

Employers' Next Steps:

*The last time big employers focused  
on health insurance, we got managed care;  
what will we get this time?*

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## An Employer's Diary 1990-2000

- **Managed care tamed insurance trend x 5 yrs**
- **Carriers and providers responded to margin pressure by consolidating more than re-engineering**
- **Media, politicians, and consumers villainized managed care**
- **Expanding biotech pipeline began colliding with population aging**

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## An Employer's Diary 1990-2000 (cont'd)

- **Managed care's simple active ingredients succumb to double-digit premium trend**
- **IOM flags unreliable Q**
- **Berwick & Juran flag 30% Q waste**
- **Globally competitive employers refocus**

# The Big Picture on Quality

*50/50 reliability, generously calculated*

	Preventive	Acute	Chronic
Get help	50%	70%	60%
Avoid danger	100%	70%	80%
Both	50%	49%	48%

Schuster et al: Milbank Qtly Dec. '98

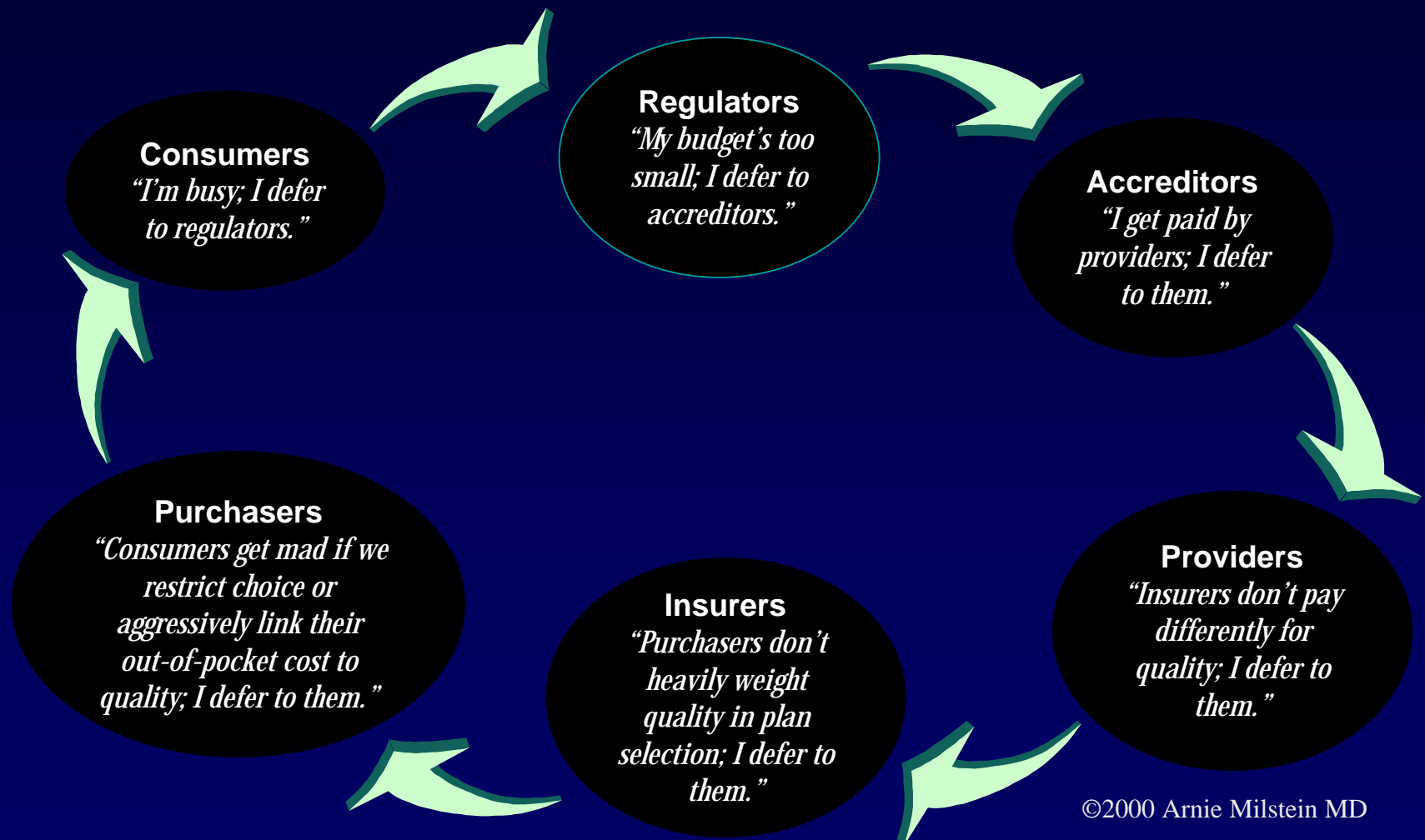
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## How is 50/50 Reliability Perpetuated?

- **Invisibility of quality failure**
- **Trusting customers**
- **Near zero clinical information systems**
- **Scattered fiduciary responsibility for quality**

# The Quality Buck Stops Nowhere

## *Everyone Responsible, No One Accountable*



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# What Can Be Done to Improve Value Now?

- **Hospitalists (1-2% PMPM savings)**
- **Enhanced case/disease/self-management (2-3% PMPM savings)**
- **More selective provider networks (5-15% PMPM savings)**

## More Selective MD Specialist Network: Union Carbide in Charleston

- **Episode-based profiling of physician efficiency across total cost of care**
- **Identification of most efficient specialists**
- **Consult with PCPs to verify quality of efficient specialists**
- **Educate and incent PCPs to improve and selectively refer**
- **12% reduction v/v insurance trend in yr 1;**
- **X% reduction v/v insurance trend in yr 2**

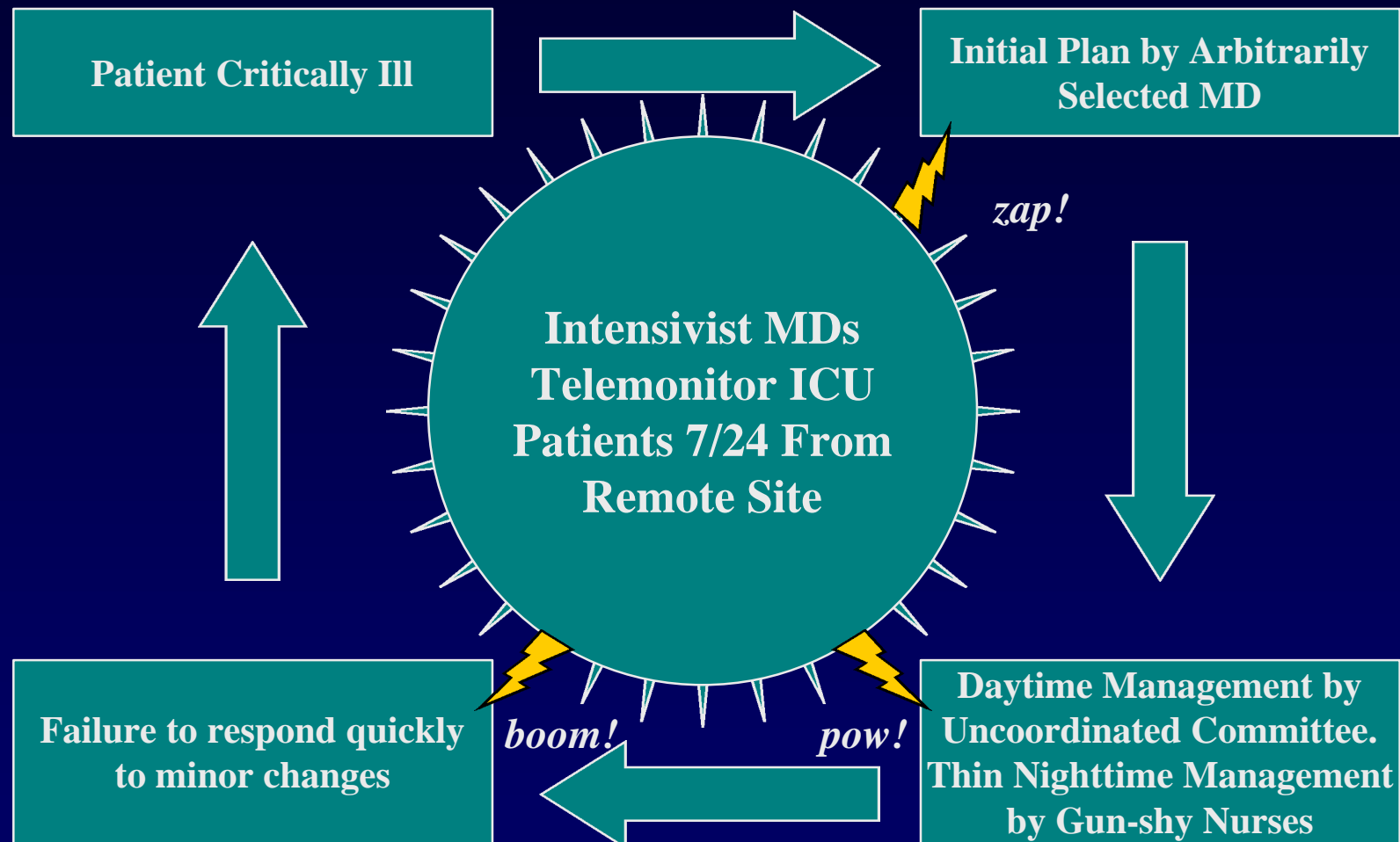
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# What Can Be Done to Improve Value Later?

- **Reengineered care processes**  
(**>15% PMPM savings and expanding**)
- **Activated consumerism**  
(**TBD and instrumental to reengineering gains**)

# Reengineered Care Processes: 7/24 Intensivist-Directed ICU



**The Bottom Line: 54% reduction in mortality and 32% reduction in costs**

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# Reengineered Care Processes: Rebuilt Ophthalmology Visit Results

• **Before** “we’re doing everything  
we can think of...  
we need more money!”

• **After** “we’re doing what we  
didn’t know about before...  
we need less money!”

**Traditional model**  
**1 assistant/MD**  
**Staff poorly trained**  
**2 rooms/MD**



22 patients/day/MD  
3 month wait for consult  
Patient Satisfaction = 63%  
Provider Satisfaction = 90%  
\$60 per visit  
\$22.31 pmpy

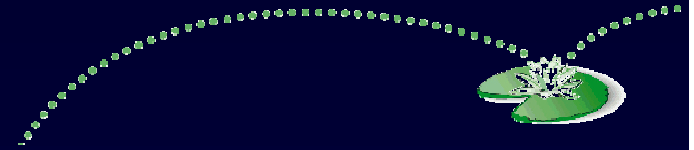
**Engineered model**  
**3 assistants/MD**  
**Staff highly trained**  
**4 rooms/MD**



50 patients/day/MD  
No wait for consult  
Patient Satisfaction = 85%  
Provider Satisfaction = 94%  
\$43 per visit  
\$14.91 pmpy

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# Reengineered Processes: Leapfrog Standards



## ■ An Rx for Rx

- ◆ Computerized Physician Order Entry (CPOE)
- ◆ 85% serious drug errors prevented
- ◆ Net cost savings

## ■ Practice Makes Perfect

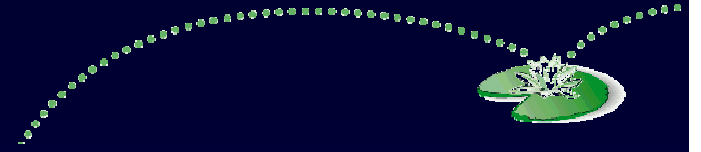
- ◆ Evidence-based Hospital Referral (EHR)
- ◆ > 20% mortality reduction for 7 complex treatments

## ■ Sick People Need Special Care

- ◆ ICU Staffing with CCM Trained M.D.
- ◆ > 10% mortality reduction
- ◆ Net cost savings

## ■ Future MD Office Standard

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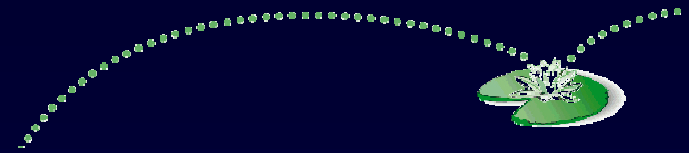


## What are the Three Leaps Worth?

### Annual Gain Projected by Dartmouth:

- ↓ 550,000 serious med errors
- ↓ 60,000 deaths
- ↓ ~300,000 disabilities

(if implemented in U.S. urban hospitals)

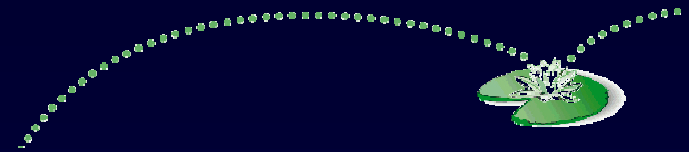


## Early Leapfrog Adopters (first 60 days)

- **Private sector (Boeing, GM, GE, 3M, etc.)**
- **Jumbo government (OPM, state govs, etc.)**
- **Large unions (IAM, AFT, etc.)**
- **Coalitions (PBGH, BHCAG, Gateway, etc.)**
- **30 million covered lives and increasing**
- **CEO to CEO recruitment via BRT**

# Why Bother with Safety?

## *Leap-Preventable Deaths “Employer-ized”*



- Preventable deaths per 100,000 per year: 25  
(IOM midpoint estimate)
- General Motors preventable deaths
  - per year: 349
  - per day: 1.0
- General Motors preventable disabilities  
(Harvard Medical Practice Study ratio)
  - per year: 1,745
  - per day: 5.0

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# Activated Consumerism: Key Considerations

- **Scientific research evidence justifies optimism and caution**
- **The theory of the case**
  - ◆ **Consumer “ownership” of their health benefit activates their prudent buyer skills**
  - ◆ **The internet supplies 24/7 performance comparisons (plans, providers, treatments and self-care methods) and decision support tools.**
  - ◆ **Informed and activated consumers accelerate high-value process re-engineering by providers and plans.**

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# Activated Consumerism: What Hurdles Must Be Jumped?

- **96% of big employers reject immediate DC**  
(3Q 2000 Mercer Management Consulting survey)
- **78% of employees reluctant re employer exit** (2Q 2000 EBRI survey)
- **Few valid sources of provider ratings**
- **Embryonic products and lukewarm DC pioneers**
- **Tax disincentives for consumer “ownership”**



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## Closing Thoughts

- **Big opportunities for improving value remain**
- **They are more nuanced than managed care**
- **Many options can win union support**
- **Care process reengineering  
+ engaged consumers  
= core ingredients**