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
  – Subject to “The Tipping Point” phenomena
  – A mandate to “get it right” . . . Or at least “better”
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
“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
Consumer-Driven Care “Done Right”:

Incentivized and Integrated Health Management
Imagine 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?
Benefit Design Imperatives To Attract Risk, High Utilizers & Chronic Disease

“Clinically Credible” Account

- 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

“Speed Bump” not “Jersey Barrier”

Out of Pocket Max Both Compassionate And Competitive

- Highest users solve for Max OOP
- Must be “compassionate” not to bankrupt individual and “competitive” relative to other options and/or previous years experience
IOM and Health Care Imperatives: Consumer-Driven Models Drive Faster?

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

Bridge

Traditional Health Coverage
- Continue “empowered consumer” engagement with skills and coinsurance
- Value purchasing with market share moving to higher value systems
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
HRA/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 criteria
  – 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
Integrated Health Improvement
Incentives & 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
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?”
Consumer-Focused “360 degree” MD Quality Vision

Certification Data
Licensed, certified, sanctioned
ADA, AHA MD designation

Provider Self Report
Peer Review
“I think I or I plan to”
“Best Docs” as judged by other docs

Evidence-based Care Management
Do her patients know, follow & “own” behaviors & best care practices . .
At a reasonable price?

Provider Data
Claims, Rx, Lab
Ordered, billed, paid, dispensed

Consumer Survey
“My doctor did”
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”
Instituting 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

Impact on Health Care Stakeholders?

• “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!

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