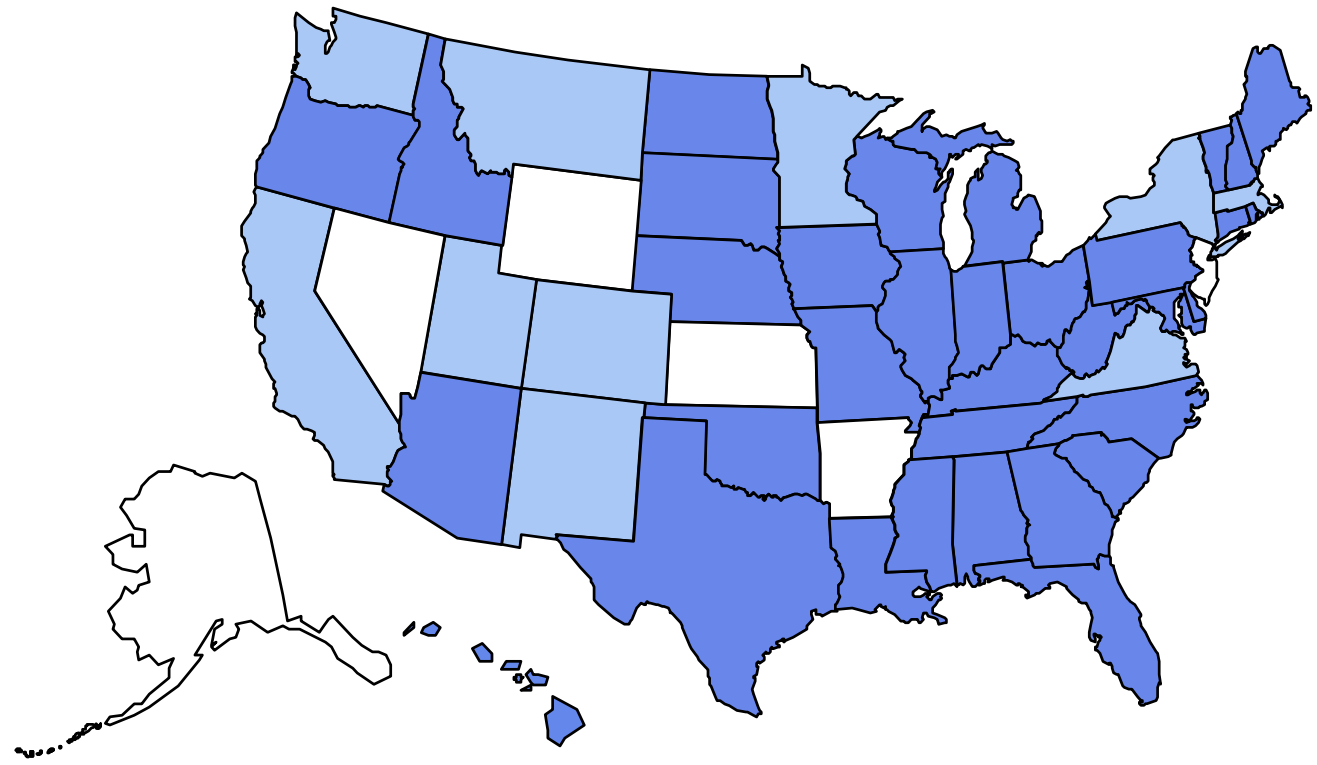


# Obesity Trends\* Among U.S. Adults BRFSS, 1989



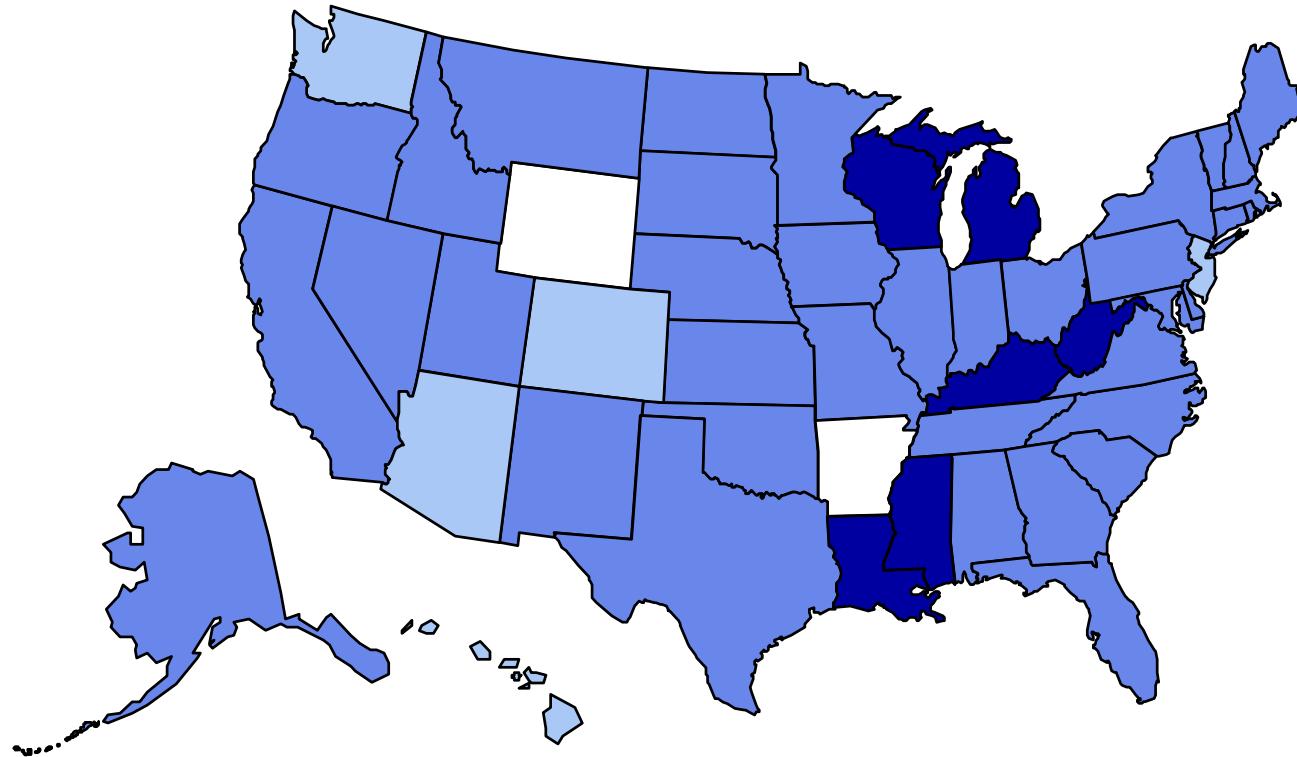


# Obesity Trends\* Among U.S. Adults BRFSS, 1990



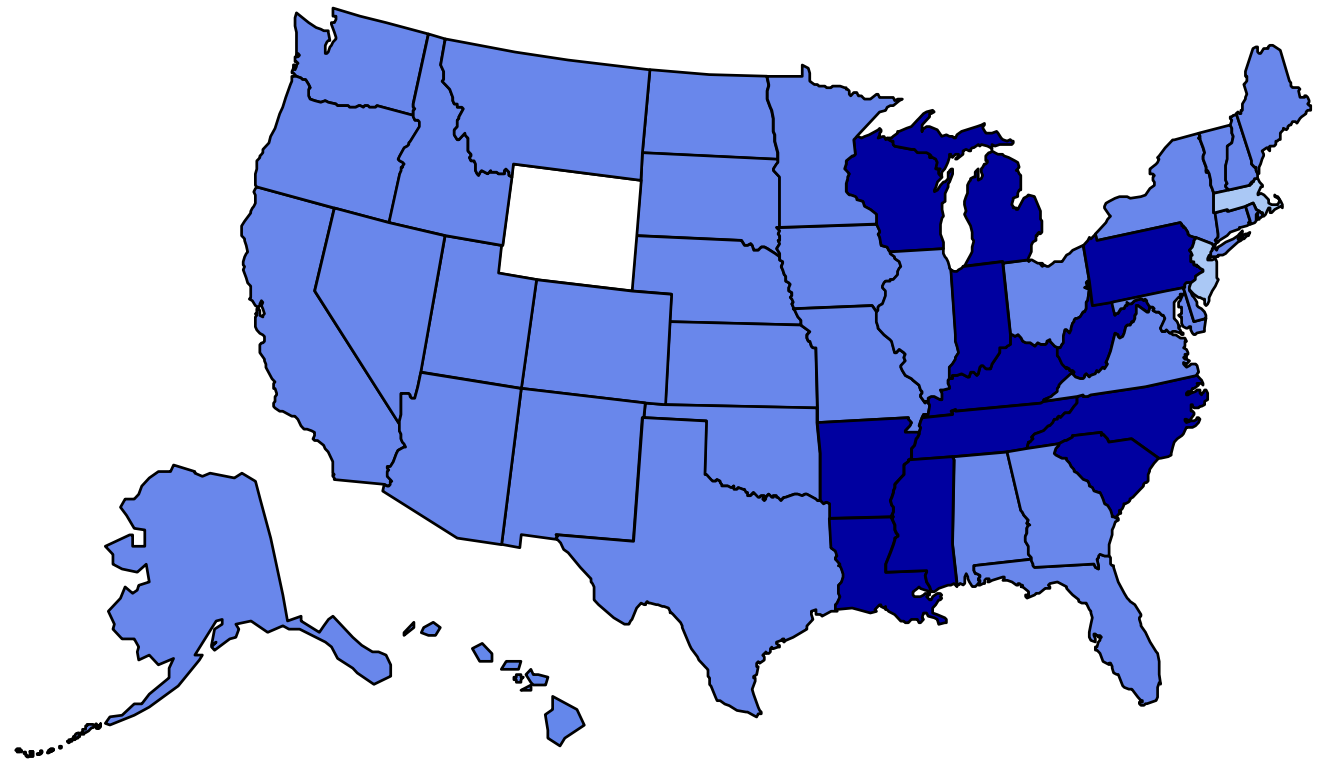


# Obesity Trends\* Among U.S. Adults BRFSS, 1992



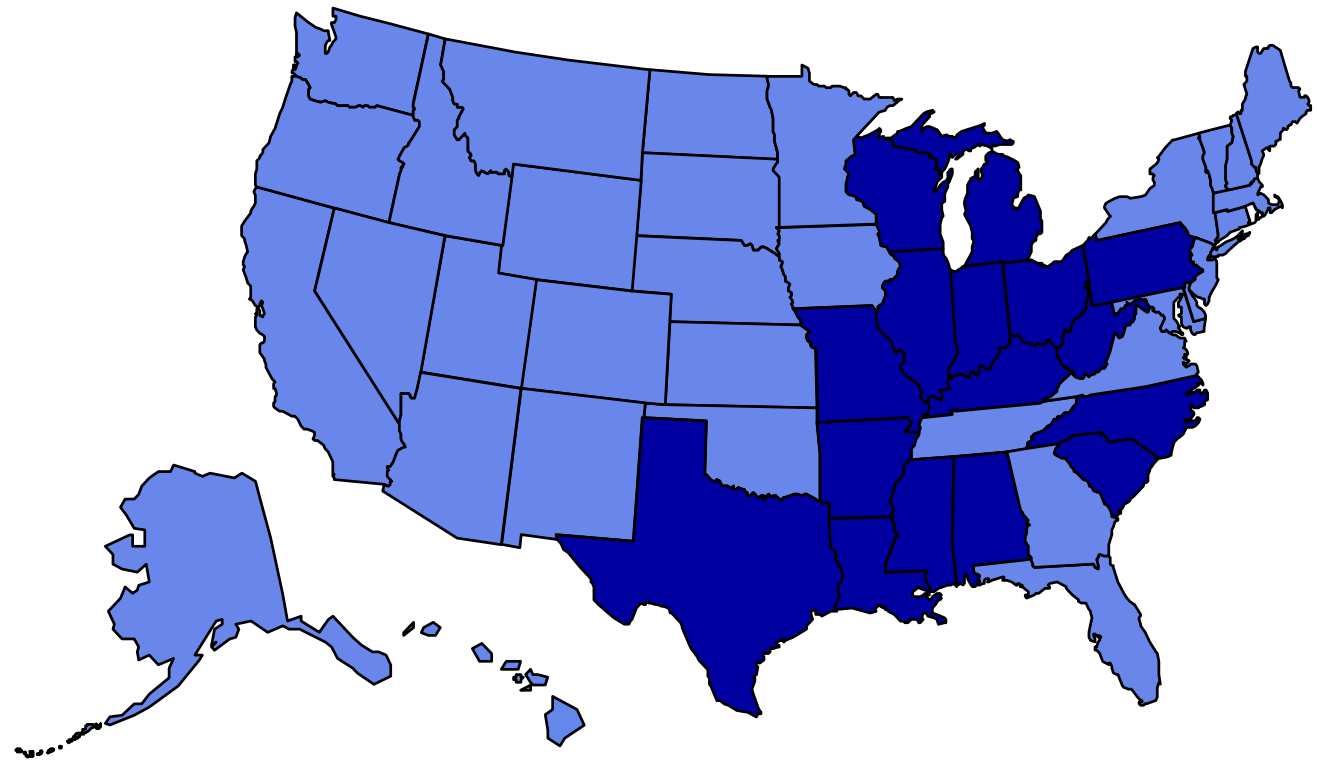


# Obesity Trends\* Among U.S. Adults BRFSS, 1993



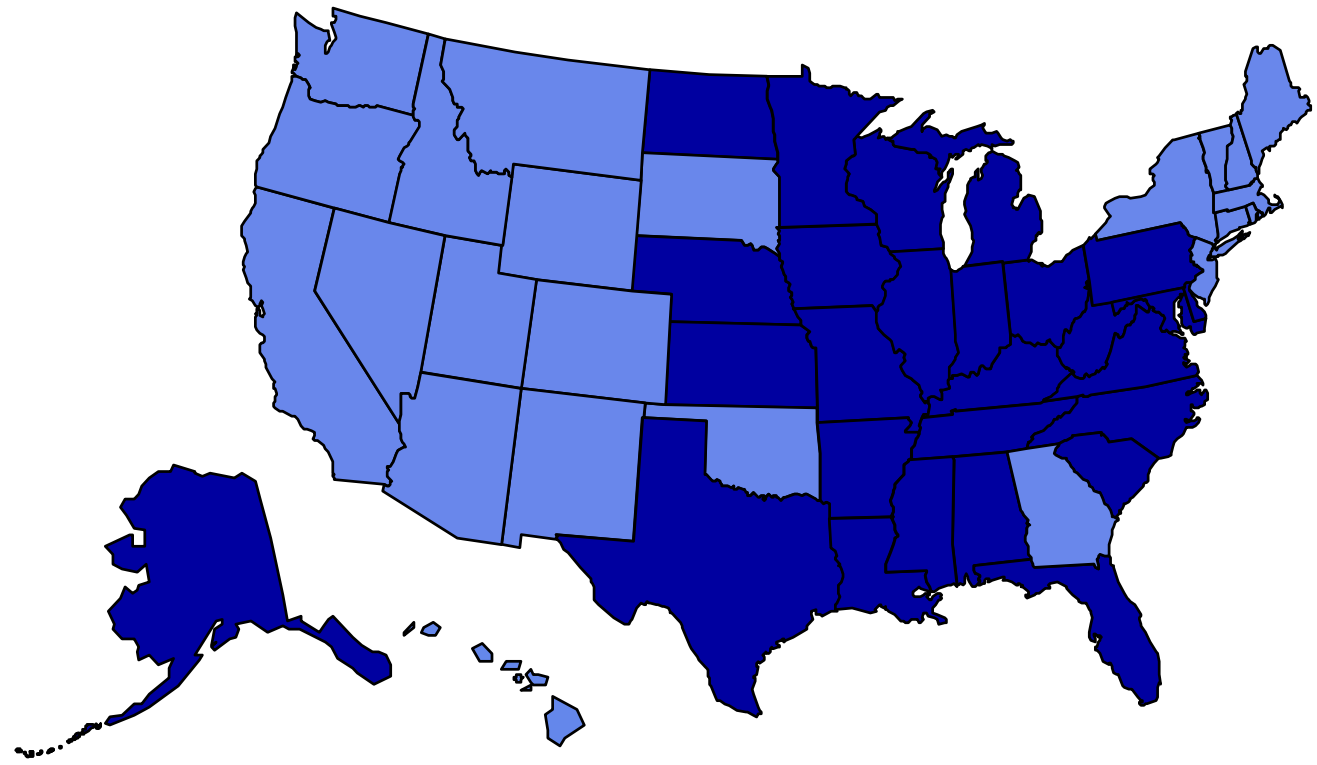


# Obesity Trends\* Among U.S. Adults BRFSS, 1994



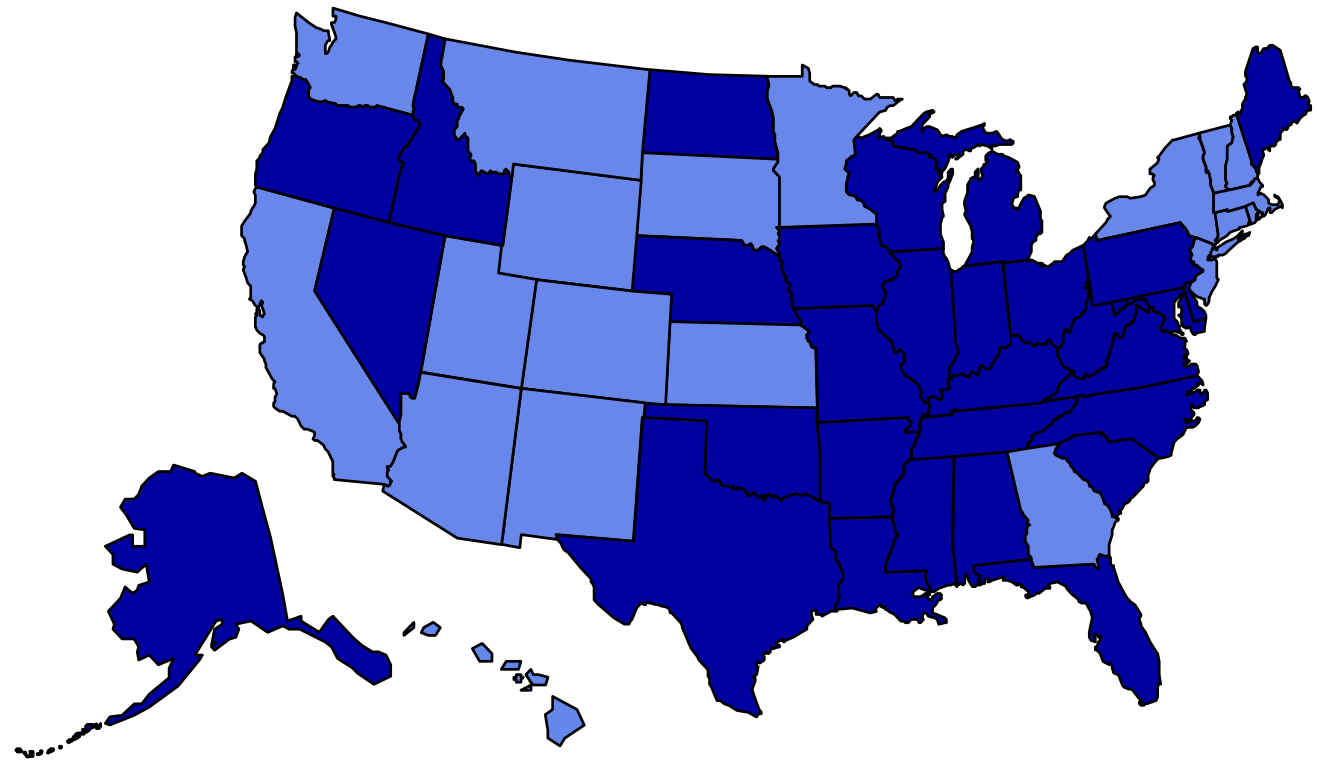


# Obesity Trends\* Among U.S. Adults BRFSS, 1995



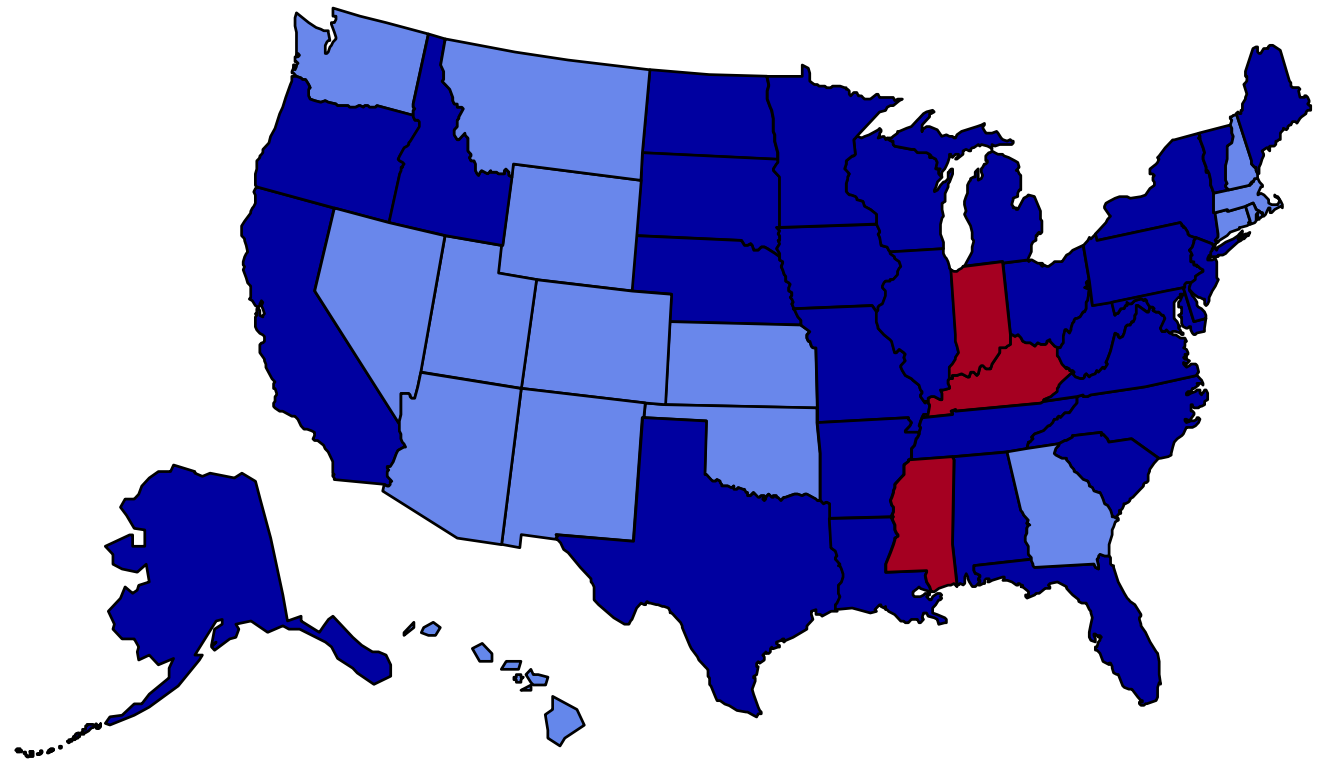


# Obesity Trends\* Among U.S. Adults BRFSS, 1996





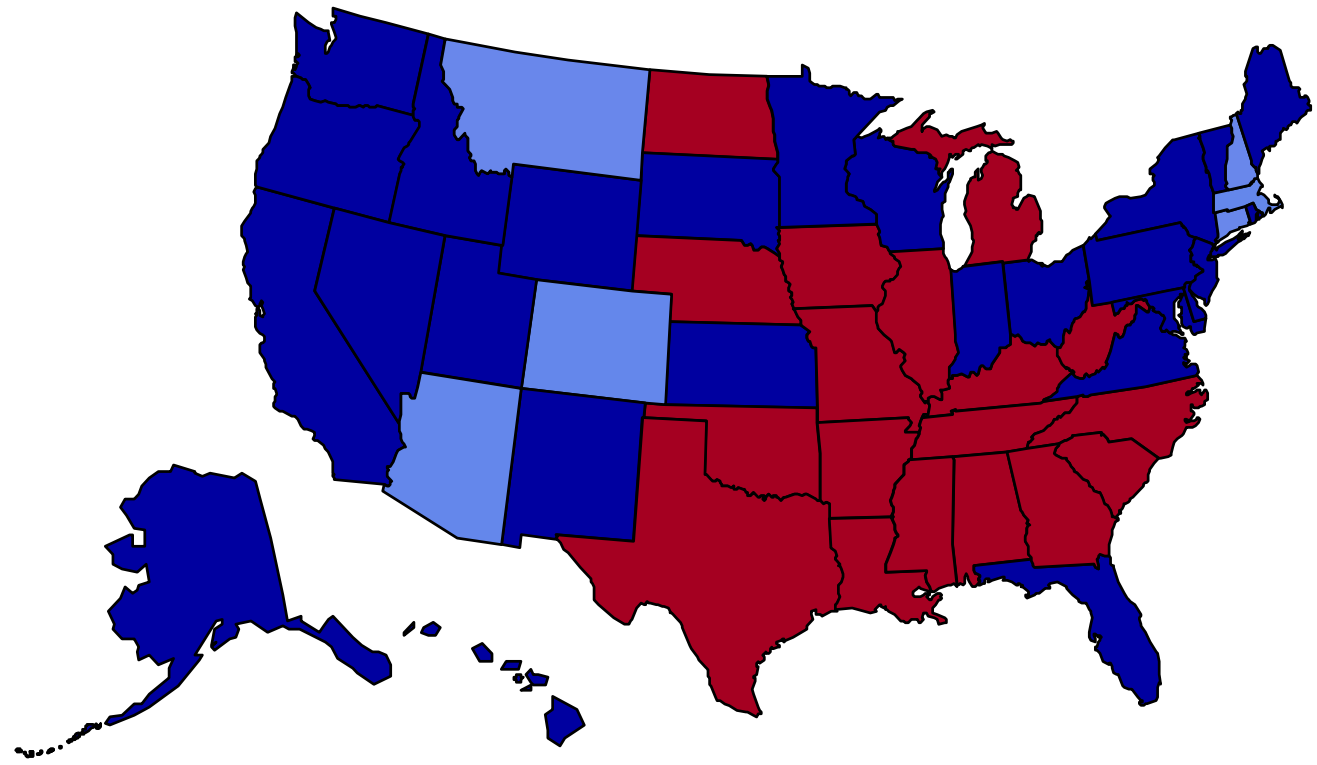
# Obesity Trends\* Among U.S. Adults BRFSS, 1997





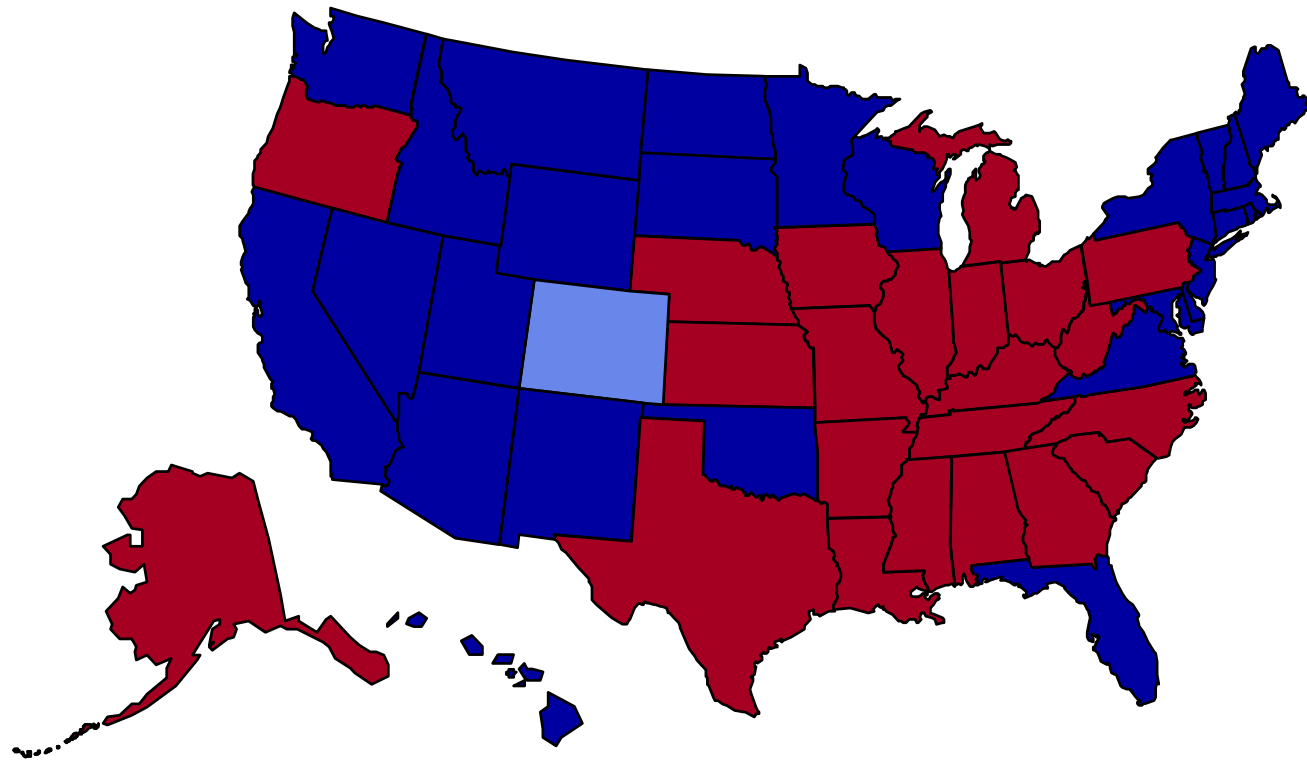


# Obesity Trends\* Among U.S. Adults BRFSS, 1999



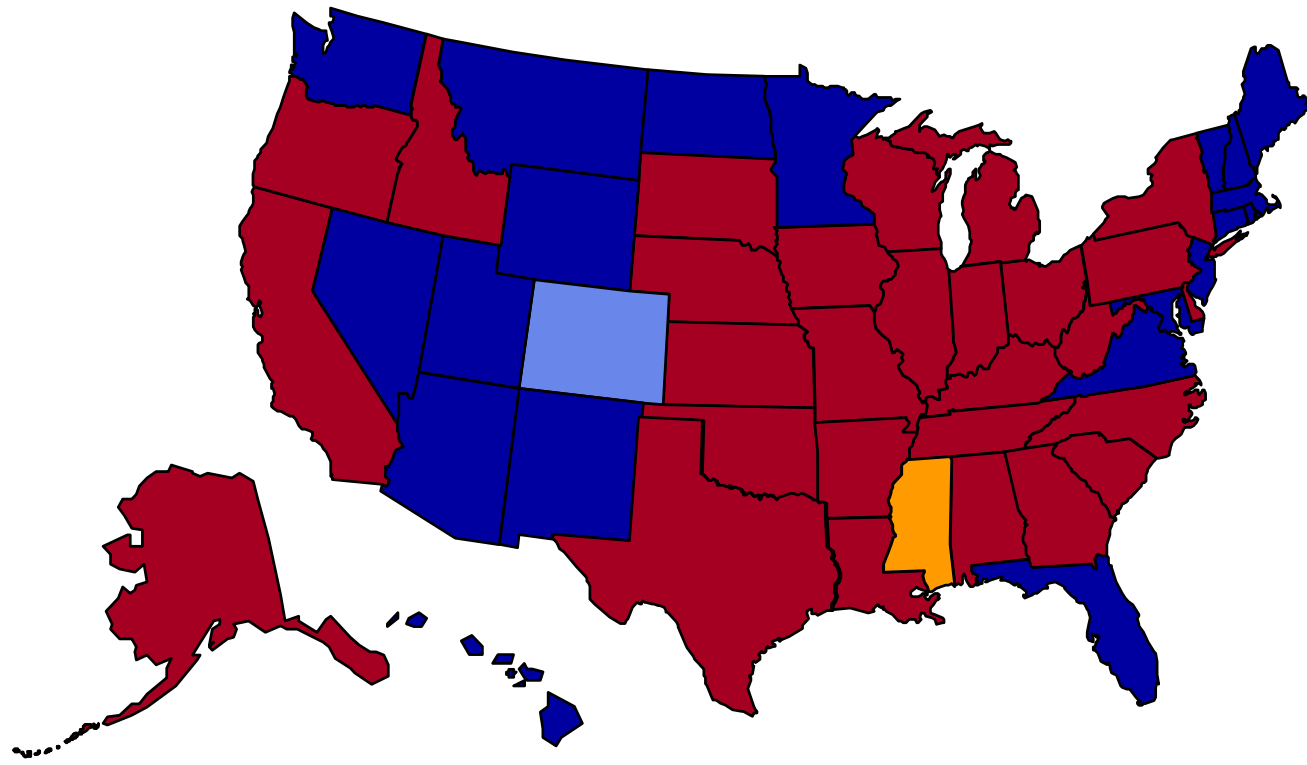


# Obesity Trends\* Among U.S. Adults BRFSS, 2000

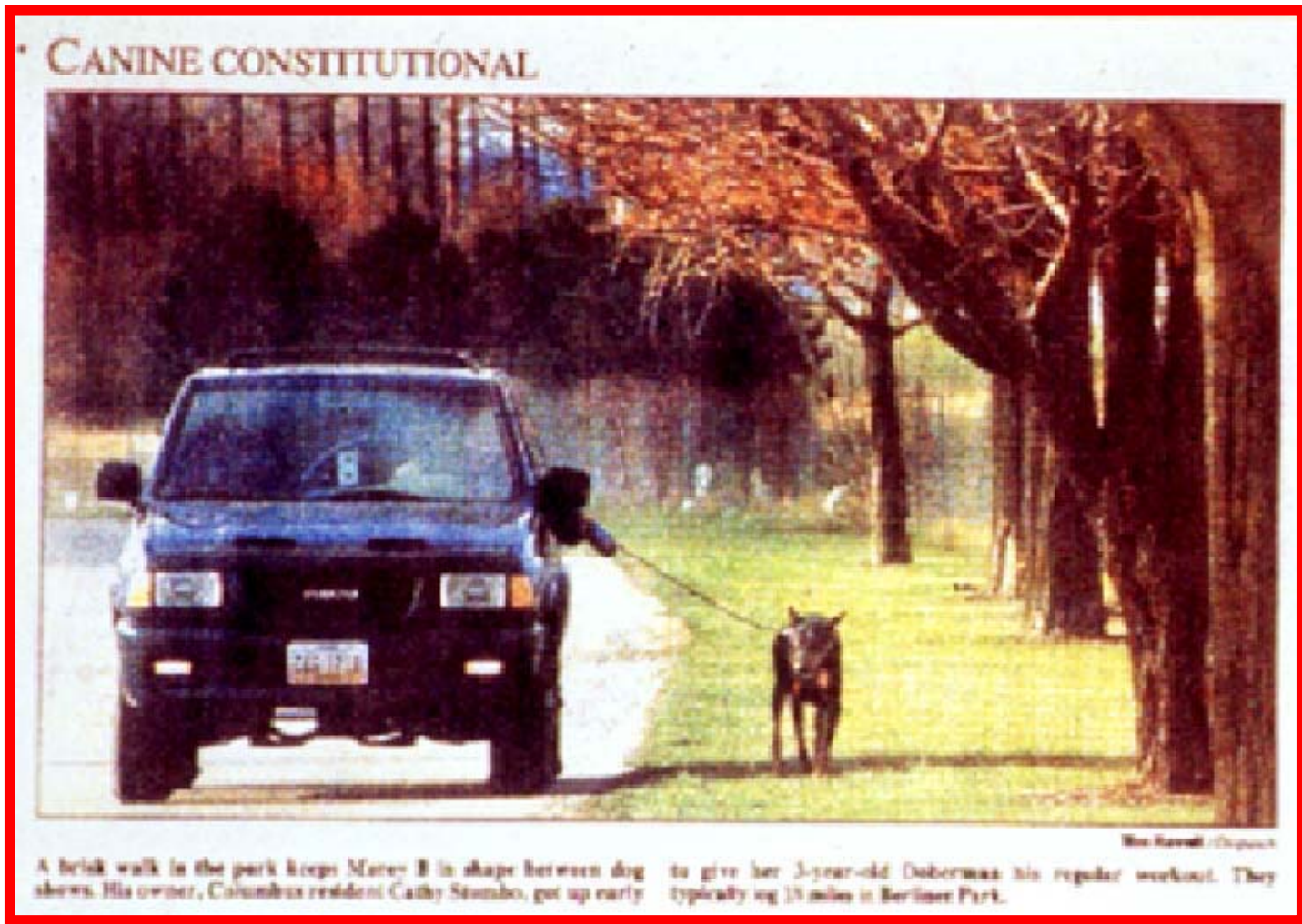


# Obesity Trends\* Among U.S. Adults BRFSS, 2001

(\*BMI  $\geq 30$ , or  $\sim 30$  lbs overweight for 5'4" woman)



# Lifestyle Changes that Promote Sedentary Behavior





# Obesity Drivers

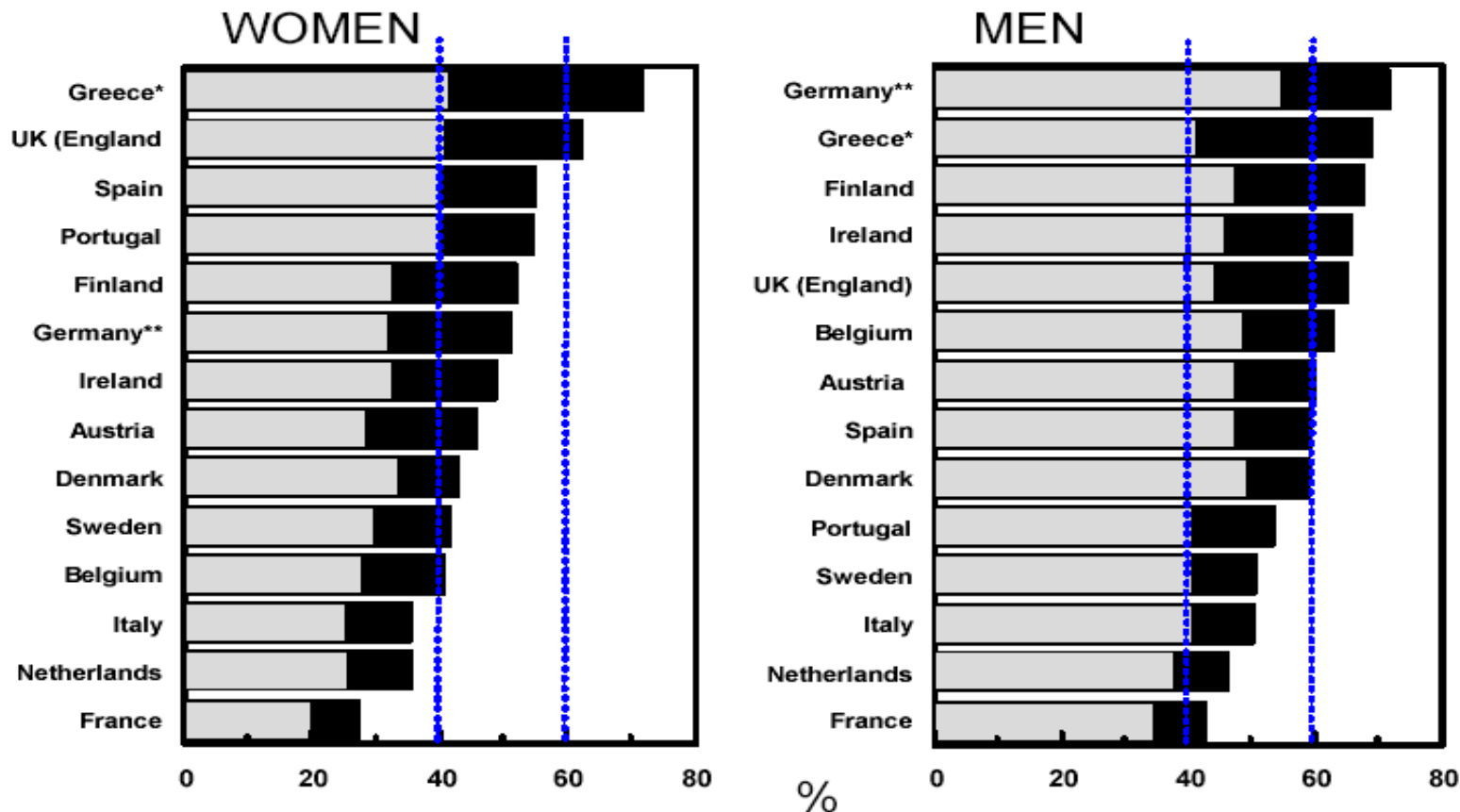
- We are eating more (duh!)
- We are eating out more (In 1970 34% of the food budget was consumed outside the home in late 1990s it was 47%)
- Everything is supersized at home and at McDonalds
- We stopped smoking
- We are all working too much especially women
- We don't exercise enough because we are all working too much
- The only people who are exercising and eating right are people who were thin in the first place or bulimic celebrities or rich people who don't work or French

THE SECRET SHAME OF PARIS



PREDAWN ROUNDUP OF FAT FRENCHWOMEN

# Estimated EU Prevalence of Obesity



\* Restricted age group

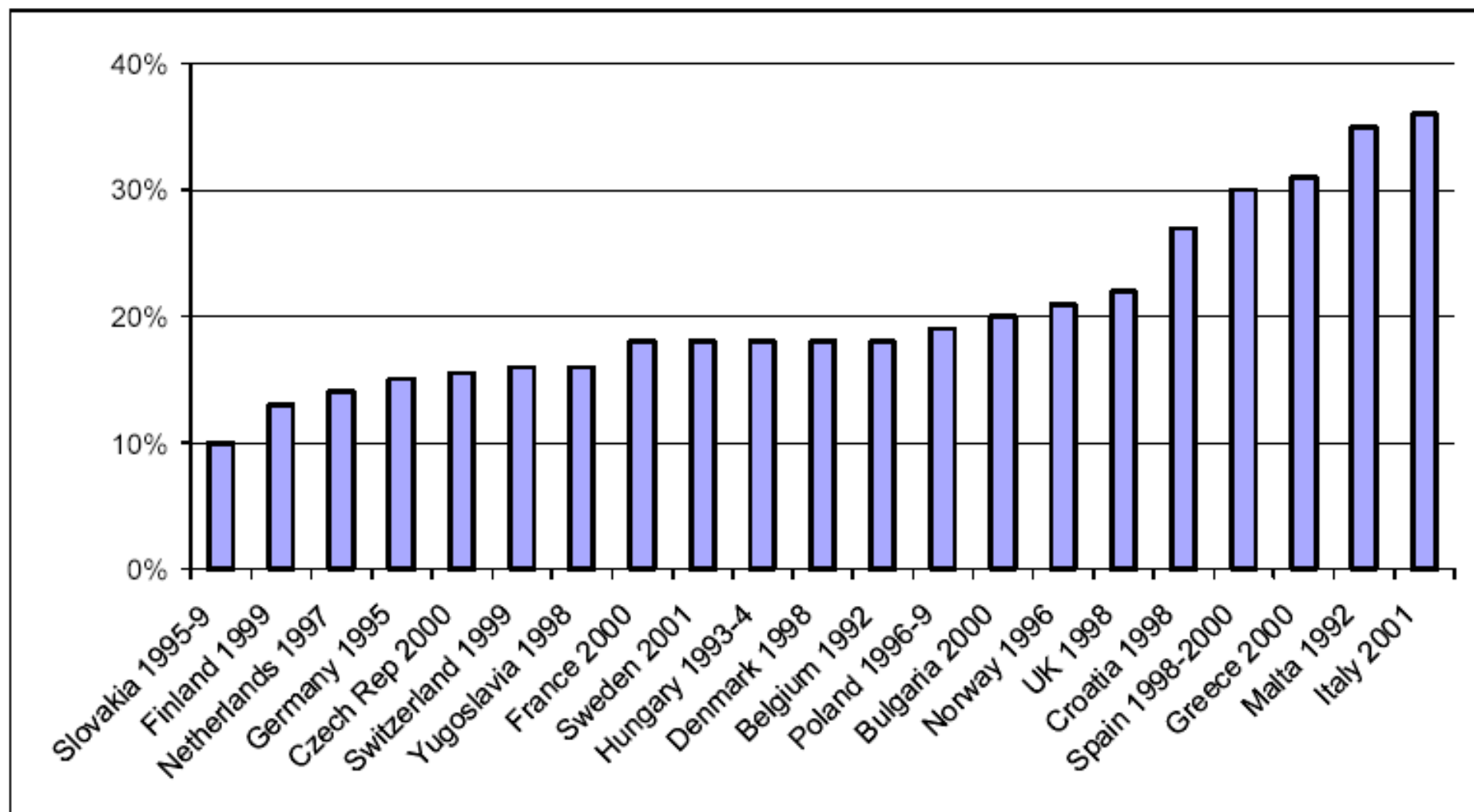
\*\*Germany overweight figures derived from WHO MONICA studies

Source: Obesity in Europe, International Obesity Task Force

**Fig 1b - EU Accession Countries**

■ BMI 25-29.9  
■ BMI ≥30

**Figure 2 - Prevalence of overweight children aged around 10 years**



Source: IOTF collated data. (Overweight in children corresponding to BMI>25 at age 18 using IOTF assessment method - see Cole et al British Medical Journal 2000)

# Supersize Everything Part 1

## ...AND THE REAL

1954  
Burger King



2.8 oz  
202 calories

2004



4.3 oz  
310 calories

1955  
McDonald's



2.4 oz  
210 calories



7 oz  
610 calories

1900  
Hershey's



2 oz  
297 calories



7 oz  
1,000 calories

1916  
Coca-Cola



6.5 fluid oz  
79 calories



16 fluid oz  
194 calories

1950s  
Movie popcorn



3 cups  
174 calories



21 cups (buttered)  
1,700 calories

# New Monster Thickburger: On Sale



**NEW**  
**MONSTER**  
**THICKBURGER™**

**\$1 OFF**  
**2/3 LB. MONSTER THICKBURGER™**  
Limited Time Only

**CHARBROILED ANGUS BEEF**  
**THICKBURGERS™**

Offer available after regular breakfast hours. One coupon per customer per visit. Not valid with any other offer, discount or combo. Please present coupon before ordering. Customer must pay any sales tax due. Cash value 1/100¢. Limit 2 discounts per coupon. ©2004 Hardee's Food Systems, Inc.

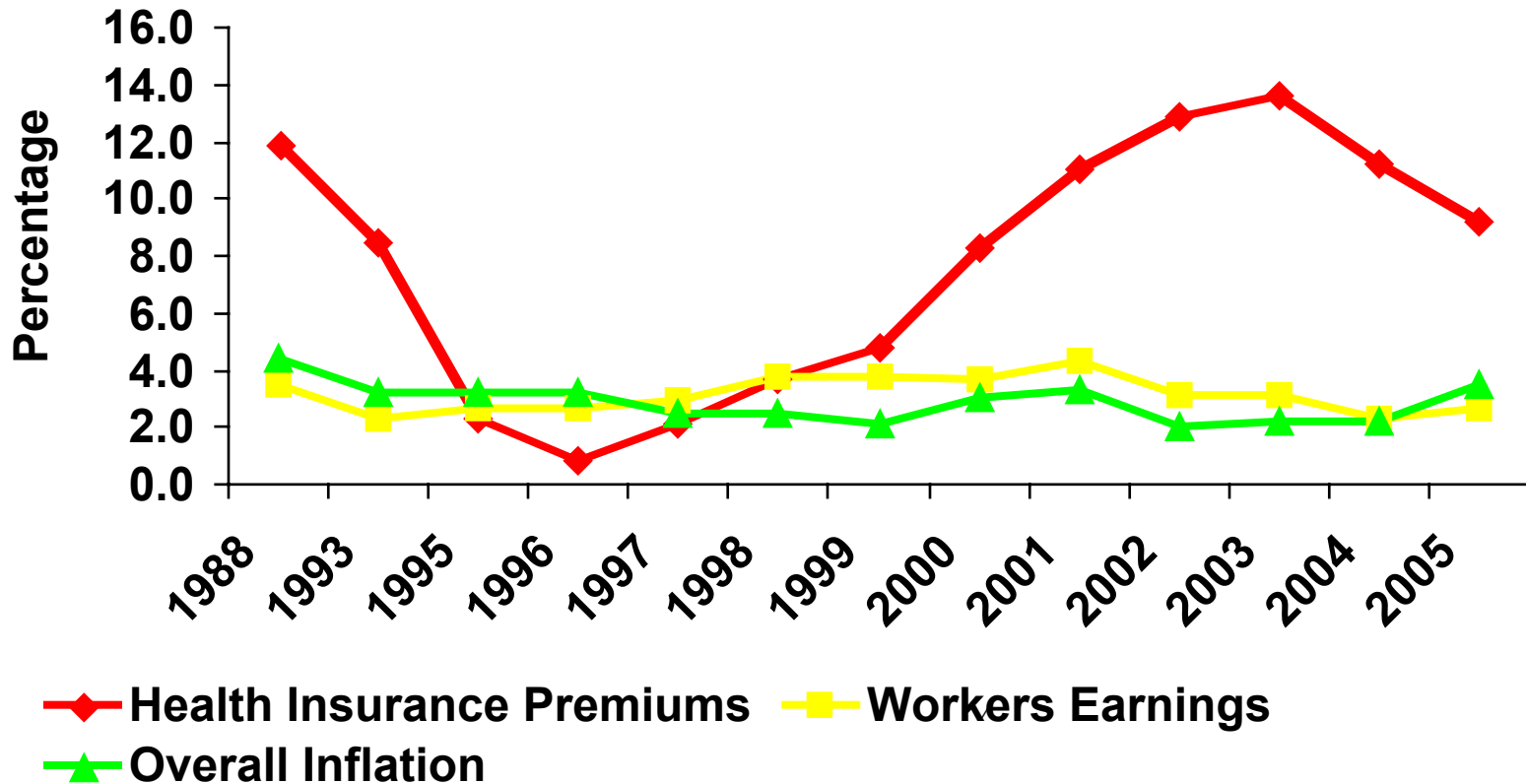


**Hardee's.**

# Obesity: How Far Upstream Do You Go?

- Metabolic medical management
  - Drugs: Coming soon at a theater near you
  - Surgery 140,000/year rising to 200K we could be doing 15 million!
  - The Fat Trapper and Exercise in a Bottle
- Wellness and health promotion
- Public Health Style Prevention
- Reinvigorate participation not competition in athletics
- Financial incentives :Weighted Premiums or Tax BMI
- Urban Design
- Tax Policy
  - Fat taxes not Flat taxes
  - Iowa corn farmers: from corn syrup to ethanol
  - Fast Food as Tobacco companies
  - No subsidy for cars, urban sprawl, commuting, drive thrus
  - Give all the money to Head Start and public school PE

# Premium Increases Compared to Other Indicators, 1988-2005

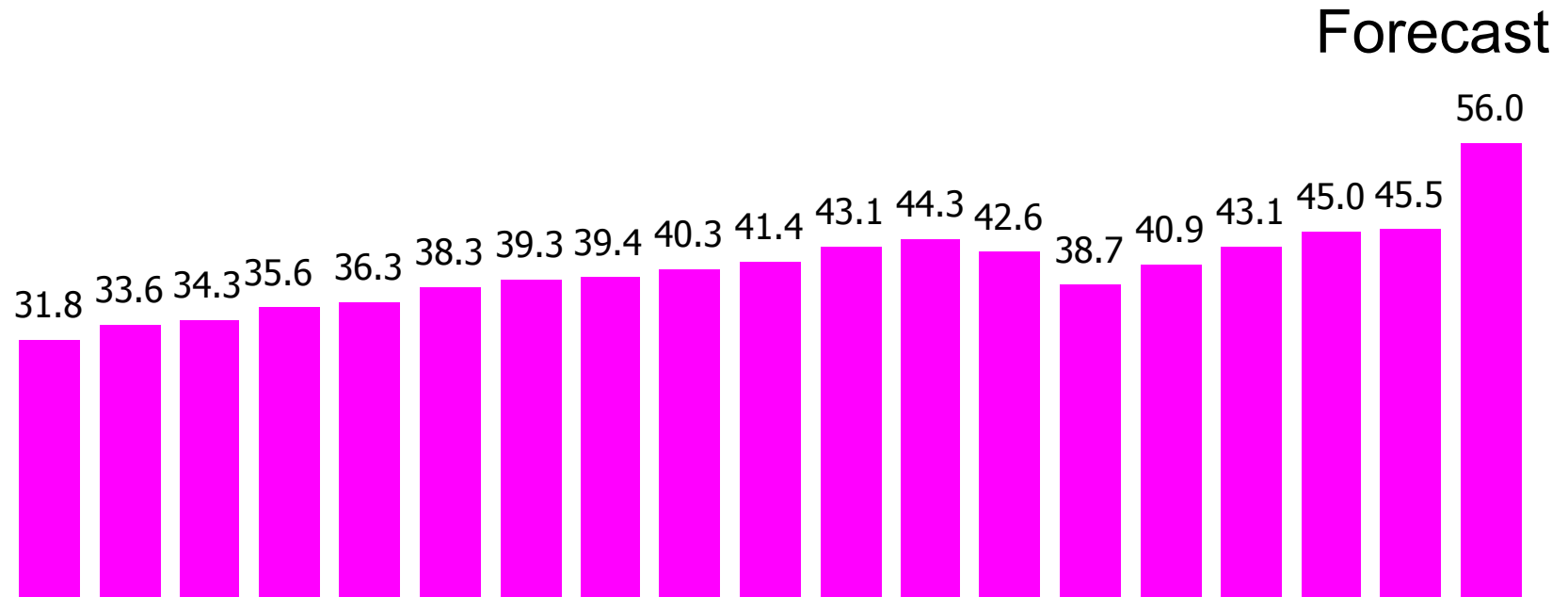


Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999, 2000; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996, 1998; Bureau of Labor Statistics, 2000.

\* Estimate is statistically different from the previous year for years 1997-1998, 1998-1999, 1999-2000. No tests were done on years prior to 1997 or for Workers Earnings or Overall Inflation.

- Healthcare premiums up 73% since 2000, workers earnings up only 15%
- Premiums are now \$10,800 for a family
  - \$8,167 paid by Employer (76%)
  - \$2,713 paid by Employee (24%)
- Premiums are now \$4,024 for a single
  - \$3,143 paid by Employer (81%)
  - \$610 by employee (19%)
- 20% of Employers offering HDHP
  - 2.3% (1.6 million) enrolled HDHP+HRA
  - 1.2% (810K) enrolled HDHP+HSA

# Rising Numbers of Uninsured.....Again

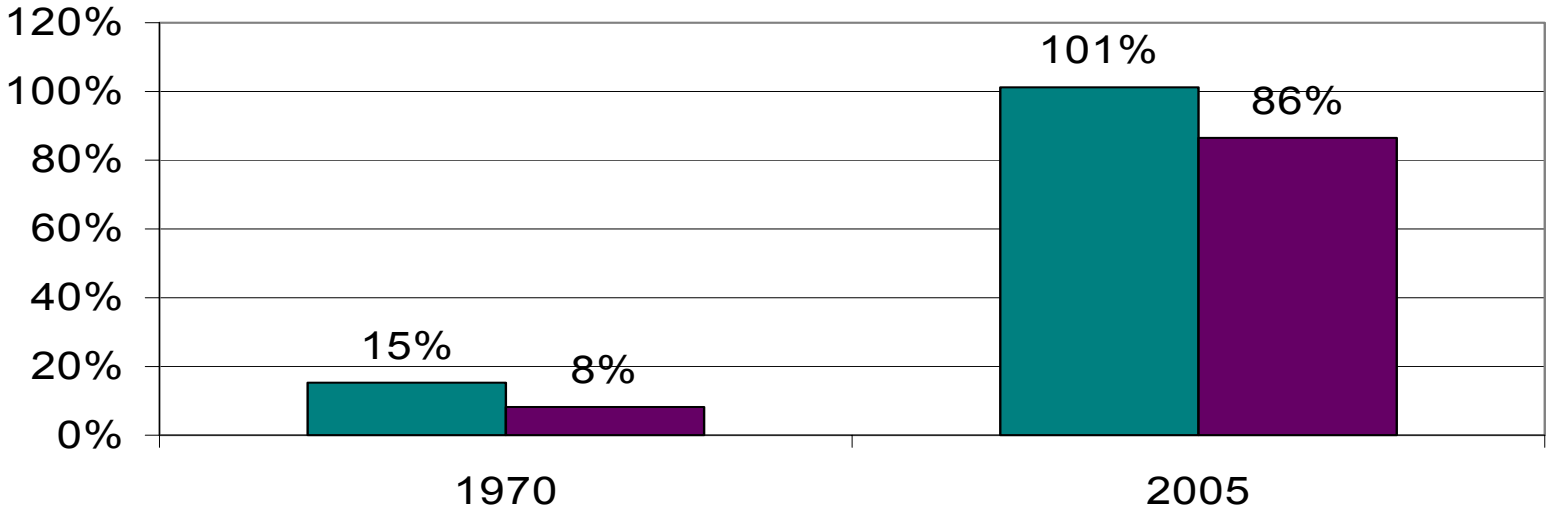


■ Millions of non-elderly uninsured

Employee Benefits Research Institute, *Trends in Health Care Coverage*, Issue Brief, 2004, Forecast from Gilmer and Kronick, Health Affairs, Web Exclusive 2005

# Health Premiums Have Swamped the Minimum Wage

## Health Insurance Total Family Premium as a Percent of US Minimum Wage Earnings



■ Blue Cross/Blue Shield Higher Option ■ Blue Cross/Blue Shield Lower Option

Source: U.S. Office of Personnel Management; U.S. General Accounting Office Staff Paper, "Information on 1976 Health Insurance Premium Rate Increases for Federal Employees Health Benefits Program," pub. # 094882.

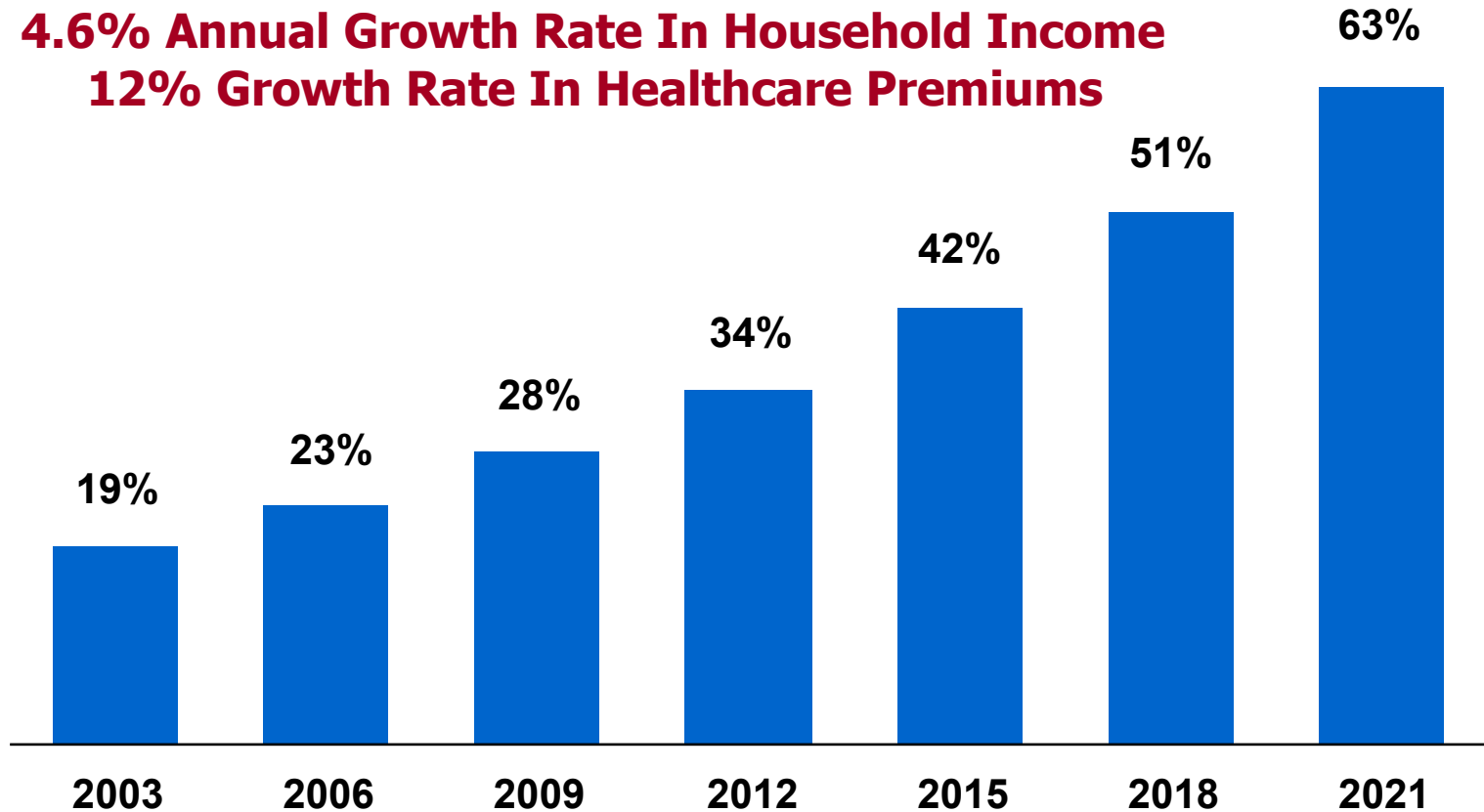
Note: Figures reflect monthly Federal Employees Health Benefits (FEHBP) total premiums for the government-wide Blue Cross/Blue Shield options for non-postal workers and minimum wage earnings for full time work of 173.33 hours per month (2080 hour per year/12) in California.



# The Math is Undeniable for the Middle Class

Health Benefits as a % of Total Compensation

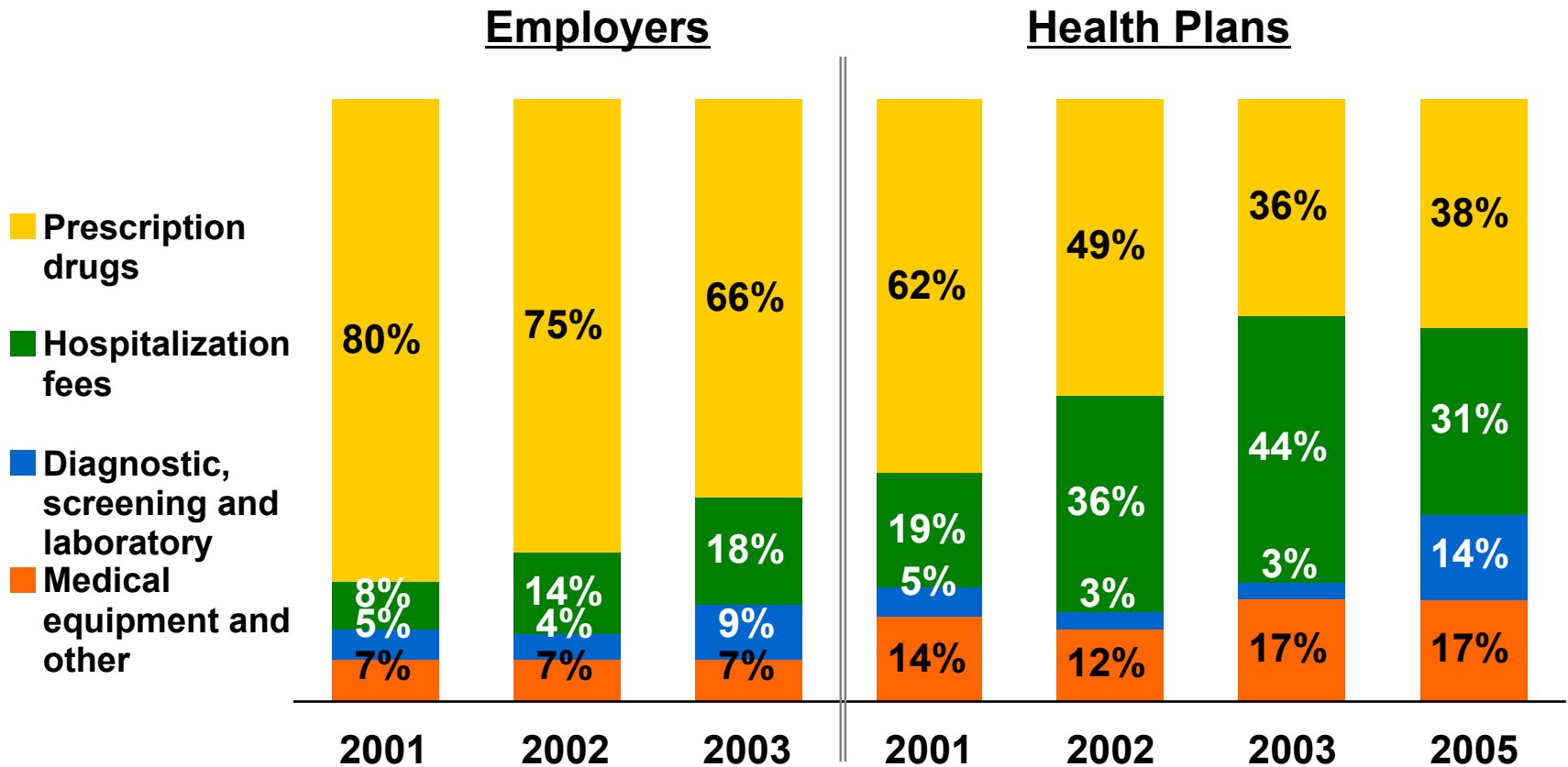
**4.6% Annual Growth Rate In Household Income**  
**12% Growth Rate In Healthcare Premiums**



(1). 2003 Average health Insurance Premium for Family Coverage Source: *Kaiser/HRET Survey of Employer-Sponsored Health Plans, Bureau of Labor Statistics 2003 National Compensation Survey.*

# Drugs Still the Bad Guys but Hospital Costs and Ancillaries are Increasingly Seen as a Key Cost-Driver

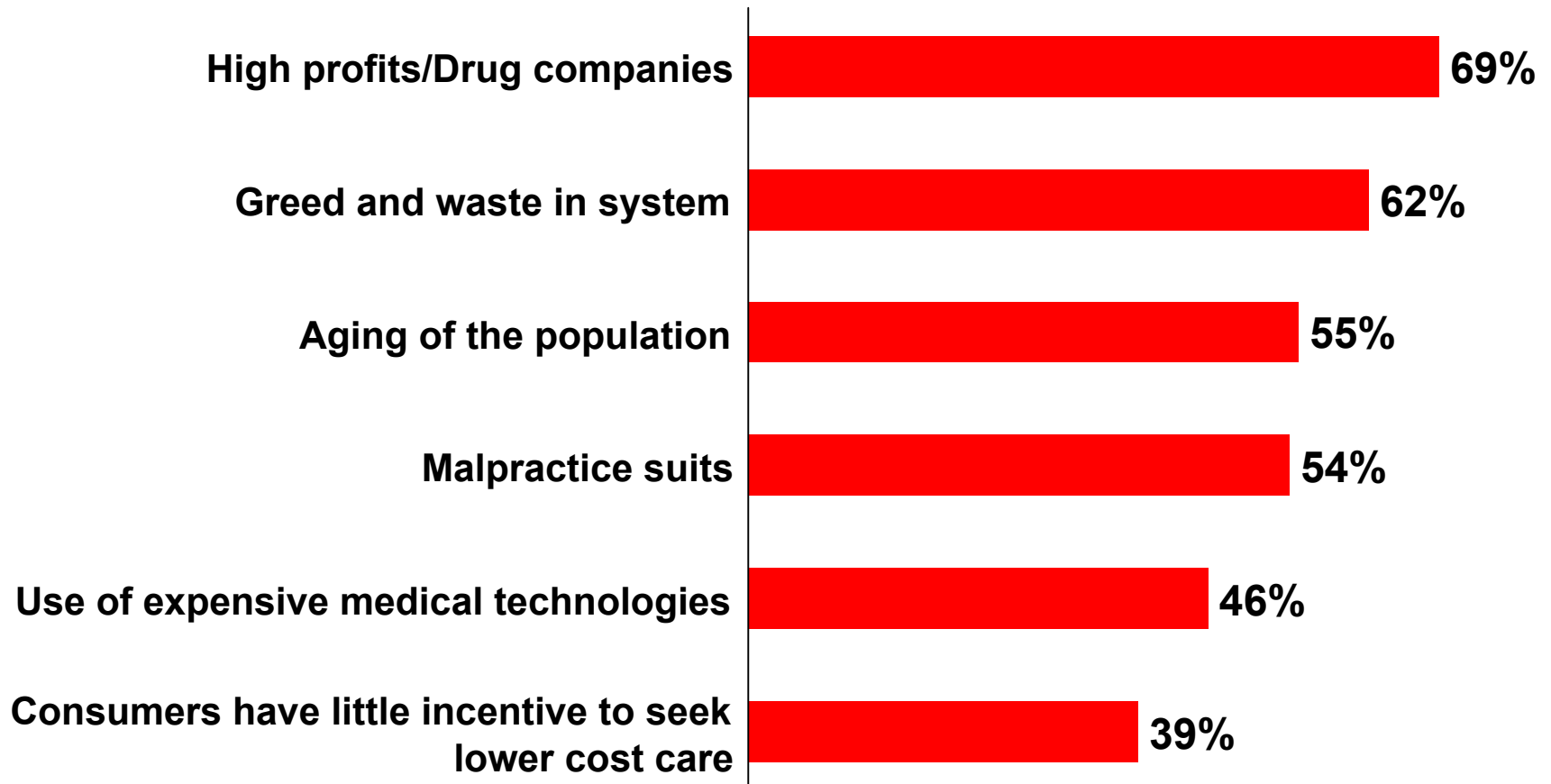
Which of the following cost has increased most during the past two to three years?



Source: Harris Interactive, Strategic Health Perspectives 2001-2005

# Consumer Perception of Cost Drivers

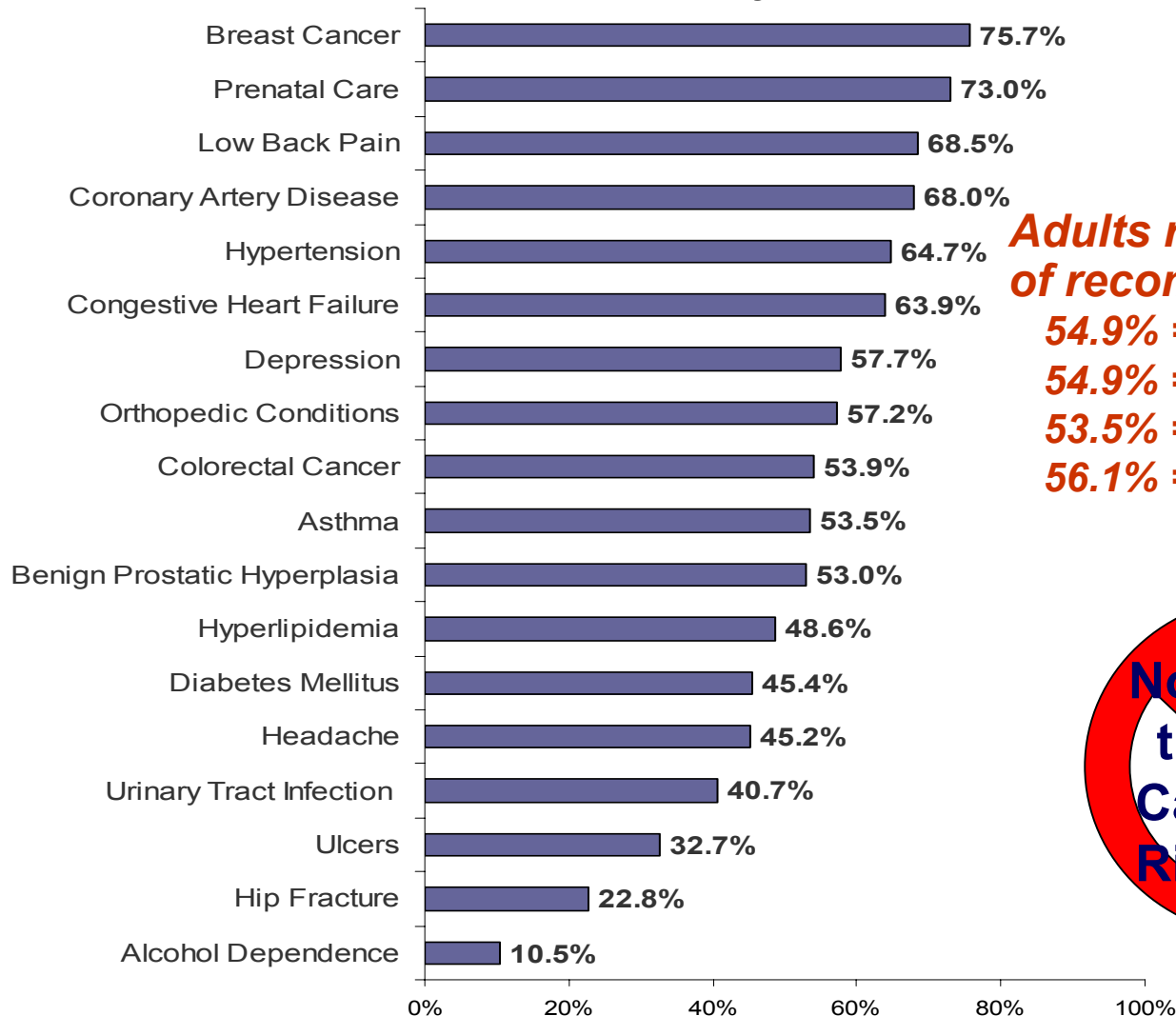
% of adults saying selected items are very important factor in rising health care costs



Source: Harvard School of Public Health/Kaiser Family Foundation, October 2004.

# Quality Shortfalls: Getting it Right 50% of the Time

## Adherence to Quality Indicators



**Adults receive about half of recommended care**  
**54.9% = Overall care**  
**54.9% = Preventive care**  
**53.5% = Acute care**  
**56.1% = Chronic care**



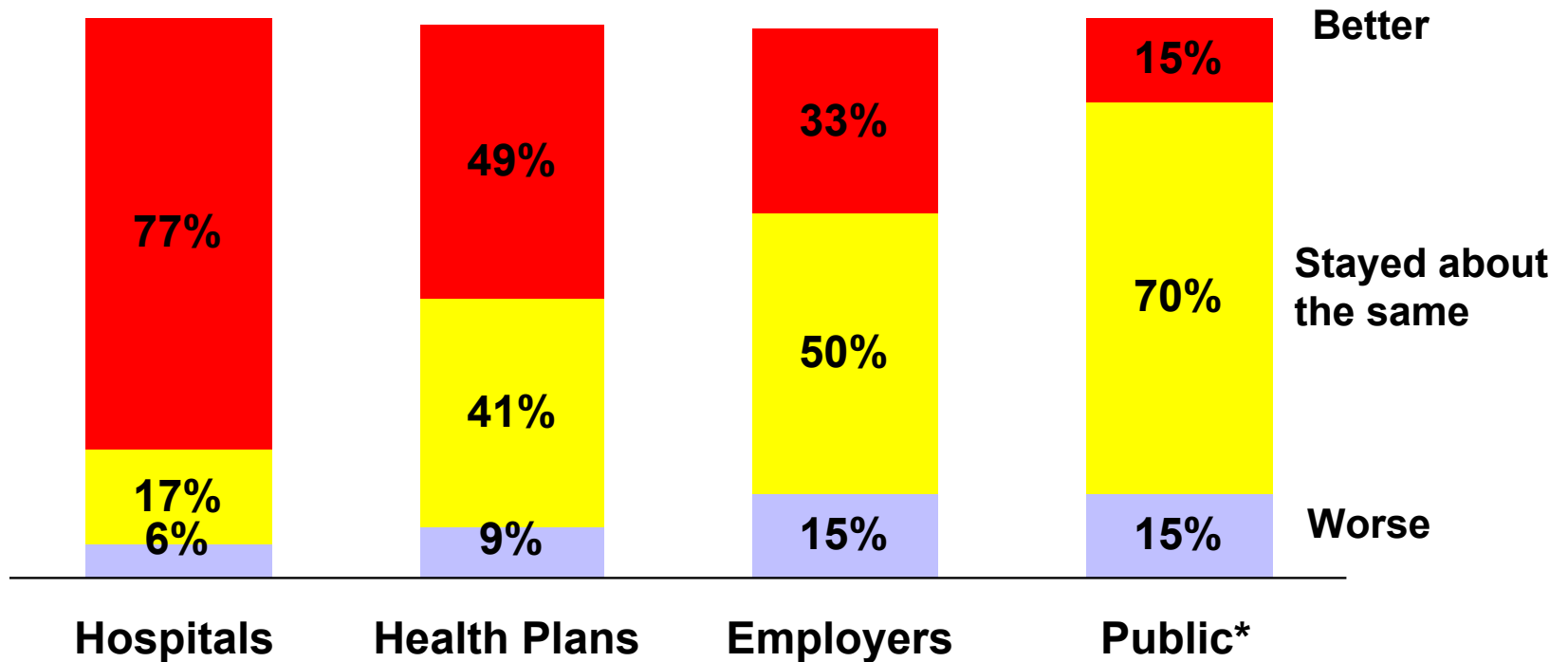
■ Percentage of Recommended Care Received

# Quality as Redesign

- Errors or absence of them/Patient Safety
- Evidence-based medicine (including volume/outcome)
- Inappropriate variation (Dartmouth Atlas)
- Clinical redesign surrogates (e.g. hospitalists)
- Complete clinical redesign (Don Berwick)
- The link to transformational purchasing
- The link to informed consumerism

# If Quality has Improved, the Public has not Noticed

**Has quality of care gotten better or worse in the past 5 years, or has it stayed about the same?**



Source: Harris Interactive, Strategic Health Perspectives 2005

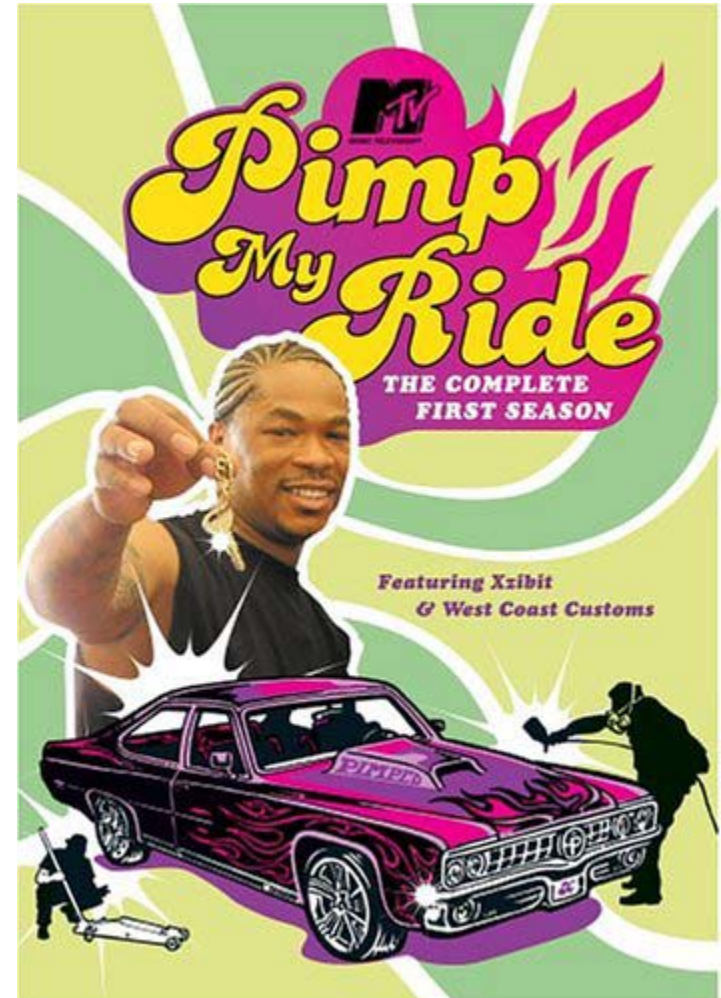
Note: Percentages do not add to 100 because "not sure" answers are not included.

\* Has the quality of medical care that you and your family receive gotten better or worse in the last 5 years, or has it stayed about the same?

# The Battle for Quality: IOM versus “Pimp My Ride”

The IOM Vision of Quality:  
Charles Schwab meets  
Nordstrom meets the  
Mayo Clinic

The Prevailing Vision of  
Quality in American  
Healthcare:  
“Pimp My Ride”



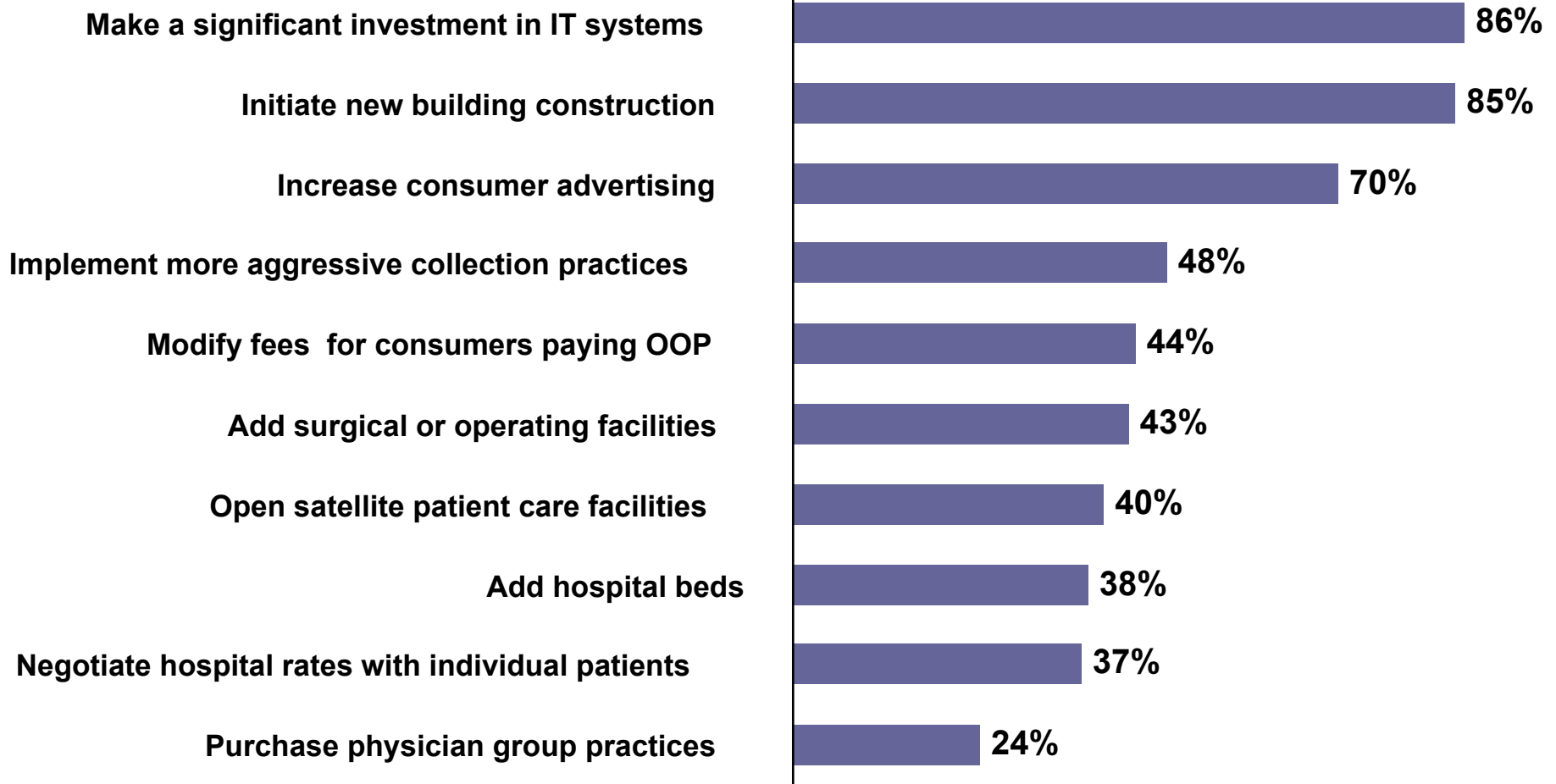


# The Battle for Quality: IOM versus “Pimp My Ride”

- Really Bad Chassis
- Unbelievable amounts of high technology on a frame that is tired, old and ineffective
- Huge expense on buildings, machines, drugs, devices, and people at West Coast Custom Healthcare
- People who own the rides are very grateful because they don't have to pay for it in a high deductible catastrophic coverage world
- It all looks great, has a fantastic sound system, and nice seats but it will break down if you try and drive it anywhere

# Large Majorities Expect to Make Investments in Information Technology and New Construction in the Short-Term

## Planned hospital actions in the next 2 to 5 years





# The Argument For Consumer Responsibility for Payment

- Consumers have been progressively insulated from the cost of care for the last 40 years
- If they only knew how much healthcare cost and had to pay they would use it less
- If they were responsible for paying they would also take more responsibility to become healthy and cost the system less
- Consumers should have the right to choose and to trade up to better quality with their own money
- When they are make rational consumer choices the market will be working and whatever is spent will be appropriate like any other market or sector of the economy



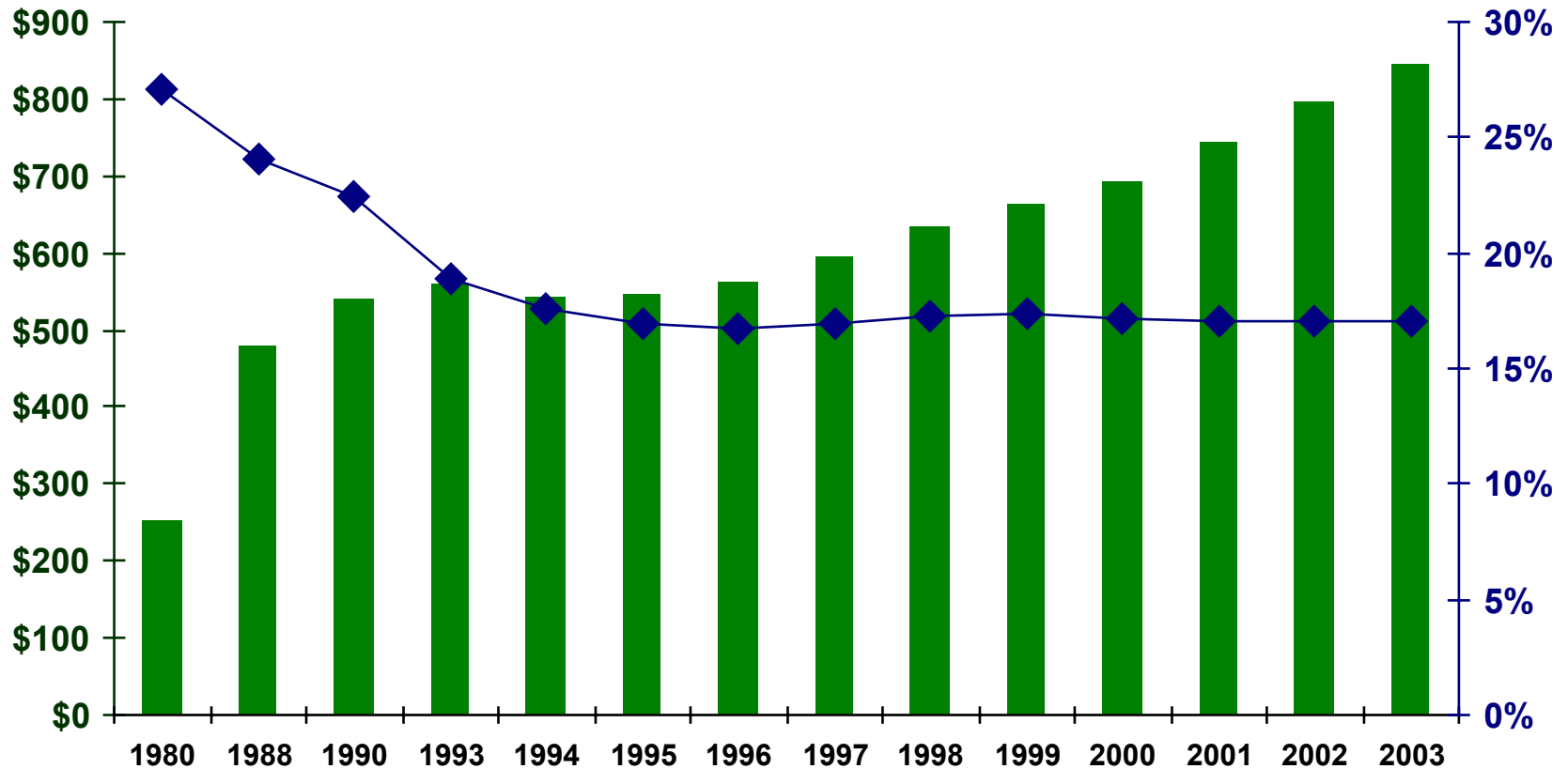
# The Argument Against Consumer Responsibility for Payment

- The 5/50 Problem: Most consumers that are heavy users have significant co-morbidity or serious illness like cancer, they didn't choose this health status
- One day in an American hospital and they are over their maximum deductible, SO.....
- Catastrophic coverage is a green light for excessive care by hospitals and procedure-oriented specialists
- While skin in the game can clearly move people around does it save money overall?
- The equity problems:
  - A de facto reallocation of resources from poor to rich (my access to the collective social capital of health insurance is better because I can come up with the economic down payment for physician visits and tests)
  - Poor people with chronic illnesses will be disproportionately affected by consumer responsibility for payment

# Consumer Exposure to Health Care Costs is About to Increase

Per capita amount of personal health care expenditures paid out-of-pocket

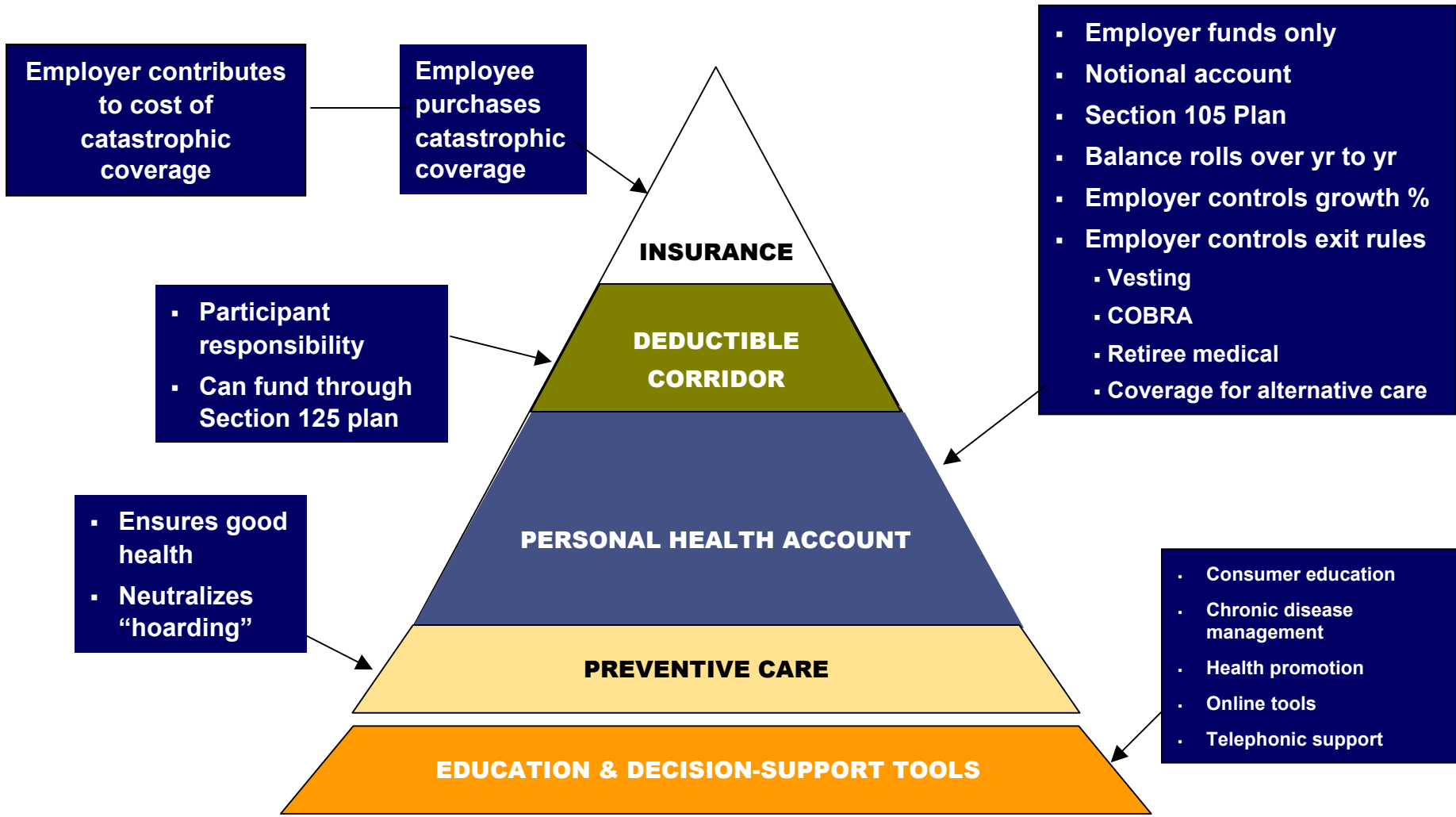
Percentage of total personal health care expenditures paid out-of-pocket



Source: Centers for Medicare and Medicaid Services

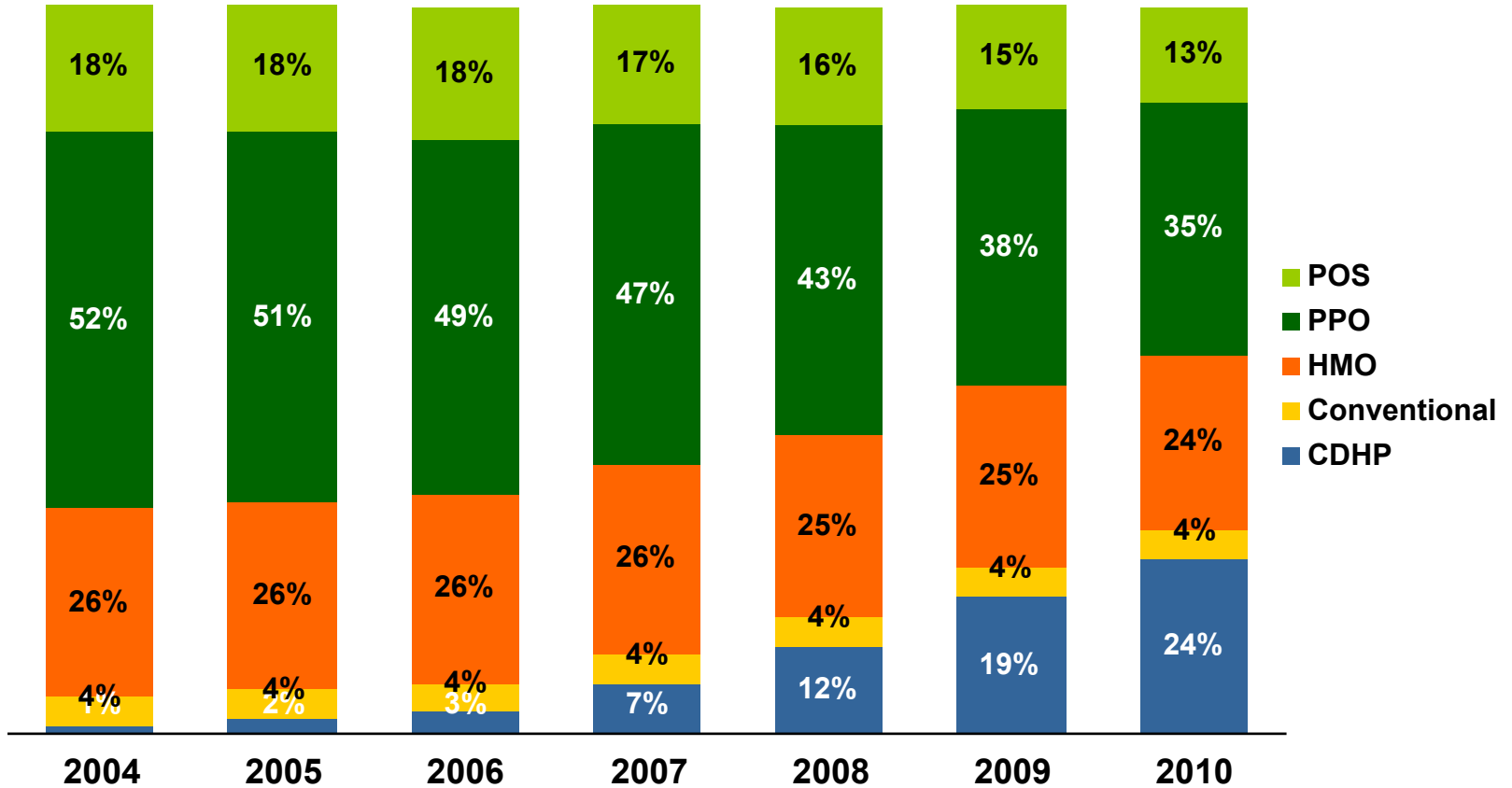
Projected

# “Consumer-Directed Health Plan” Prototype



# CDHP Forecast to Grow

## Projected Adoption of Consumer-Directed Health Plans



Source: Citigroup/Smith Barney. Equity Research Report: US Managed Care. June 28, 2004.

# High Deductible Health Plans


- A Cadillac CDHP
  - Catastrophic Tip (\$2500)
  - Deductible Corridor (\$1000-2500)
  - HSA-eligible Account (up to \$1,000)
  - Covered preventive services (mammography, annual physical)
  - Not any cheaper than a high deductible PPO
  
- A Very High Deductible Plan Aimed at Young People (Tonik Health)
  - \$5,000 Deductible
  - 4 Doctor visits per year
  - \$20 co-payment
  - No maternity coverage
  - All for \$64 per month

## The big picture.






### Compare Plans

Here it is. Health insurance, straight up. Three plans. Same all-around coverage: Preventive, Emergency, Rx, eyes, teeth (no maternity).

The difference: what you pay per month, number of doctor visits, deductible.

See how much you can save.   
Pick the plan that fits. Then go play.

- How Much You Could Save
- Apply Now
- Compare Plans
- Dr. Finder
- Healthy Bonuses
- FAQ
- About Us
- Privacy + Legal

**1** **thrill-seeker** A.K.A. 5000   
You live life on the edge, and happily go over it.  
4 doctor visits per year   
\$20 copay   
\$5,000 deductible   
**\$64 per month** 

**2** **part-time daredevil** A.K.A. 3000   
Play hard. Play safe. You mix it up any which way.  
4 doctor visits per year   
\$30 copay   
\$3,000 deductible   
**\$73 per month** 

**3** **calculated risk-taker** A.K.A. 1500   
A well-thought-out walk on the wild side is just your style.  
Unlimited doctor visits per year  
\$40 copay   
\$1,500 deductible   
**\$80 per month** 

 [Apply Now](#)



- HDHP are not necessarily young immortals
- Two populations: those that have a choice and those forced into HDHP
- Not sophisticated or confident shoppers...yet
- Pay more out of pocket (duh!)
- And have very significant compliance problems which are mitigated considerably by first dollar coverage of preventive services
- The Good, the Bad and the Ugly of non-compliance
  - The Good: Unnecessary care is foregone
  - The Bad: You don't take the Lipitor and it hurts in the long run
  - The Ugly: You don't take the asthma medication you go to the ER

# Overview of HDHP

- As cost-shifting to employees continues, consumers are increasingly “trading down” on Rx drugs.
- High-deductible health plan members continue to be more affluent and educated than others, but there are some distinct segments of HDHP consumers.
- High-deductible health plan members are more non-compliant than consumers in other private plans.
- Non-compliance with Rx prescriptions among HDHP consumers with chronic conditions is higher than it is among chronically ill members of other private plans.
- HDHP consumers receive fewer preventive services compared to other privately insured.
- HDHP consumers are less satisfied with the cost of health care and insurance than are those in other private plans.



# Survey with consumers in high-deductible health plans

- An online survey with 916 non-elderly adults who have a plan with deductibles of \$1,000 for single coverage and \$2,000 for family coverage.
  - Same thresholds as the regulations for eligibility for an HSA.
  - HDHP members include 110 consumers with HSAs or HRAs.



# HDHP consumers, especially those with HSAs or HRAs are more affluent and more educated

Demographics	Other Privately Insured* %	HDHP** %	HDHP with accounts %
<b>Income</b>			
Less than \$35k	14	16	7
\$35k to \$75k	42	36	29
\$75k or more	40	48	62
<b>Age</b>			
Under 35	22	27	35
35 to 49	40	41	50
50 and over	36	32	14
<b>Education</b>			
HS graduate or less	34	33	24
Some college	34	27	31
College degree or higher	32	41	46
<b>Employment Status</b>			
Self-employed	7	15	11

Source: Harris Interactive, Strategic Health Perspectives 2005

\* Currently insured in employer-sponsored or self-purchased plan (not high deductible)

\*\* Currently enrolled in high deductible health plan

# HDHP consumers with HSAs or HRAs are more likely than others to seek out less expensive Rx options

**Percentage of consumers who have done each of the following in the past year\*\*\***

	Other Privately Insured* %	HDHP** %	HDHP with accounts %
Had a discussion with doctor about the cost of a prescription drug	24	36	46
Requested a less expensive drug from doctor	40	41	49
Asked pharmacist about a less expensive alternative	30	32	40
Challenged a decision by my health plan	21	18	11
Complained to employer about a problem with health plan	16	17	13

\* Currently insured in employer-sponsored or self-purchased plan (not high deductible)

\*\* Currently enrolled in high deductible health plan

Source: Harris Interactive, Strategic Health Perspectives 2005

# HDHP consumers, including those with HSAs and HRAs, are more non-compliant because of cost

In the past 12 months, was there a time when, because of cost, you...

	Other Privately insured* %	HDHP** %	HDHP with accounts %
Did not fill a prescription	13	28	27
Had a specific medical problem but did not visit a doctor	15	37	37
Did not receive a medical test, treatment or f/u that was recommended by a doctor	13	29	28
Took a medication less often than your doctor recommended	12	23	17
Took a lower dose of a prescription medication than what your doctor recommended	8	14	12

Source: Harris Interactive, Strategic Health Perspectives 2005

\* Currently insured in employer-sponsored or self-purchased plan (not high deductible)

\*\* Currently enrolled in high deductible health plan

# Rx non-compliance rates among HDHP consumers with chronic medical conditions are troubling

Did not fill a prescription medication because of cost for the following conditions	Other Privately Insured* %	HDHP** %
All	13	28
Diabetes (n=31, 71)	15	24
Depression (n=69, 96)	9	30
Arthritis (n=85, 229)	9	16
Chronic Pain (n=60, 156)	9	23
Heart Disease/Hypertension (n=129, 295)	8	18
Allergies (n=140, 374)	7	23
Asthma (n=51, 135)	9	23
High cholesterol (n=131, 274)	2	16
Other chronic condition (n=96, 234)	17	25

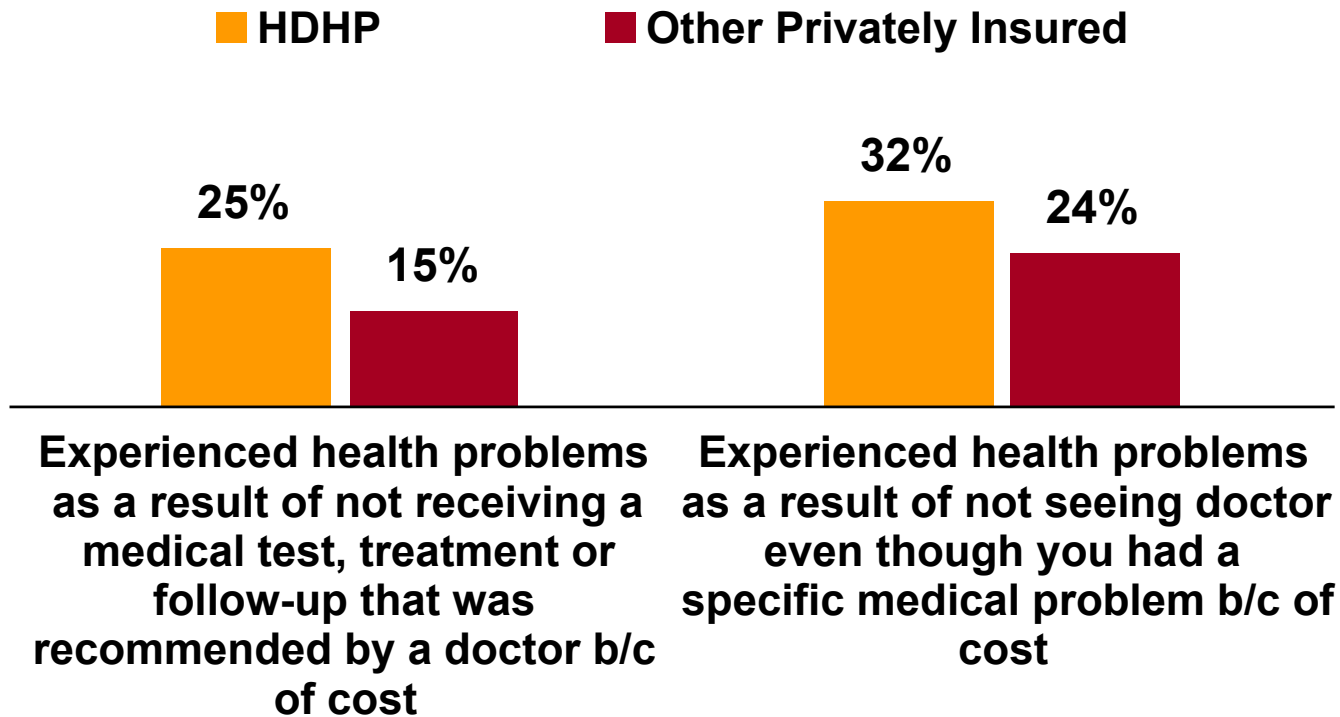
Source: Harris Interactive, Strategic Health Perspectives 2005

\* Currently insured in employer-sponsored or self-purchased plan (not high deductible)

\*\* Currently enrolled in high deductible health plan

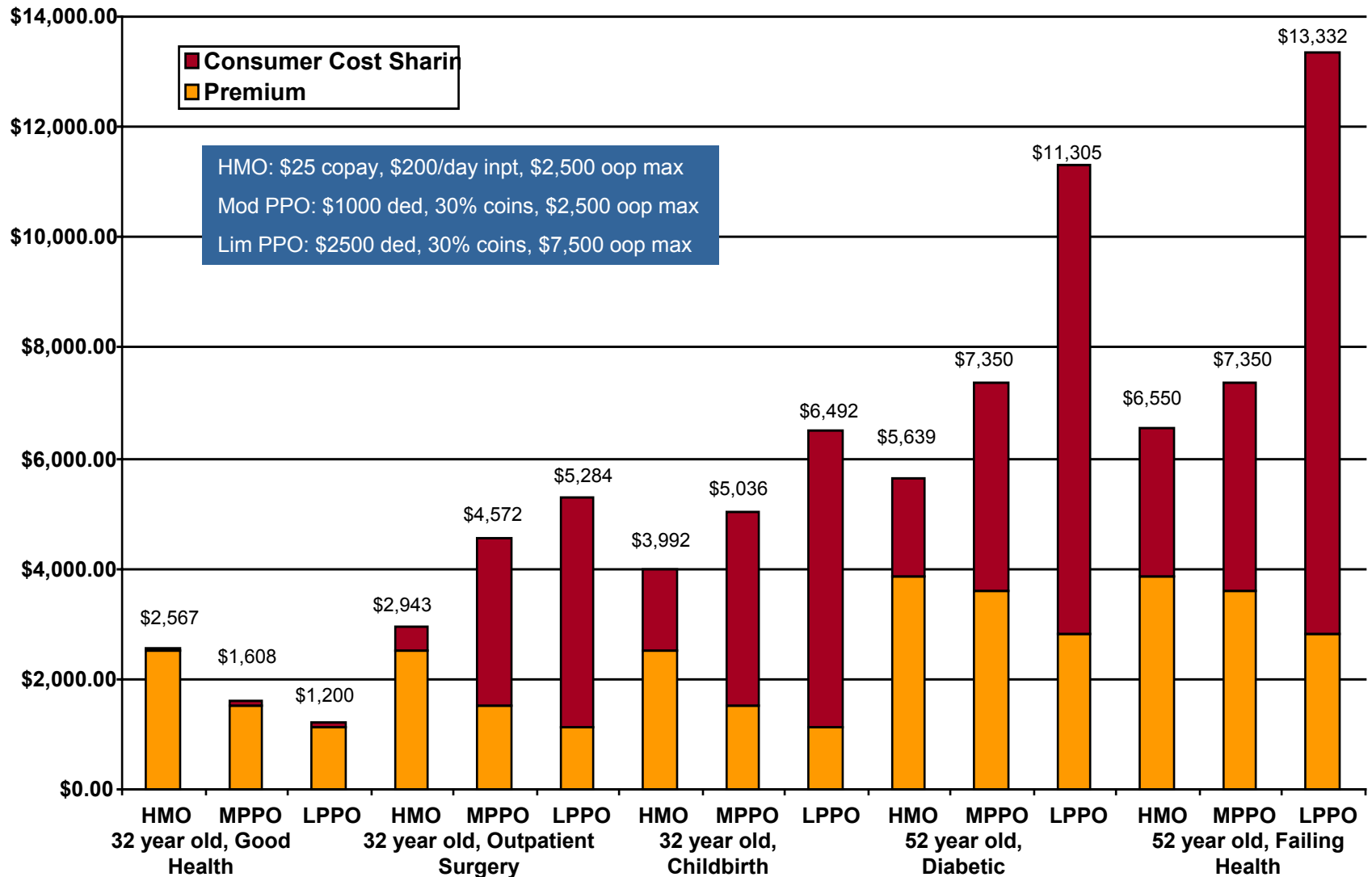
# Impact of missed health care appears greater among HDHP consumers

## Consequences of not receiving a recommended test or treatment or not seeing a doctor



Source: Harris Interactive, Strategic Health Perspectives 2005  
Base: Those who were non compliant because of cost

# Annual Costs for Hypothetical Consumers, by Profile 2005 Individual Insurance Market, San Francisco



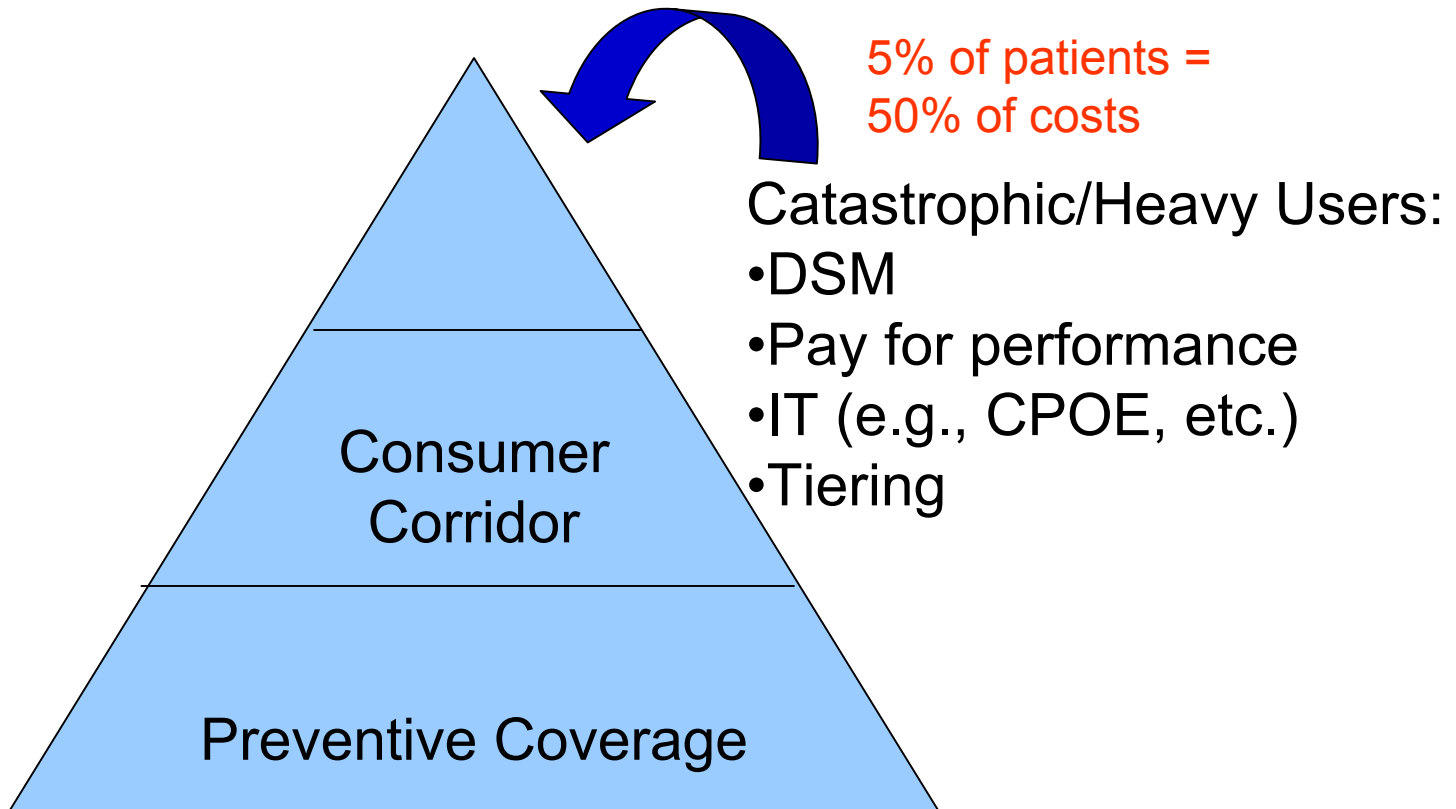
# Four Financial Tools for Intelligent Consumer Engagement

- Deductibles
- Point of Care Incentives
  - Co-payments
  - Co-Insurance
  - Coupons
  - (Cash bribes)
  - (Fines, Parking Tickets)
- Maximum Out of Pocket Costs
  - Be careful of TROOP just because it came out of your pocket doesn't mean your insurance company counts it as out of pocket
- Earned Benefits
  - Sign up for the health Risk Appraisal you get lower co-payment
  - Sign up for the Disease Management program lower your co-insurance
  - Lose Weight, Earn a Cookie

- Retail care: capture the high end and the desperate frequent fliers
- Big impact on pediatrics, internal medicine
- Scopers and gropers will be impacted by specific procedure deductibles but HDHP is a green light for the esoterica
- Overuse by the rich and well, to-do; under-use by the poor, sick
- Supplier-induced demand will explode among the well insured and well heeled
- Let's Go Dental
  - Total coverage for primary care and prevention: minimal coverage for cosmetic upgrades
  - Dental matters to total health
  - Dental matters to self-esteem and employability
  - Good teeth is the only thing that separates

- HDHP growth will lower short-term costs by reducing doctors visits, prescriptions written and prescriptions filled
- There is a lot of non-compliance now and will be more in the future –particularly among people with chronic diseases
- Cost related non-compliance will grow even faster among lower income people
- No major signs of dissatisfaction with HDHPs but this might change in the future

# How Can We Impact Costs Beyond the Consumer Zone?



- Chronic Care needs will grow
- We are ill-prepared because of our reimbursement system, technology, infrastructure, and delivery systems
- We need to innovate
- We need to implement what we know
- We need to move from Dumb Cost-Shifting to Intelligent Consumer Engagement
- We need to focus on prevention

# Five Strategies for Consumers

- Get Fat and Die
- Be in the Top 1% of Income or become a Toll-Taker on the Golden Gate Bridge
- Get Lean and Join Kaiser: You'll Thrive
- Read the IOM Reports, Consumer Reports and manage your Health Savings Accounts so you die old and with nothing
- Move to Greece and take your Medicare with you



# Five Strategies for Employers

- Identify all your overweight, chronically ill employees
- Fire them
- For those that remain (non-exempt staff) divide their bonus by the Square of their BMI
  - Target Bonus =\$200,000
  - BMI=33
  - Actual Bonus=\$183.65
- Put in a Health Savings Account and make sure the overpaid, yuppie scum that sign up for it tell everyone it is the greatest deal they ever had
- Get a job with Towers Perrin, Crosby, Stills, Nash and Young

# Five Strategies for Health Plans

- Avoid sick people at all costs: they use a lot of healthcare
- Sell high-deductible health policies so that the long term consequences of non-compliance become Medicare's problems
- Don't participate in Medicare
- Make a big fuss about disease management and make it invisible to people with diseases
- Let them eat websites

## Five Strategies for Providers

- Install an EMR, AMR or RHIO (and don't tell anyone)
- Only accept healthy people and sick people with very good insurance
- Beef up your HEDIS and P4P scores, but remember: Only take sick people with very good insurance
- Until you RHIO is installed, get a piece of paper and write down the names and phone numbers of your diabetics
- Call them and chat.....again and again and again



# Five Strategies for Politicians

- Introduce a Fat tax not a Flat Tax
- Let the Social Security number be the Unique Identifier
- Pay for Performance P4P not Pay for Avoidance P4A
- Healthcare is a Right and an Obligation: Require everyone to participate in paying for healthcare no matter how young, how well, or how poor they are; and give them the right to use it
- Pay for things that make a difference to health, not just those that get you campaign contributions