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Consumer-Driven Care: Addressing Quality and System Performance

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Take Homes

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  - A “silver bullet” for all that ails healthcare
  - A cost shift – done properly (stick with your “co-pay hi-deductible PPO”)
  - Applicable “only” to employers
- Consumer-driven IS
  - A major realignment of “patient as purchaser”
  - A major catalyst to drive languishing P4P, HIT and “system efficiency”
  - A platform to incentivize prevention-oriented, evidence-based care, value-added innovation and medical-industrial complex reform
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McKinsey*: “Early Evidence Promising”
Full Replacement Employers for One Year

- Increased value consciousness in employees
  - Over 50% more likely to ask about cost
  - 3x more likely to choose less extensive, or expensive treatment
- Increased wellness/prevention activities
  - 25% more likely to engage in healthy behaviors
  - 30% more likely to get preventive checkup
- Increased adherence for chronic disease
- Not satisfied with information support

*Consumer-Directed Health Plan Report, McKinsey and Co, June 2005

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"The Third Party's Over"*

- Even modest Health Savings Account adoption will revolutionize industry
- Creates new threats and opportunities for industry incumbents and new entrants
  - Underwriting
  - Payment transaction specialists
  - "Infomediaries"
  - Asset managers

*Mango and Riefberg (McKinsey and Co), Wall St Journal, 18 Jan 05, p B2

Early Metrics

- Full replacement trend at 2% and option at 6.6 percent year to year
  - Trend… 30-40% reduction in year-over-year cost trend
  - Reduction in pharmacy costs… 15% (92% generic with no “tiers”)
  - Reduction in outpatient visits… 15-20%
- Increase in preventive care spend
  - 5% of claims for preventive care compared to 2-3% market average
- Customers health- and cost-related behavior changes with Lumenos
  - 44% report increased knowledge in health care consumer behaviors
  - 27% report that they are more actively involved in health-related behaviors
    - 77% report improved diet/nutrition and 71% report increased exercise
- Understand and recommend to friends
  - 95% satisfaction with 50% in-group growth in option accounts

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Consumer-Driven Care “Done Right”:

Incentivized and Integrated Health Management

magine If . . .

- Individuals saw the money spent from their paychecks and in their taxes for healthcare . . . As their own (it is)
- Individuals knew that 50% or more of health outcomes and costs came from personal health behaviors
- Individuals were incentivized to know and improve those behaviors (they never have been)
- Individuals knew that 35% of all care was wasteful . . And came ultimately from their pocket (it is and does)
- They had health plans that incentivized prevention-oriented, evidence-based and appropriate care
- Willing patients and willing physicians had information on price and quality to better inform decision-making?

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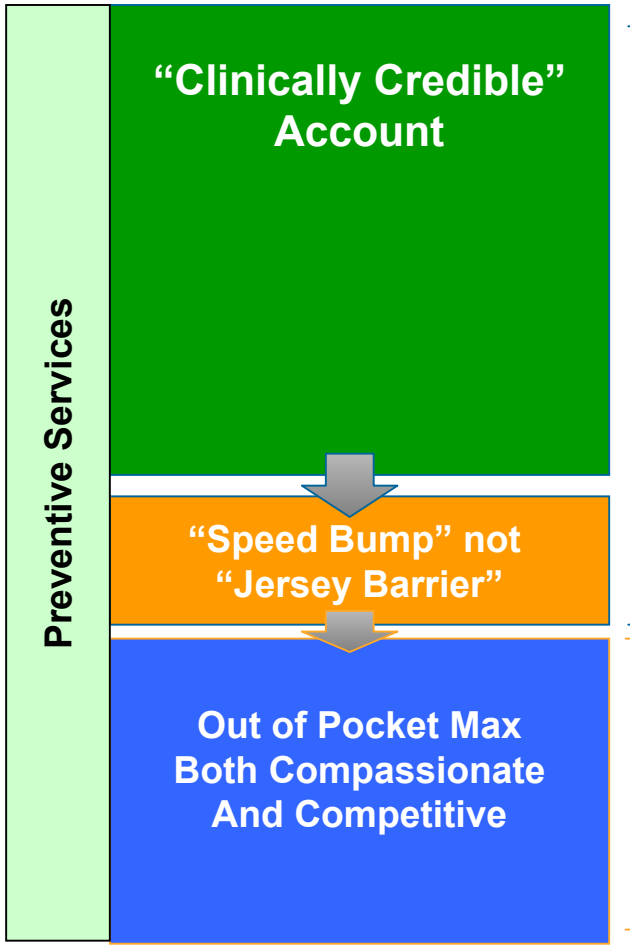
Benefit Design Imperatives To Attract Risk, High Utilizers & Chronic Disease



- Prevention & behavioral programs 100% covered
- "Clinically credible" – for most of the time, does this amount meet my and my families needs?
- Bridge is "speed bump" not real or perceived "barrier" to traditional health insurance

- Highest users solve for Max OOP
- Must be "compassionate" not to bankrupt individual and "competitive" relative to other options and/or previous years experience

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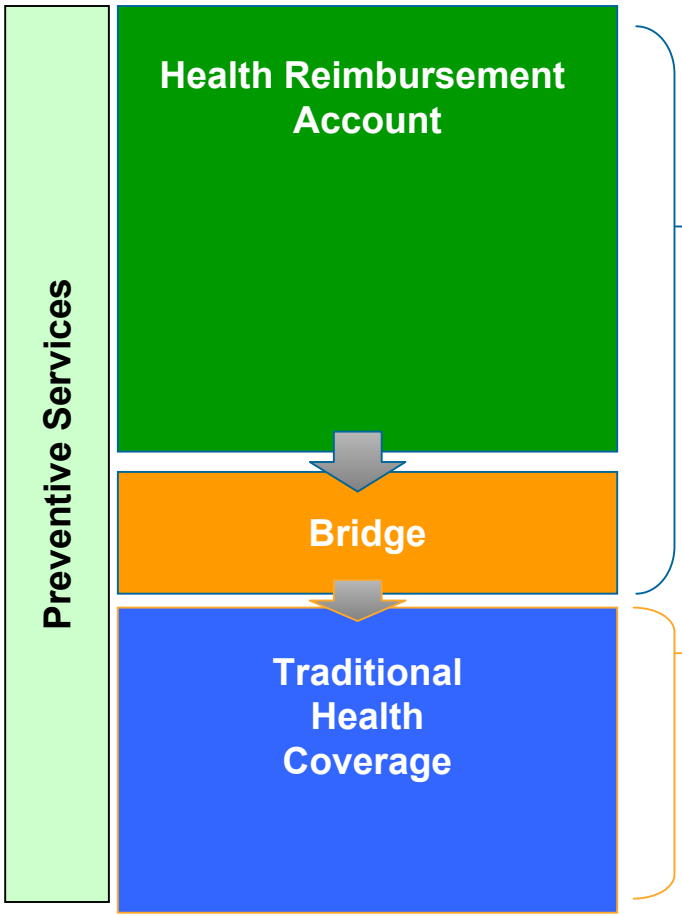
OM and Health Care Imperatives: Consumer-Driven Models Drive Faster?



- Reduce need for health care
- Reduce demand for health care
- Reduce inappropriate, inefficient care
- Increase appropriate, efficient care

- Continue “empowered consumer” engagement with skills and coinsurance
- Value purchasing with market share moving to higher value systems

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Preventive Services

- **Financial**
  - Incentivized either “carved in” or “carved out”
- **Clinical and evidence-based effectiveness criteria**
  - Excellent (USPSTF, ACIP/AAP etc)
- **Coverage policy issues**
  - Widespread acceptance post managed care
  - Enrollee marketing and communication “must do”
  - New FDA-approved screening technologies awaiting review
  - Commercialized “total everything” screening, more costly and less pressure currently: negative or absent evidence
- **Likely utilization impact**
  - Drive optimal receipt with other strategies

RA/Bridge and Health Savings Account

- **Financial**
  - "My money" with accumulation potential increases threshold before "traditional health coverage" and attendant behaviors
  - Market vice insurance forces may predominate as HRA and Bridge amounts increase to reflect rising costs and utilization
  - Health Savings Account likely more "powerful" than HRA
- **Clinical and evidence-based effectiveness criteroa**
  - Many underutilized effective care practices (IOM, RAND) exist
  - Overutilized, ineffective but never evaluated practices likely persist
- **Coverage policy issues**: geographic variation around alternative care
- **Likely utilization impact**
  - Fewer visits, interventions and Rx drugs
  - More convenient but costly if not of greater "value" may not be selected

Traditional Health Coverage

- **Financial**
  - Hospital charges/costs transparency initially less
  - High rollover amounts or “richer” HRA’s likely will increase cost awareness in higher cost procedures and care
- **Clinical and evidence-based effectiveness criteria**
  - Must rely on tech assessment groups
- **Coverage policy issues**
  - Hi cost, marginally effective practices still problematic
  - Gastric bypass, genetic drugs, stents/ICD’s: “societal” challenges
- **Likely utilization Impact**
  - “Hey, that $400 was supposed to be paid by the clinical trial”
  - “Engaged consumer” skills may improve use because of concern about medical effectiveness, not cost initially

What the "ROI" Evidence Shows . . And What Consumer-Driven CAN Do

- Risk factor decrease in pre- or post-disease management leads to reduction in medical & disability claim expenses
  - Within 1-3 years post reduction
- "DM" proven for diabetes, asthma, CAD, CHF and +/- depression, low back pain, and early prenatal care
- Incentives "work" and "matter" – AHRQ 2004 study
- Lumenos creates incentives for consumers to identify and reduce risk factors and improve chronic disease outcomes
- Ultimate "ROI" is total cost reduction/mitigation from deployment of care management strategy and integration

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ntegrated Health Improvement ncentives & Behavior Change Programs

- **Identification: Health Risk Appraisal**
  - $50-$100 HRA allocation for completion and linkage to Health Coach
  - Tobacco cessation and weight management paid 100% by employer
- **Engagement: Personal Health Coach Enrollment**
  - Additional $50-100 HRA allocation for chronic disease or high risk
  - Agrees to participate in Personal Health Coach Program after initial assessment
  - Commits to engage with Personal Health Coach through regularly scheduled meetings to identify goals, become educated and skilled in working effectively with their physician to manage their disease.
- **Graduation: Competencies Mastery with Personal Health Coach**
  - Additional $100-200 HRA allocation for mastering HealthModels
  - Consumer achieves predetermined goals and documentation of competencies for disease(s) with knowledge, skills, functional provider-patient relationship and clinical outcomes

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Consumer-Oriented Diabetic Competencies: The "Flip Side" of EBM

- "Did you receive a HbA1c and what was it?"
  - Report: Yes/No and within what range
- "Do you know your cholesterol and lipid levels?"
- "Was your urine tested for protein?"
- "Were your eyes examined and dilated with drops by an ophthalmologist?"
- "Did your physician or her staff examine your feet?"
- "Did you receive your flu shot?"
- "Do you know your blood pressure?"
- "How often did you visit your doctor for your diabetes last year?"

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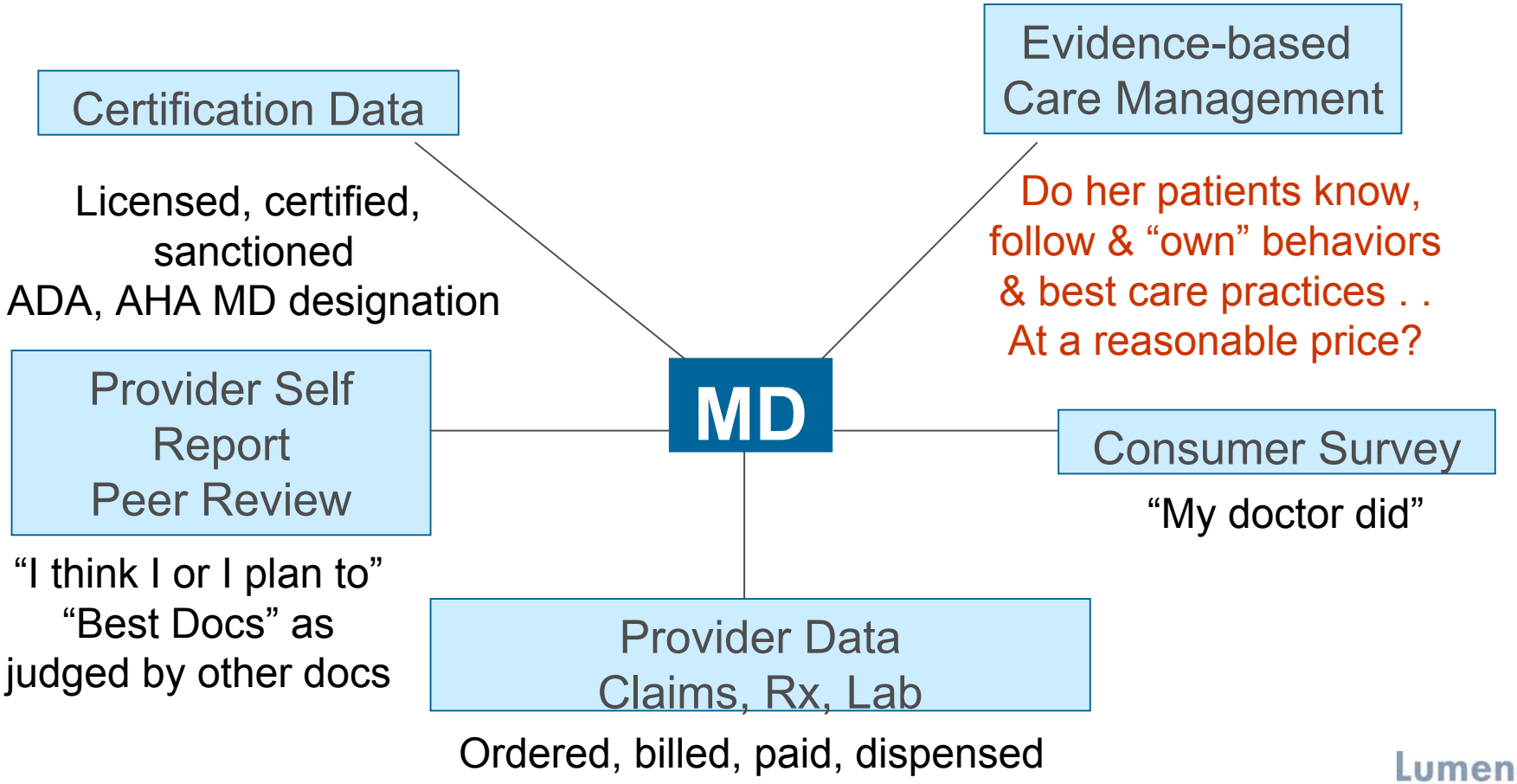
onsumer-Focused
360 degree" MD Quality Vision



HIT/PHR Considerations In Consumer-Driven Health Care

- CDHC will drive quality movement and HIT/PHR faster than other benefit designs
  - "My money: I don't want to pay again when I don't have to"
  - Disease competency, outcome and satisfaction measures sought as "quality"
- Connectivity and transparency ARE valued and will make consumers "vote with their feet"
- "Pay for Performance" will only work if consumers know and understand outcomes they are differentially paying for "matter" to them: health, fewer mistakes, lower cost, greater "value"

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nstituting True Competition* Using A Consumer-Driven Platform

From

- Plan, hospital and network competition
- “Reduce cost”
- Local competition
- Full service, closed networks and duplication of services
- Wrong incentives for payers and providers

To

- Disease and procedure competition
- “Improve value”
- Regional and national competition
- Distinctiveness and focused competitors
- Right incentives for payers and providers

*Michael Porter, “Fixing Competition in US Health Care”,Harvard Business Review, June 2004

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npact on Health Care takeholders?

- "Medical-industrial complex" disruptions with "my own money"
  - Is the convenience worth 10X the cost?"
  - New emphasis on "breakthrough" vice "copycat" R & D
  - All "middlemen" redefining value
  - Surgical hospitals and "Centers of excellence": lower (and transparent) unit costs and better outcomes?
- Hidden & shifted costs (and value questions) explicit faster
  - How much are you willing (or should you) pay for GME?
  - Societal questions accelerated: end of life care, evidence-based vice usual care, "total cost of illness" vice "med loss ratio"
- Consensus on best of breed private, market-based functions vice public, "safety net" functions of government

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Thank You!

For more info:

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