

Prevention and Wellness Savings

Population Health and Disease Management Colloquium

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Frederic S. Goldstein

U.S. Preventive Medicine, Inc.



Overview

- Where are we from a health perspective?
- Where could prevention and wellness savings come from?
- Thinking about the “Total Cost of Poor Health”.
- A different way to look at populations – The Natural Flow of Health Risks and Costs.
- Published results on savings associated with prevention and wellness.
- Where do we go from here?



Interest in Prevention and Wellness Programs

- Interest is growing rapidly as more companies look to Prevention and Wellness fueled by its high profile position in the initial Federal Health Reform discussions
- There are clear concerns in the C-suite regarding ROI
- CBO did not “Score” Prevention well during the health reform debate



The Clinical Model of Preventive Medicine

PRIMARY

Prevention



SECONDARY

Early Detection



TERTIARY

Chronic Condition Management



Patients with chronic diseases account for 75% of the nation's health care spending

During 2005, the U.S. spent almost \$2 trillion on health care

Of every dollar spent...



...75 cents went towards treating patients with one or more chronic diseases

In public programs, treatment of chronic diseases constitute an even higher portion of spending:

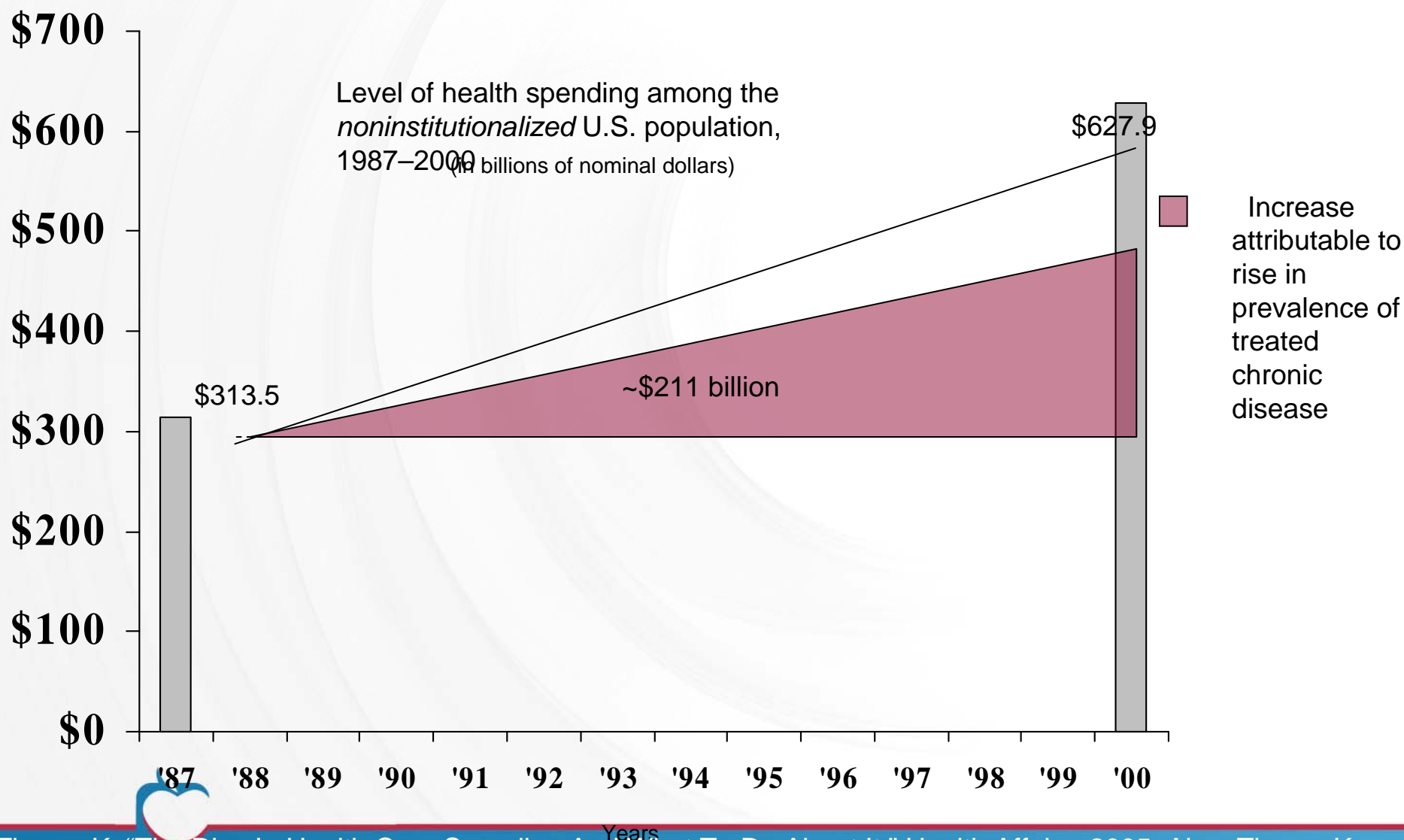
More than **96 cents** in Medicare... ...and **83 cents** in Medicaid

"The United States cannot effectively address escalating health care costs without addressing the problem of chronic diseases."

-- Centers for Disease Control and Prevention



2/3 of the increase in health care spending is due to increased prevalence of treated chronic disease



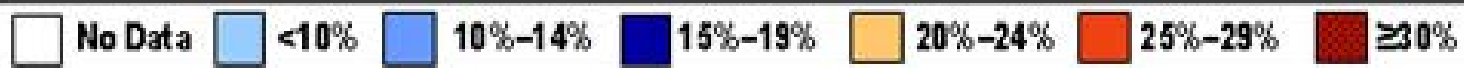
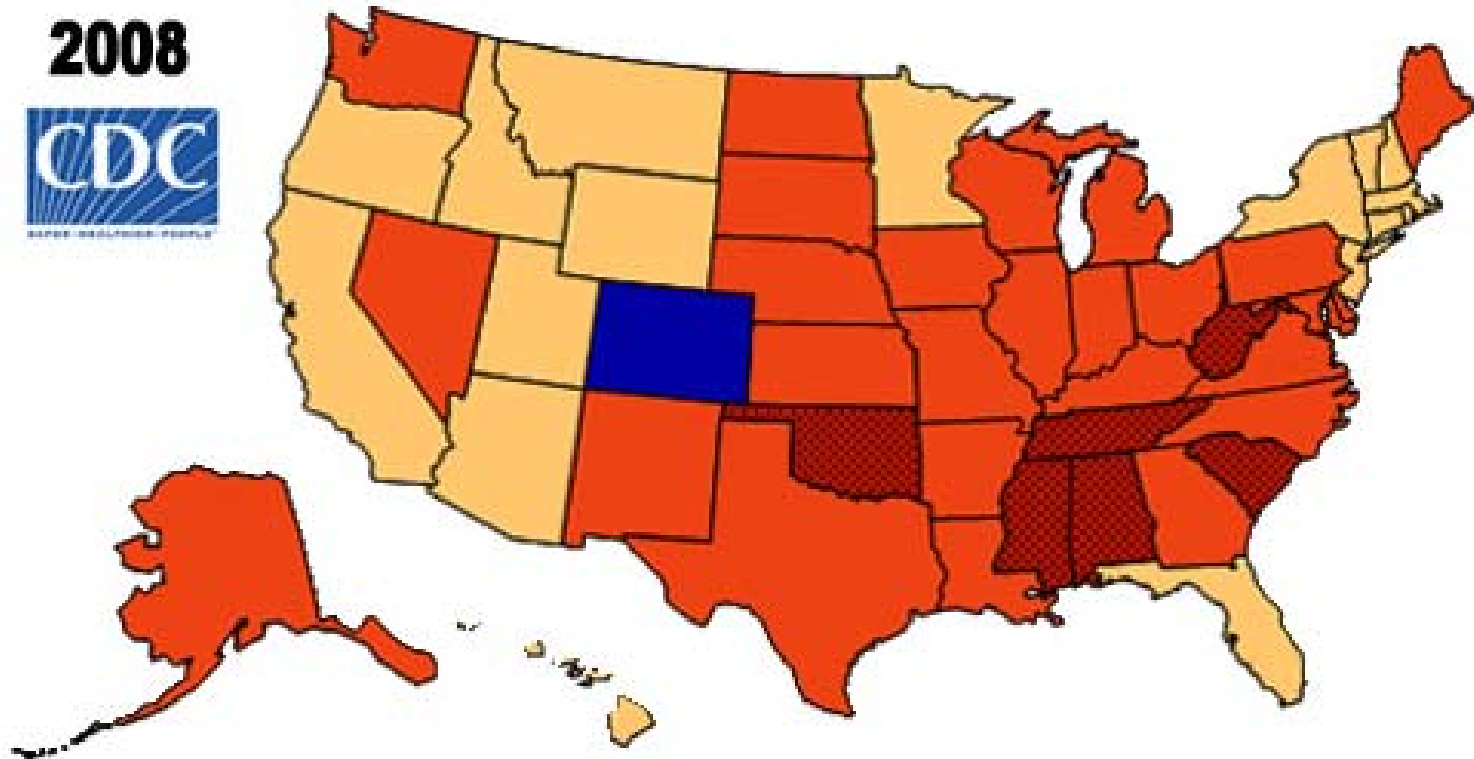
“Much of the recent growth in spending among Medicare beneficiaries is attributable to rising spending on chronic conditions—specifically, diabetes and hypertension, both of which rose considerably in treated prevalence over the past two decades.”

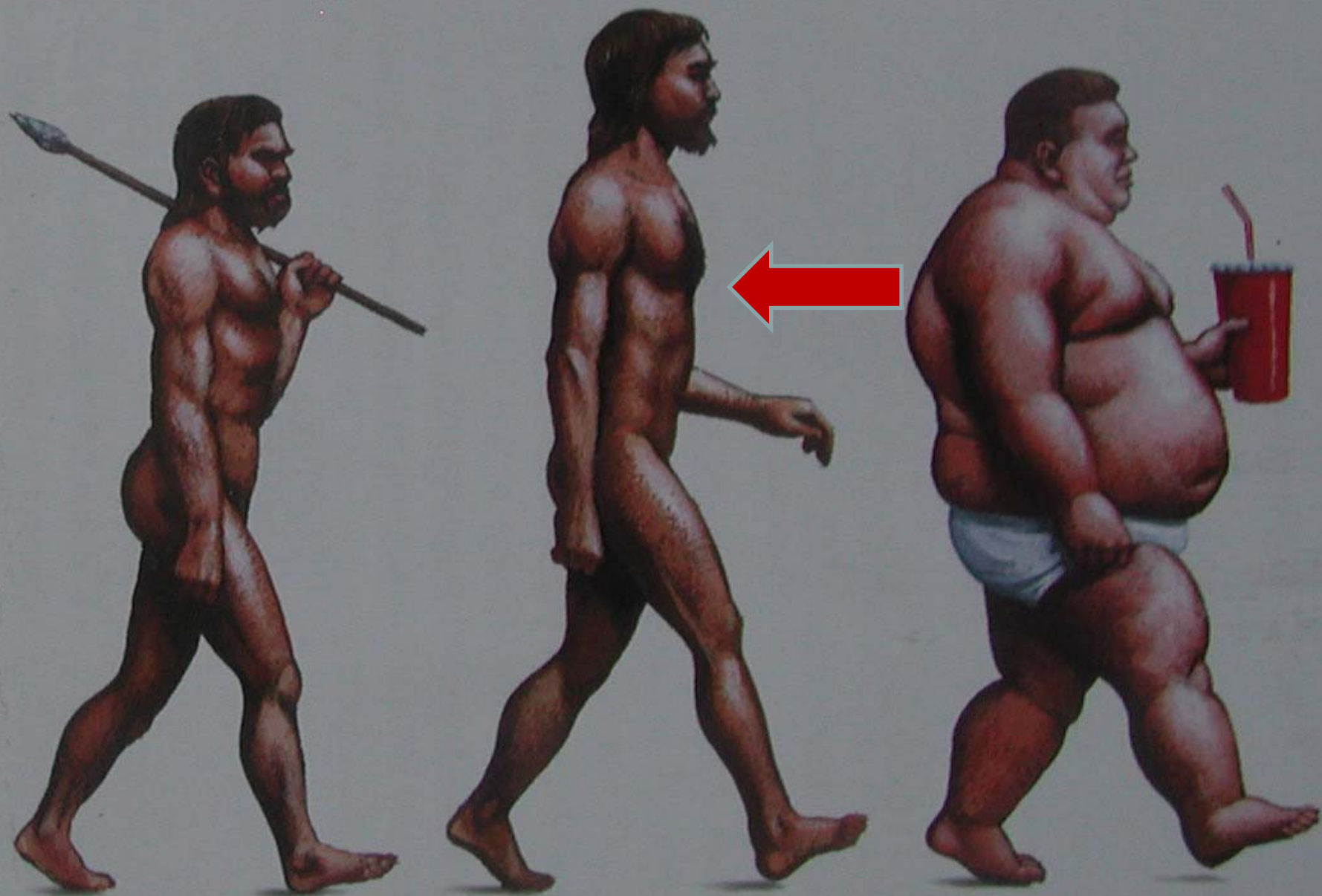


Obesity Trends Among U.S. Adults

BRFSS, 2008

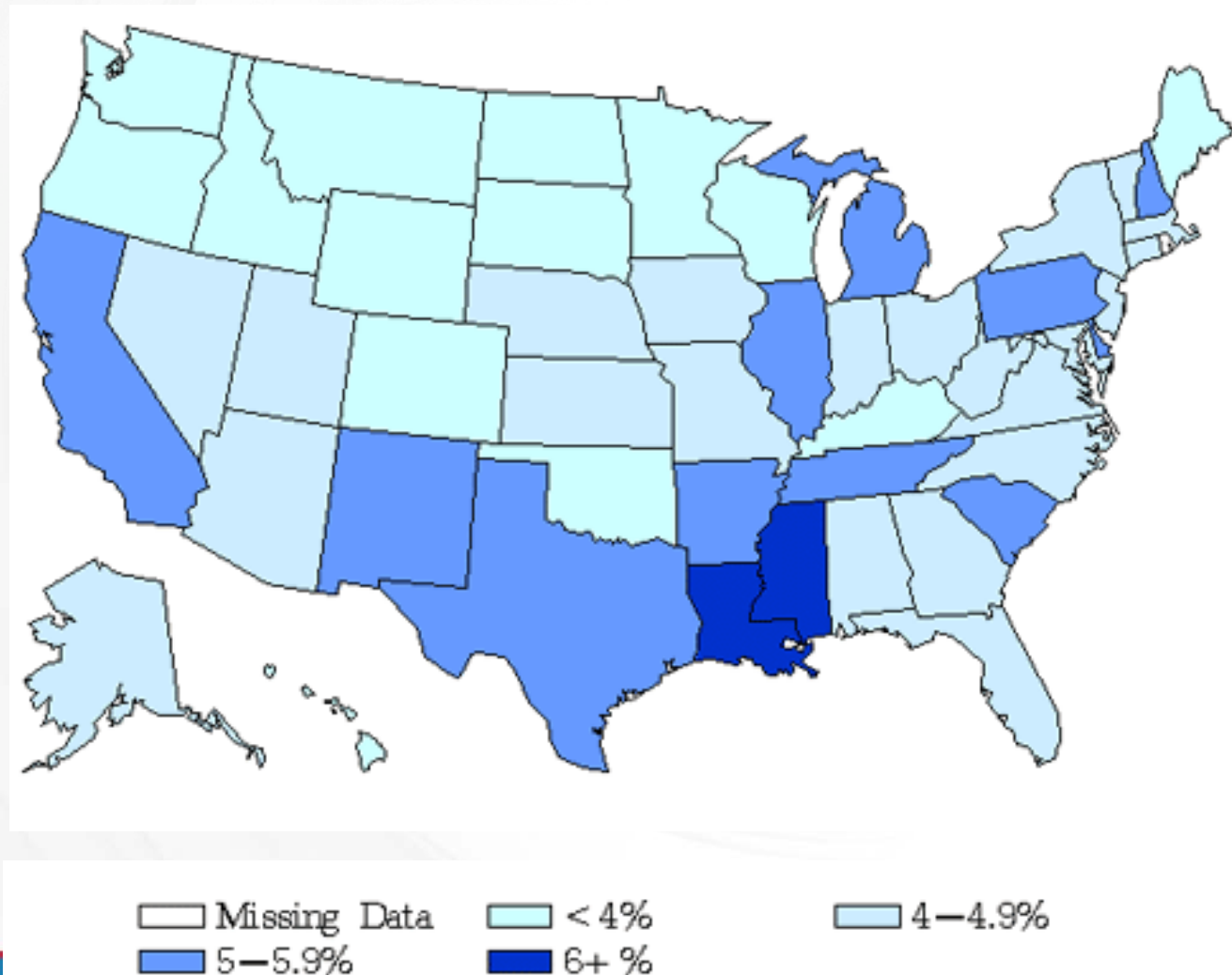
2008





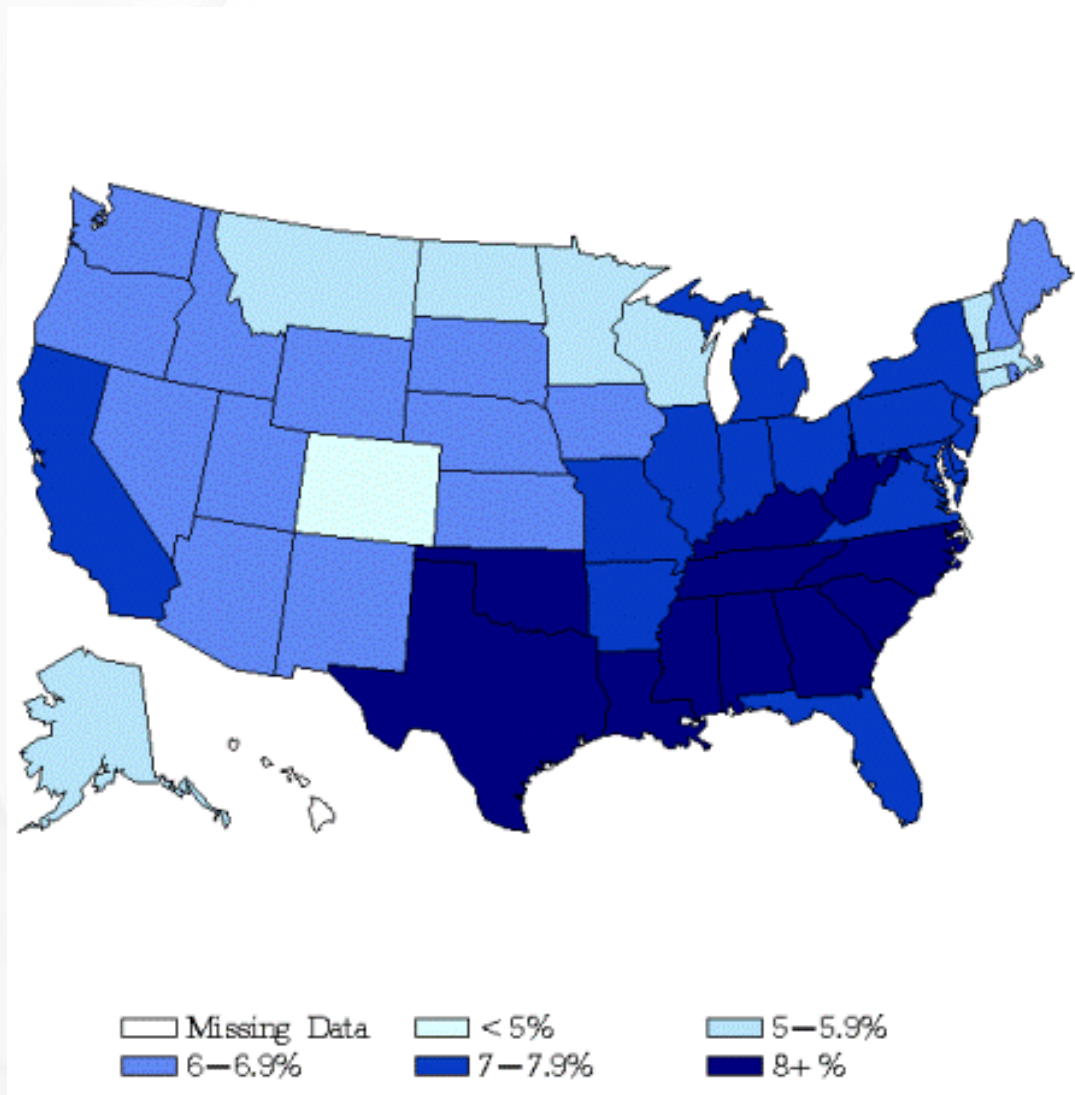
Diabetes Trends* Among Adults in the U.S. (Includes Gestational Diabetes)

BRFSS 1994 Source: www.cdc.gov



Diabetes Trends* Among Adults in the U.S. (Includes Gestational Diabetes)

BRFSS 2005 Source www.cdc.gov



Employers Move Forward but with Skepticism

- 67% of employers identify employees' poor health habits as a top challenge to maintaining affordable benefit coverage.
- 66% plan to offer incentives for employees to complete a health risk appraisal, up from 61% in 2009.
- 67% of companies feel that vendors fall short with programs designed to change member behavior.
- 66% identify vendor programs designed to change member behavior related to making healthy lifestyle decisions as not at all or only slightly effective.



Where could savings accrue from a Prevention or Wellness Program?



Reduce the Economic Burden of Disease



Current system focus on the financial transactions of healthcare **does not lower total costs** - it tends to only shift them.

- ♦ Reducing the Burden of Health Risks and Illness leads to a healthier population and measurable **TOTAL COST DECREASES**
- ♦ Medical Cost plus Presenteeism, Absenteeism and Disability Cost follows Health Risk
- ♦ Comprehensive Interventions Yield Health Improvement
- ♦ Health Improvement yields Total Cost Reduction

Evidence for Impact on an Individual Level

Improved lifestyle can have an:

➤ **80% Reduction in heart disease**

➤ **90% reduction in diabetes**

➤ **60% reduction in cancer**



The Bigger Problem: The *Full* Cost of Poor Health

Personal Health Costs

Medical Care

Pharmaceutical costs

30%

Productivity Costs

Absenteeism

Short-term Disability

Long-term Disability

Presenteeism

Overtime

Turnover

Temporary Staffing

Administrative Costs

Replacement Training

Off-Site Travel for Care

Customer Dissatisfaction

Variable Product Quality

70%

*Iceberg of Full Costs
from Poor Health
on Employers*



Prevention is the Solution – Evidence on a Population Level



Milken Study Finds:

- prevention
- early detection
- chronic condition management

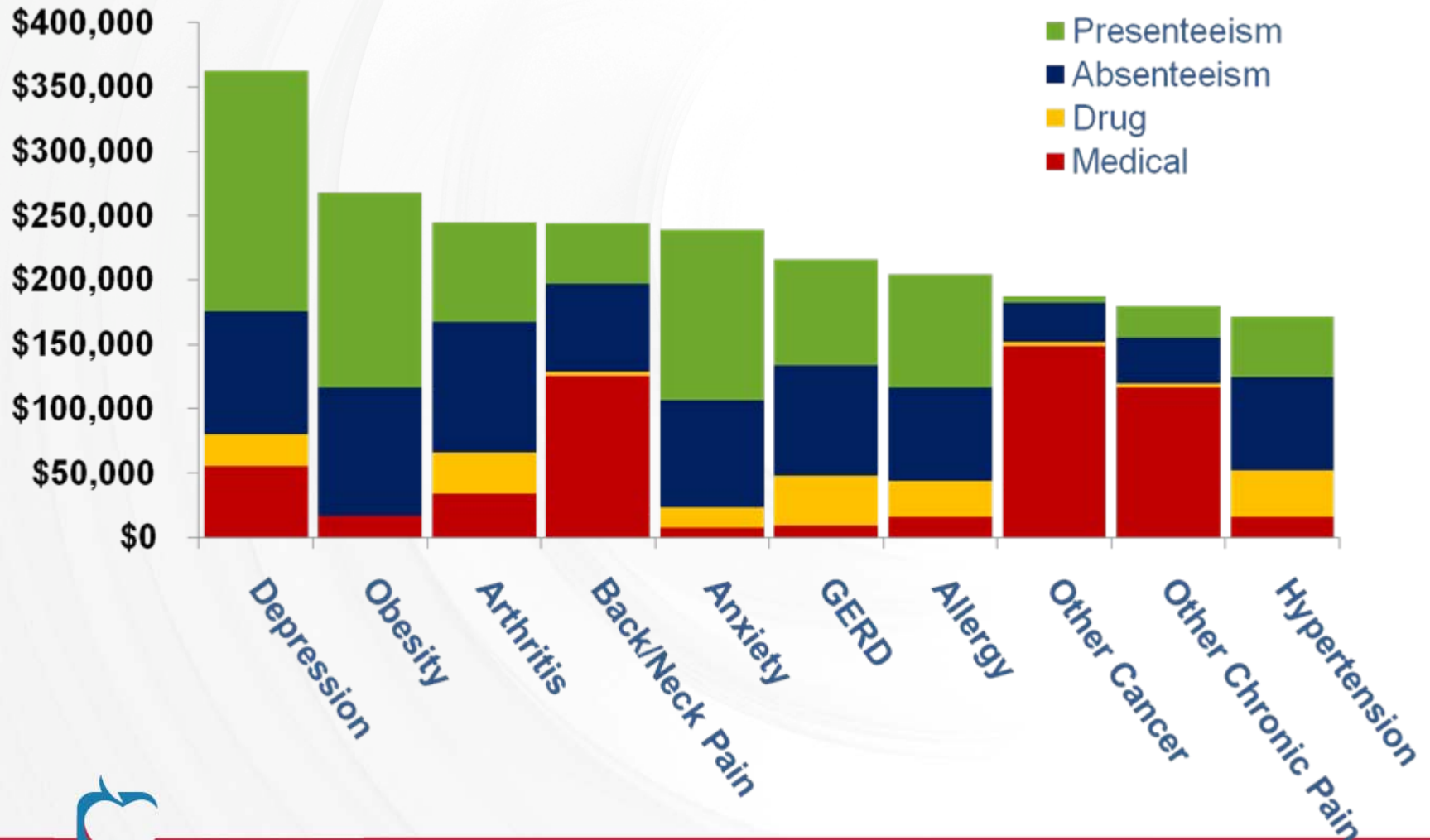
**could have an economic impact
of \$1 trillion annually...**



“An Unhealthy America” 2007 study
Nonprofit, nonpartisan and publicly-
supported economic think tank

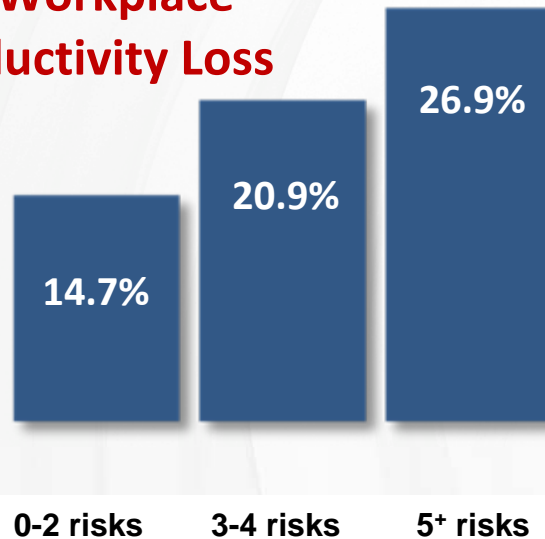
Top 10 Health Conditions Driving Full Costs for Employers

(Med + RX + Absenteeism + Presenteeism) Costs/1000 FTEs



Health Risks Impact Productivity

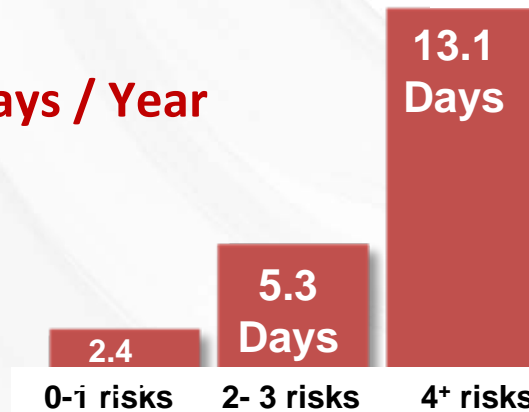
% of Workplace Productivity Loss



Work days lost/Person/Year

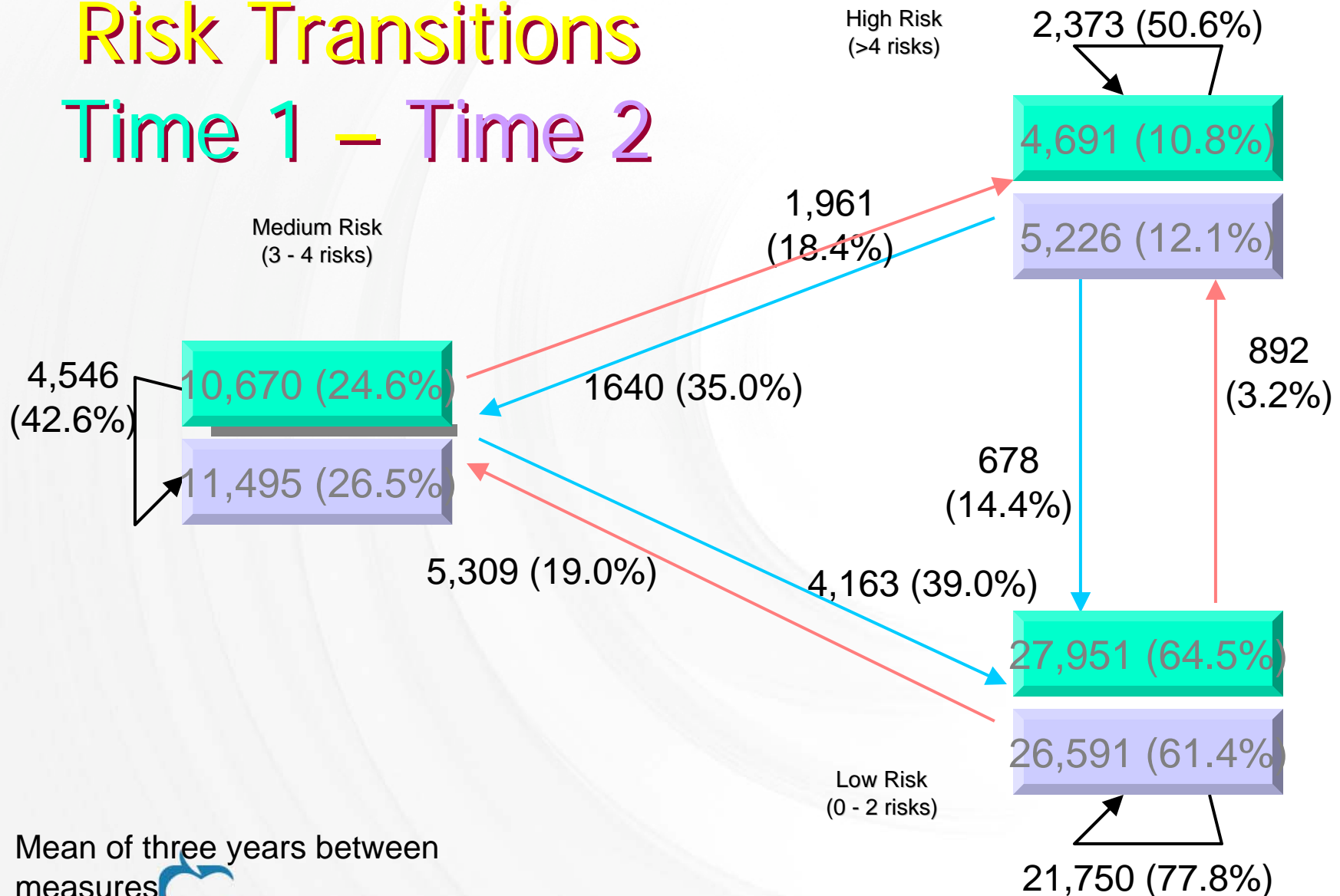


STD Days / Year



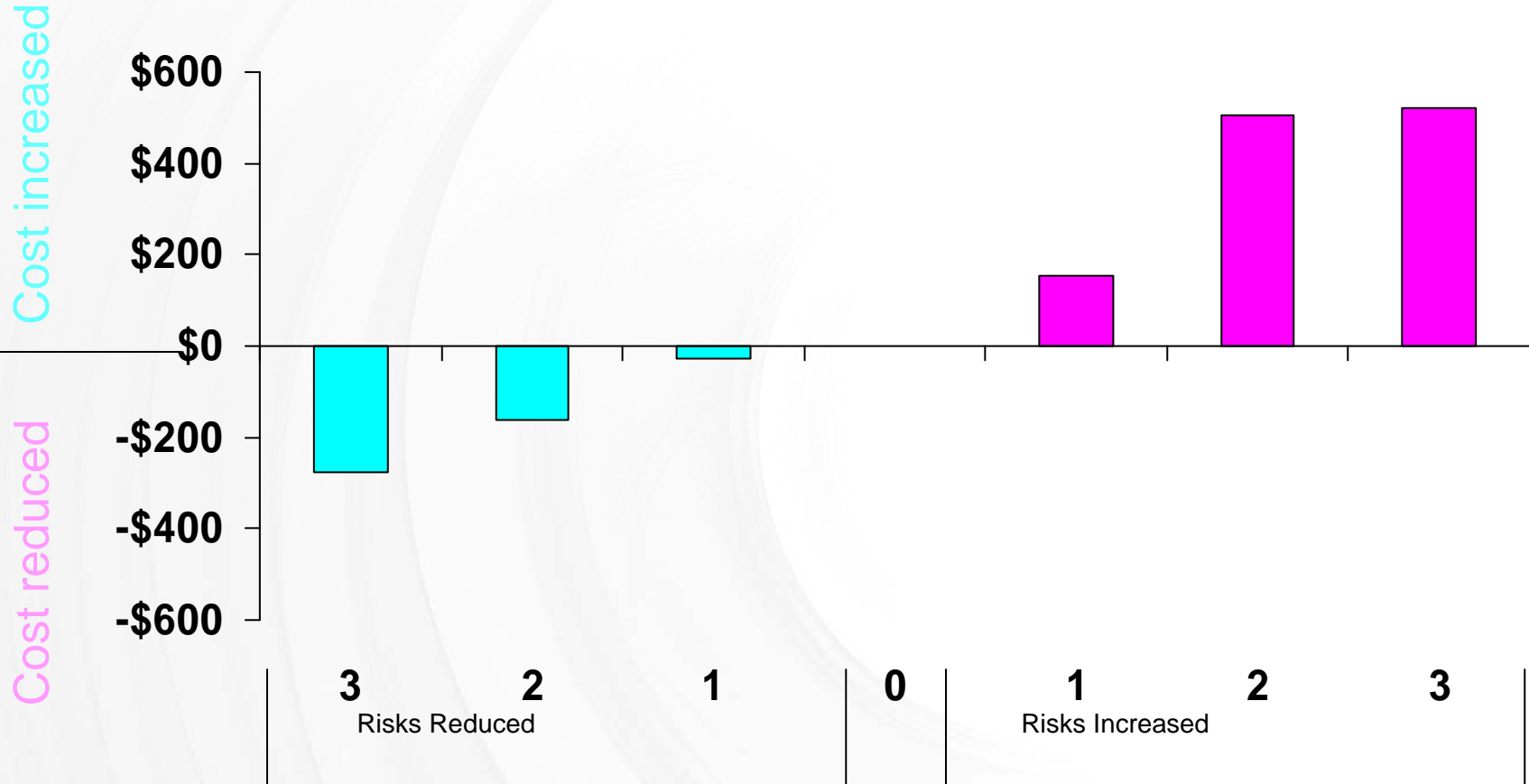
Risk Transitions

Time 1 – Time 2



Mean of three years between measures

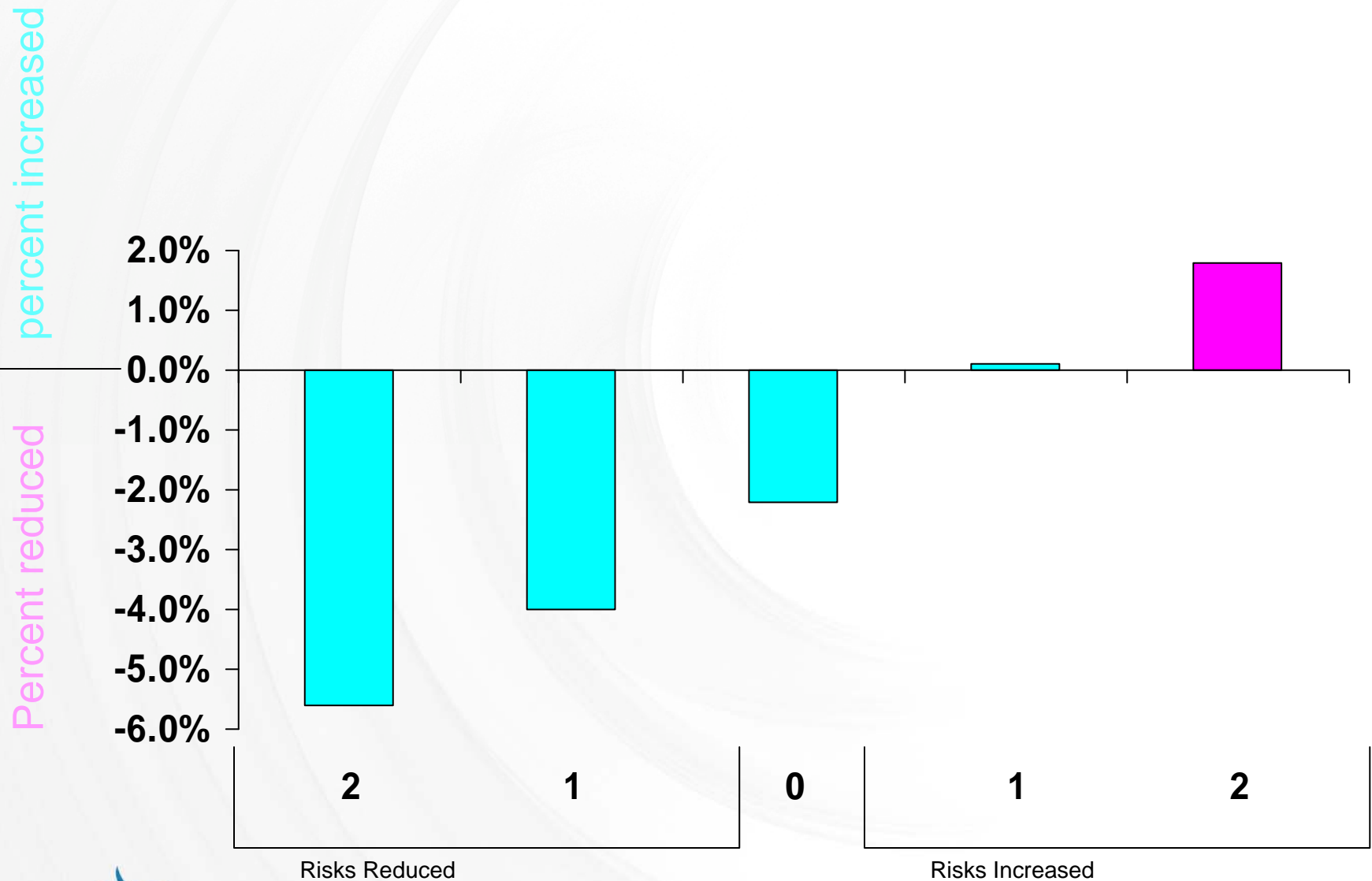
Change in Costs follow Change in Risks



Overall: Cost per risk reduced: \$215; Cost per risk avoided: \$304 Actives: Cost per risk reduced: \$231; Cost per risk avoided: \$320
Retirees<65: Cost per risk reduced: \$192; Cost per risk avoided: \$621
Retirees>65: Cost per risk reduced: \$214; Cost per risk avoided: \$264



Change in Productivity Loss follows Change in Risks



Workplace Wellness Programs Can Generate Savings

- **Meta-Analysis by Baicker, et al.**
- **Most studies were large employers**
- **Medical Costs fall about \$3.27 for every dollar spent**
- **Absenteeism costs fall about \$2.73 for every dollar spent**



The Business Value of Better Health and Productivity

- Market cap value impact from regaining 1 Day of productivity per year per FTE
- Example: 58,000 employees, current 8 Days per FTE of health-related productivity loss

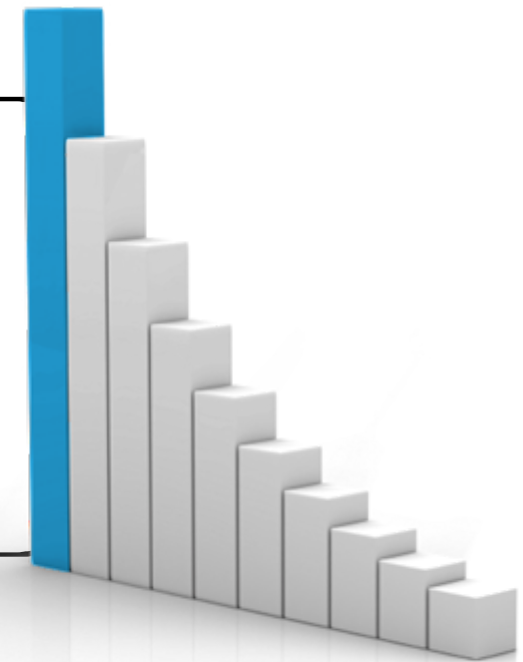
1 Day per FTE of Regained Productivity =
\$18.8M EBITDA impact

13x (EBITDA Multiple)

\$244.4 estimated market cap increase

÷ 292M shares

\$0.84 in additional per share value



➤ Specific wellness and population health management recommendations

- Limitations of study should be transparent
- Establishment of appropriate control/comparison group
- Utilize full claims set to establish a financial or utilization baseline
- Primary Outcomes should be modifiable behavioral risk factors and related biometrics
- QOL measure
- Productivity (challenges in measuring)



In Summary

- There will be continued growth in the Prevention and Wellness Area, people still believe
- There is real concern among payers at the employer and federal level about true savings – Could go the way of DM
- Dr. Edington and others have validated successful tools to analyze results and document savings
- When done right, savings can be achieved
- The industry and academia need to publish additional studies on results using appropriate methodologies before the CBO and others will “sign on”



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fgoldstein@uspreventivemedicine.com

904-281-0006

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Where are the Opportunities for Population Health Management?

