Disease Management and Medicare

A Presentation to the Disease Management Colloquium

John Gorman
Gorman Health Group, LLC
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Today's Agenda

- The DM Landscape in Medicare Part D
- The CMS Perspective
- What is CMS Looking for?
- The Disease Management Solution
- Chronic Care Management
- Strategies for Success

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New Medicare Part D

Beneficiaries Will Have Several Coverage Options

Medicare Options

- Prescription Drug-only Plan (PDP)/ FFS Add-On
- Medicare Advantage PPO Option

Regional Options
- •Blended benchmark
- •Stabilization fund
- Risk Corridors

Must offer benefits equivalent to standard coverage

- Medicare Advantage HMO Option
- Medicare Advantage PPO Option
- Special Needs Plan (SNP) Option

Local (county-based) Options

Must offer benefits equivalent to standard coverage on at least one plan in portfolio

Other Options

- Qualified Employer Plan

Must offer benefits equivalent to standard coverage to receive subsidy

- Limited Risk or Fallback Drug-Only Plan

If insufficient number of PDPs or PPOs emerge in the market

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Medicare Advantage: Market Outlook

- Major resurgence in program underway
- Since passage of MMA:
  - 43 MA contracts approved
  - 48 MA Service Area Expansions approved
  - 37 Special Needs Plans approved
  - 34 MA contracts applications pending (2/05); ***141 new apps received 2/15***
  - 39 Service Area Expansions pending
- Reports of 300+ PDP applications received on March 23 (2006 deadline)

Source: CMS, February 2005

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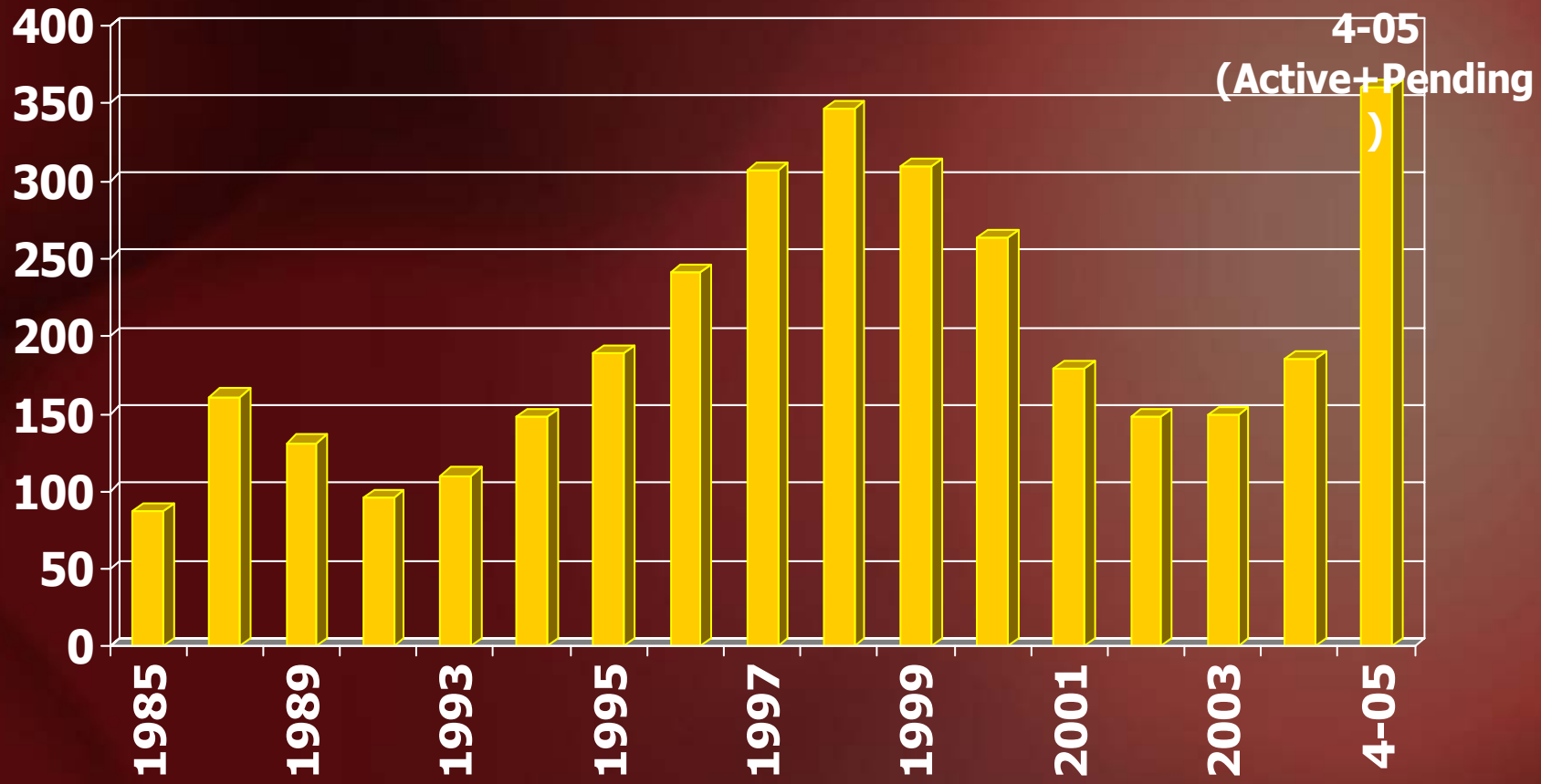
Medicare Risk Contracts 1985 to 2005



Source: CMS, April 2005.

Note 2006 application deadline saw 300+ PDP applications filed.

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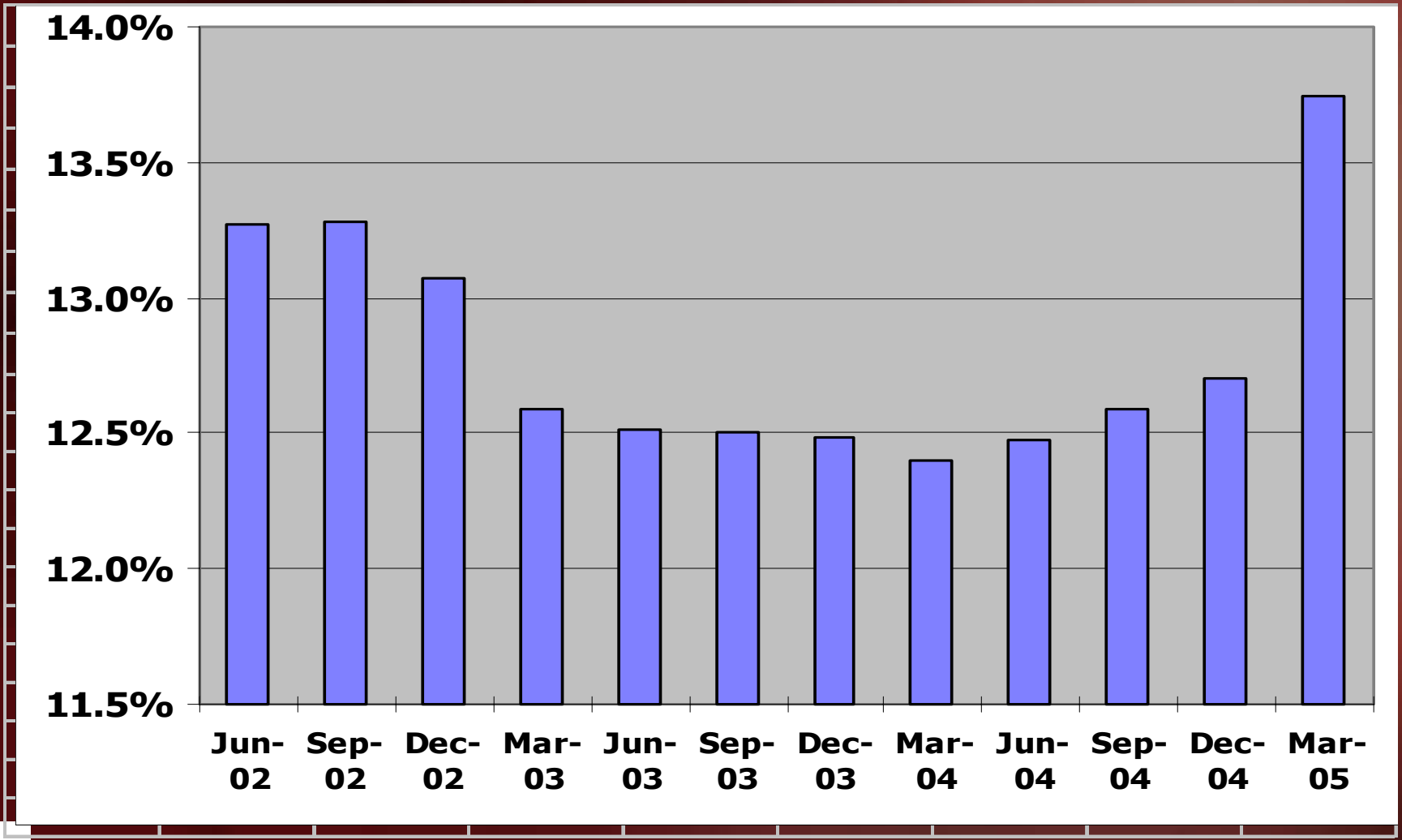
Medicare Advantage: Resurgence Underway

National Medicare Advantage Penetration Rates, March 2002-March 2005



Source: CMS, April 2005

Known PDP Participants

Applicant	Partner	Scope
Aetna	Aetna PM	All 34 regions
Medco	NA	All 34 regions
HealthNet	NA	6 regions
WellPoint	WellPoint PM	All 34 regions
Universal American Financial Corp.	PharmaCare	All 34 regions
United Healthcare	Walgreens HI	All 34 regions (AARP endorsement)
Sierra	NA	8 regions
WellCare	Walgreens HI	All 34 regions
Heartland Alliance (6 BCBS plans)	Prime Therapeutics	Upper Midwest Region
CIGNA/NationsHealth	CIGNA PM	All 34 regions
WellChoice	CareMark	New York Region
PacifiCare	Prescription Solutions	All 34 regions
Humana	Argus	31 regions
Coventry	Rite Aid	All 34 regions

Source: company reports

Part D Projections: 2006

- GHG expects in 2006:
  - $110B in revenues generated for private plans (up from $51B in 2005) – 37% through PDPs
  - 800,000 new beneficiaries in MA products (5.6M in 2005)
  - 14.3M in PDPs (including duals and low-income)
- Therefore, over 20M beneficiaries in some form of managed care in 2006

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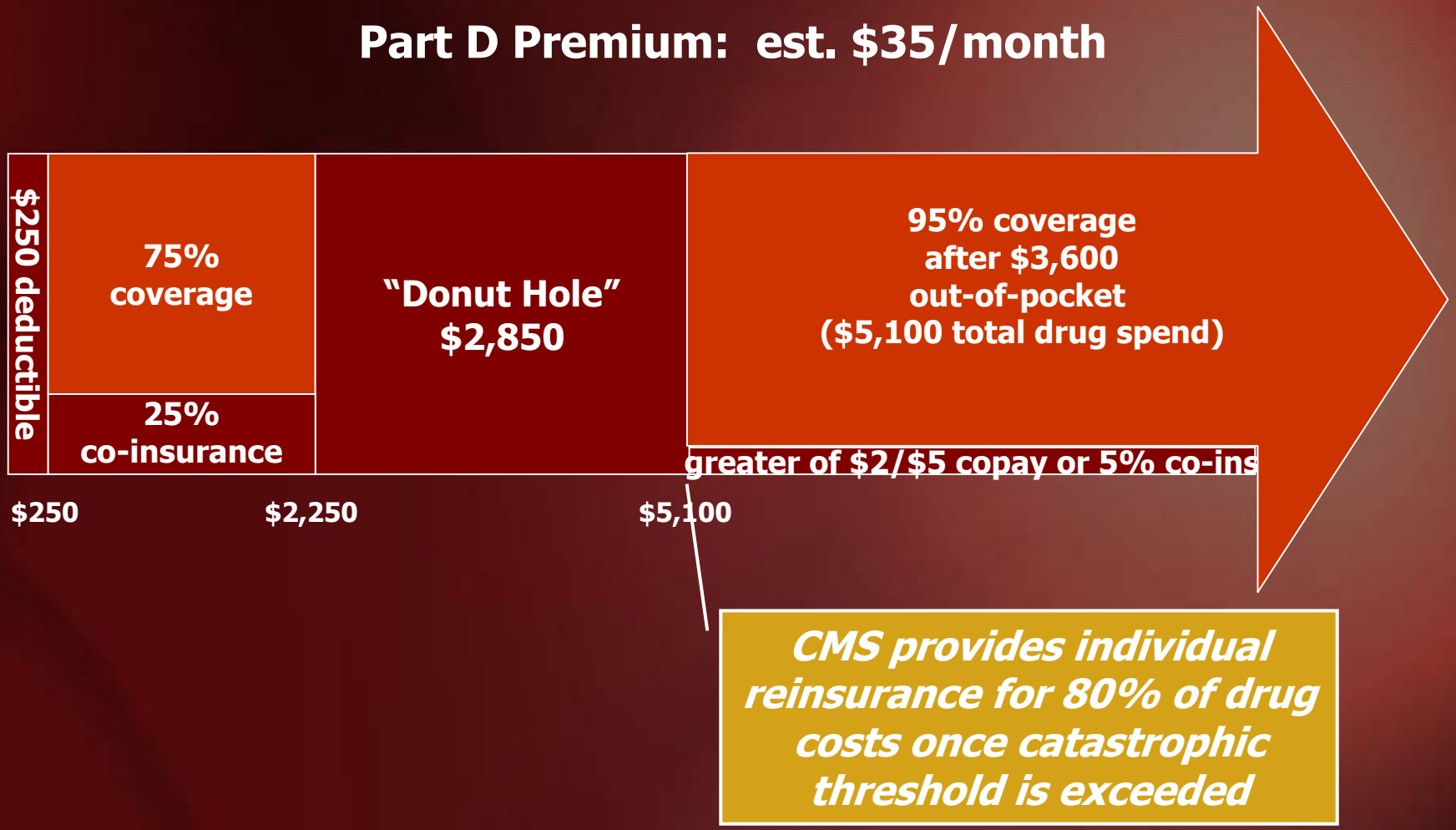
Medicare "Standard" Drug Benefit



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"Privatizing" Medicaid Dual Eligibles Through PDPs

- A large portion of the 7.2 million "dual eligibles" are disabled:
  - 2.4 million (1/3) are under age 65
  - 4.8 million (2/3) are 65 and older

- Much of the "dual eligible" population has special needs
  - Long Term Care
    - 26% of elderly dual eligibles are in nursing homes
    - 12% of non-elderly dual eligibles are in nursing homes
  - Mental Health/Mental Retardation
    - 59% of non-elderly dual eligibles have a mental or psychiatric disorder
  - AIDS
  - Frail Elders
    - 12% of elderly dual eligibles have 3 or more of 5 ADLs
    - 29% of elderly dual eligibles are unable to walk without assistance

Eligibility of Medicare Beneficiaries in 2006 for Low-Income Subsidies

	Income (% Federal Poverty Level)				
	100% and Below	101%-135%	136%-150%	151% and Above	Total
	Number of Eligible Beneficiaries (millions)				
Subsidy A					
Dual Eligibles	4.4	1.1	0.2	0.6	6.4
All other beneficiaries	2.7	3.1	0	0	5.8
Subsidy B	0.2	0.5	1.2	0	1.9
Not elegible	0.4	0.9	0.5	23.7	25.4
Total Medicare Benes	**7.7**	**5.6**	**1.8**	**24.2**	**39.4**

CBO Enrollment Projections 75% 75% 35%

5.78 4.2 0.63

10.6M Subsidized

Source: CBO

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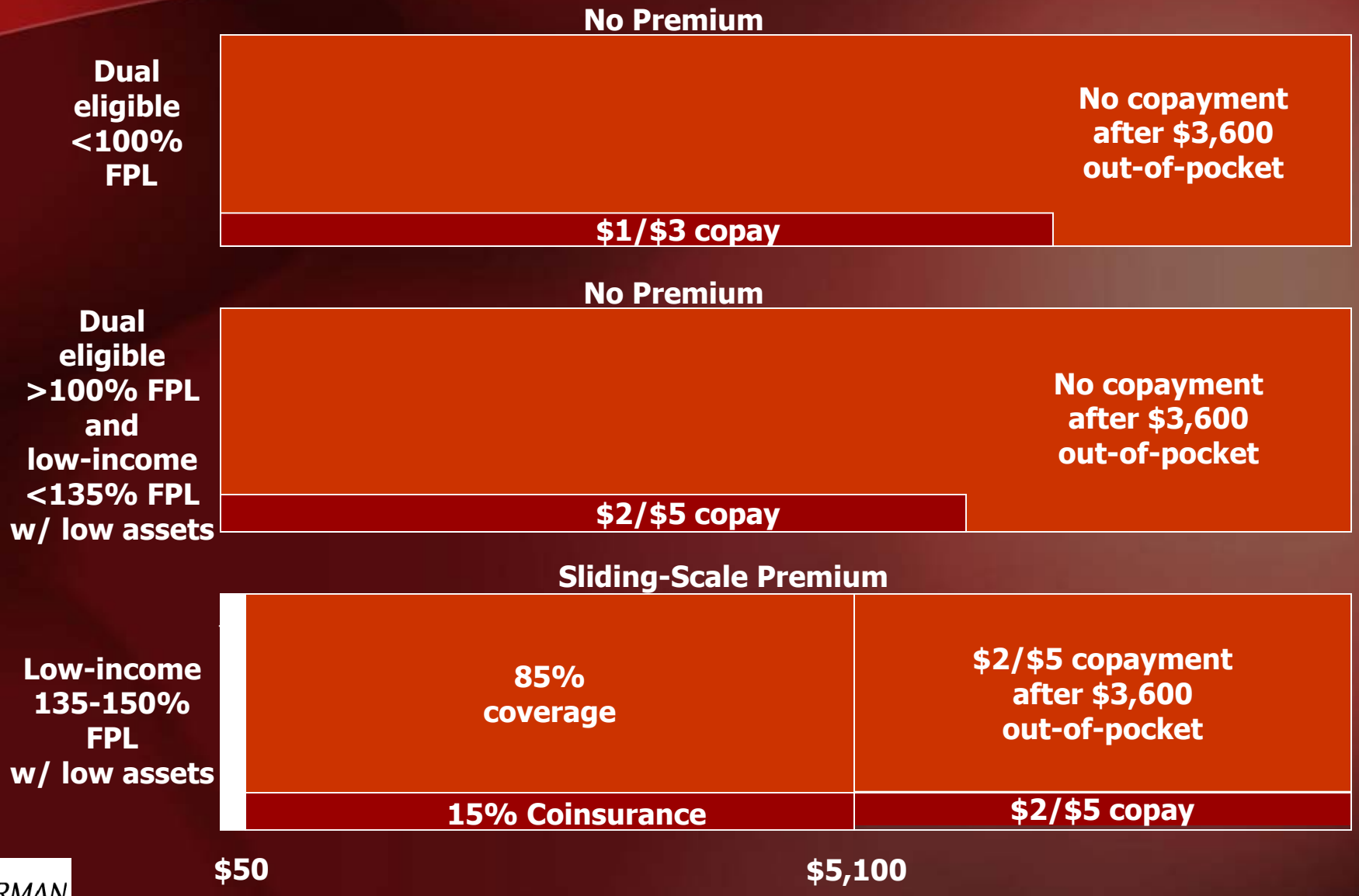
Low-Income Subsidies



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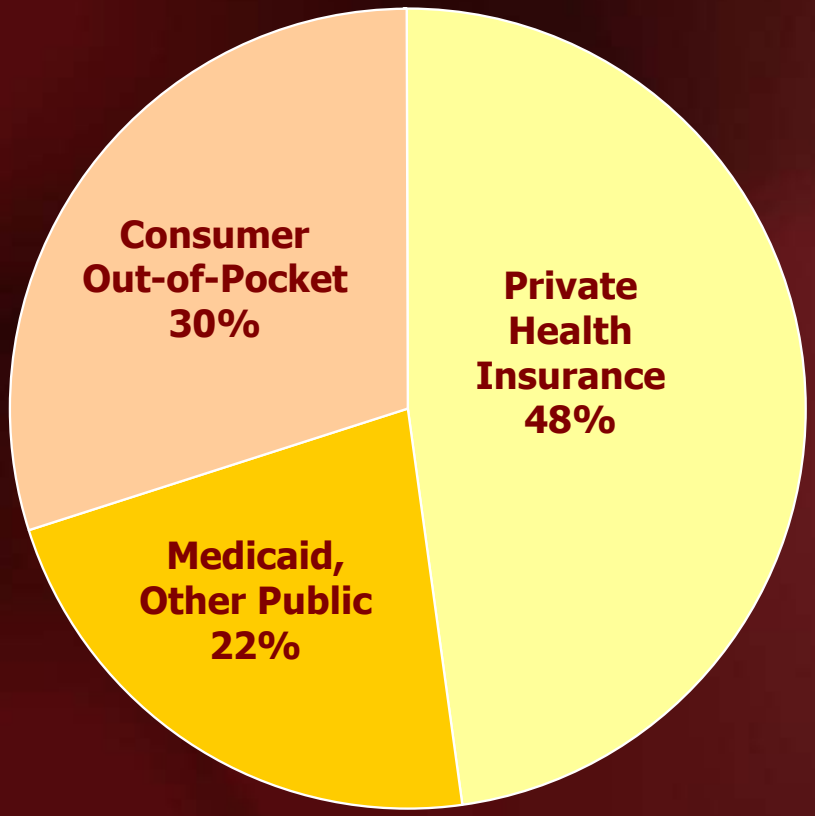
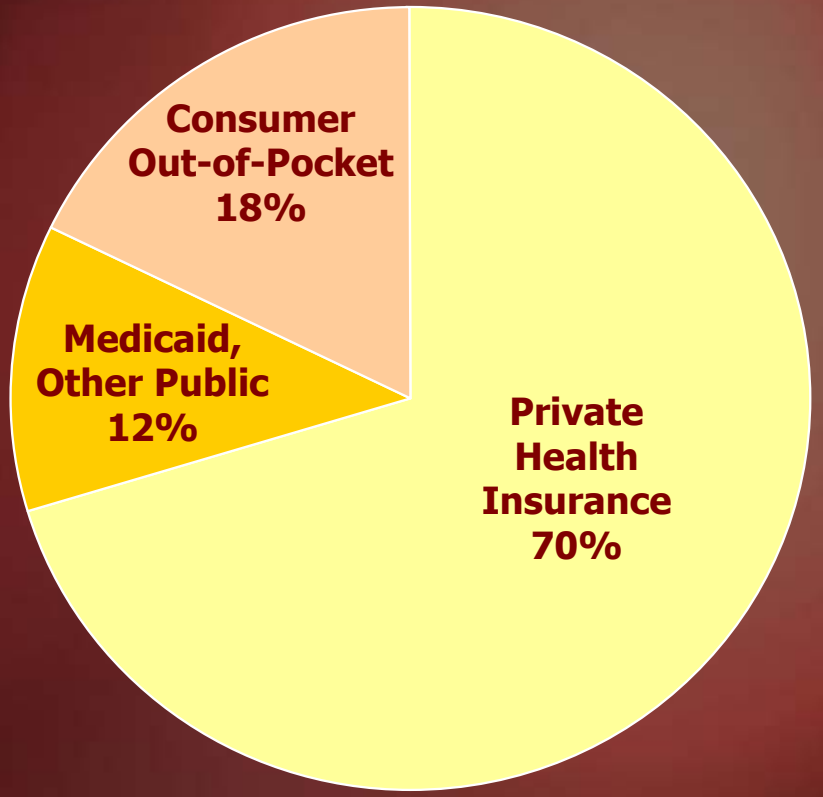
Privatization of the Drug Market

Total U.S. Drug Spending

Before Medicare Drug Benefit



After Medicare Drug Benefit



Sources: CMS, National Health Spending, 2002; and CBO, Issues in Designing a Prescription Drug Benefit for Medicare, Oct, 2002.

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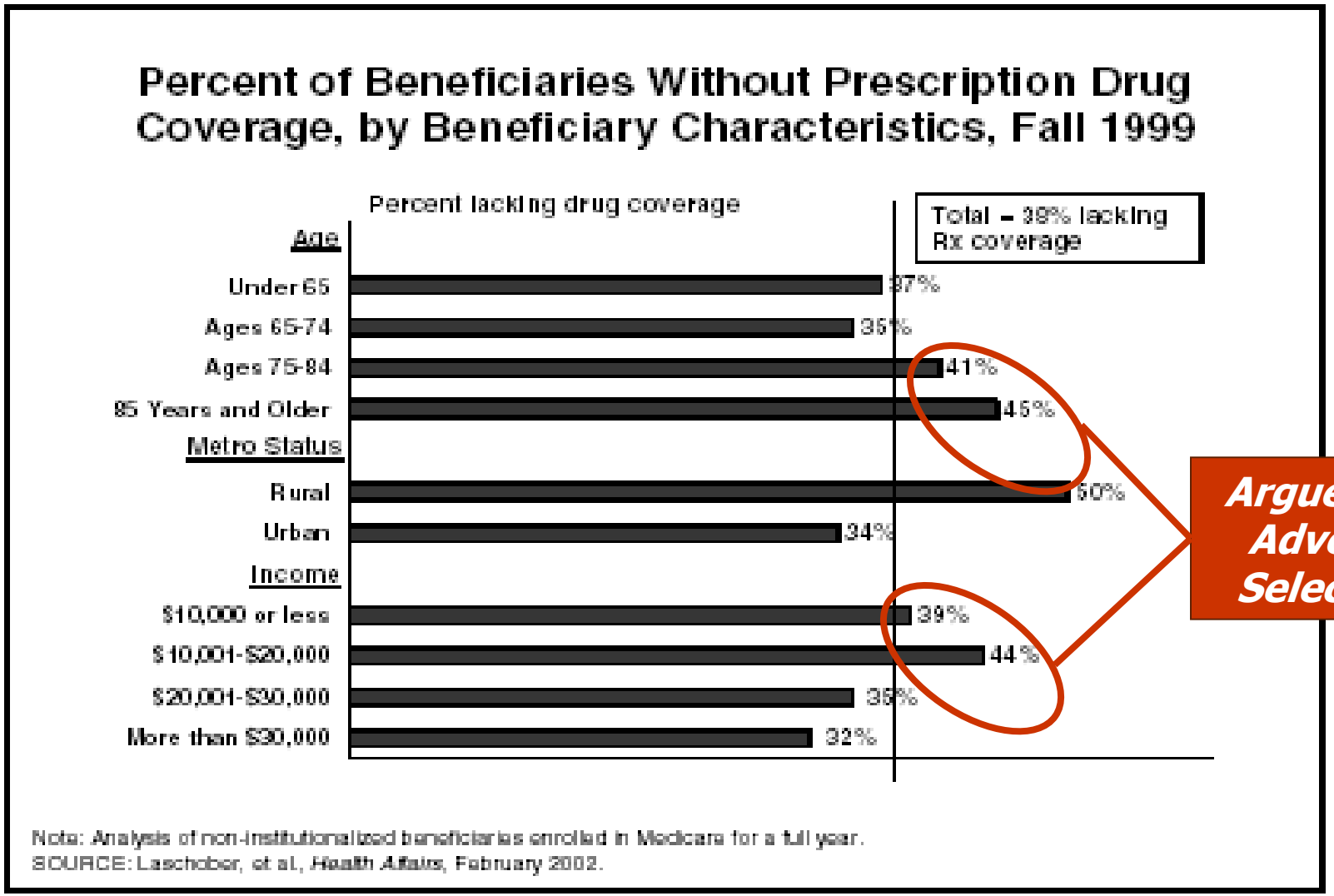
Prescription Drug Coverage For Medicare Beneficiaries



Relationship Between Utilization and Income

Comparison of Income and Medicare Expenditure Distribution in Elderly Population

Illustrates higher usage at lower income, lower usage at higher income

	Income	Income Distribution	Medicare Expenditures	Index
	$50,000+	6%	4%	67
	$25-50,000	21%	17%	81
	$15-25,000	26%	21%	81
Beneficiaries receiving subsidies	$10-15,000	18%	19%	106
	$5-10,000	24%	34%	142
	$5,000<	4%	6%	150

Source: CMS

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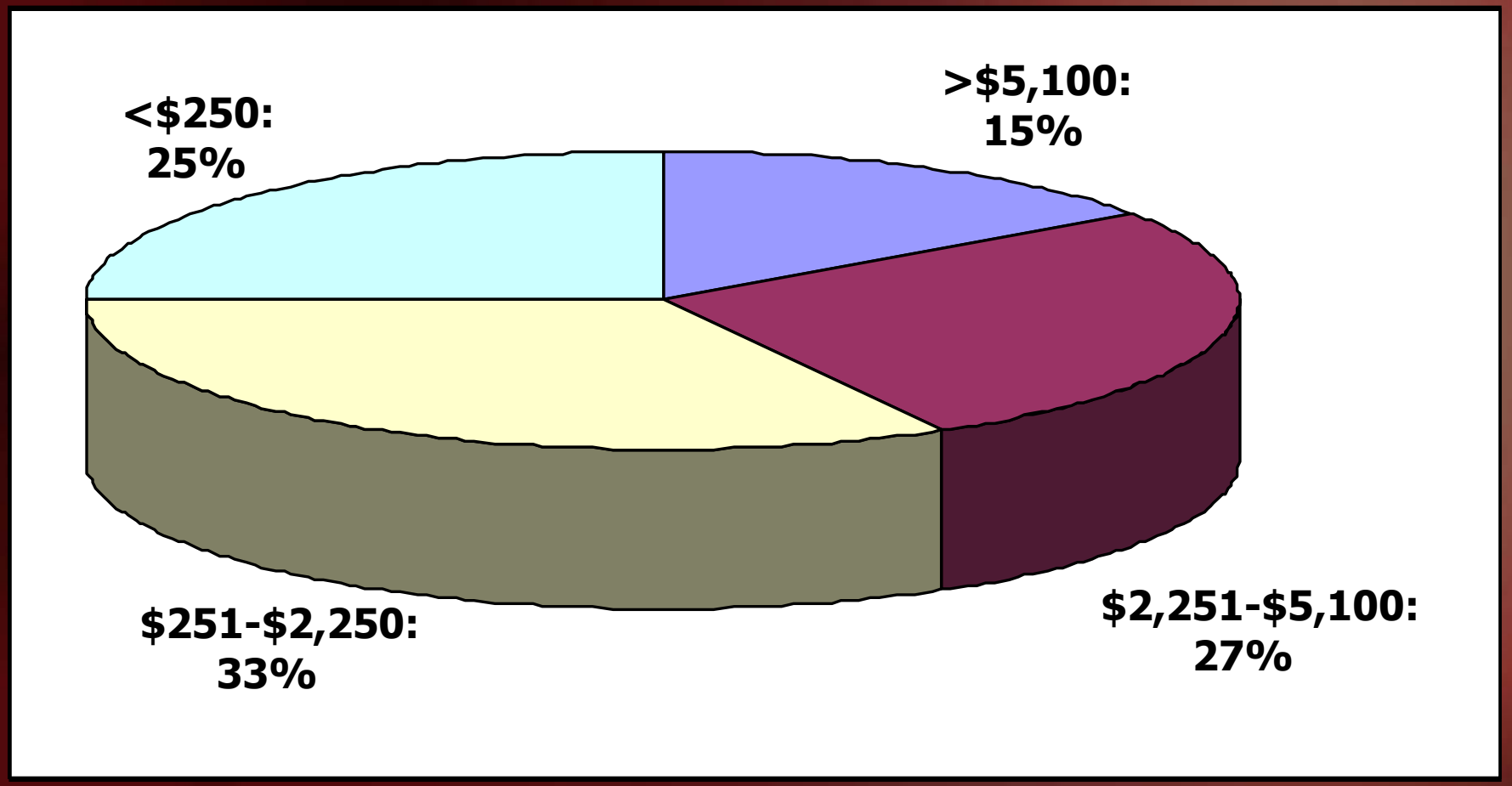
Distribution of Beneficiaries by Number of Chronic Conditions

Chronic Conditions	Percentage of Beneficiaries	Prescription Fills	Average Drug Spending (2006 $)	Percentage with $2000+ in Rx Spending
Zero	8.20%	8	$ 1,346	18%
One	15.10%	12	$ 1,819	27%
Two	21.40%	18	$ 2,543	43%
Three	21.20%	24	$ 3,426	56%
Four	16.40%	30	$ 4,046	66%
Five or more	17.70%	40	$ 5,673	75%

Source: Urban Institute, 2004

Medicare Population by Level of Rx Spending in 2006



Note: These figures represent spending for all beneficiaries. The distribution for those who participate in the program or who receive low-income subsidies may vary.

Source: Adapted from CBO.

The CMS Perspective

- **Transition away from Quality Assurance activities toward Quality Improvement**
- **MMA QI initiatives must include an ongoing chronic care improvement program**
- **CMS wants plans to focus on identifying real problems and developing solutions**

The CMS Perspective

- **Studies are needed to develop a standardized method to measure program outcomes**
  - **Especially for Medicare FFS beneficiaries**

- **CMS sponsored Disease Management and Care Coordination Demonstration programs are currently underway**

Expenditure Statistics

- Aging of baby boom generation expected to increase Medicare spending to 5.4 % of GDP by 2030
- The costliest 5% of beneficiaries consume over 50% of costs
  - Over half of the spending for costliest beneficiaries went to pay for inpatient hospital services
  - High levels of expenditures persist over time
- 47% of Medicare FFS beneficiaries have 3 or more chronic conditions and account for almost 90% of spending
- Only 22% of beneficiaries have no chronic condition and account for less than 1% of total spending

CMS Concerns

- Longer life expectancy increases the prevalence of multiple chronic diseases
- The costliest beneficiaries have multiple chronic conditions, use multiple providers and take multiple medications
- A significant opportunity exists to implement treatment guidelines, coordinate care and reduce duplicative and unnecessary services in the chronically ill population
- A consistent, proven measurable method to manage these issues has not been documented
  - The decision regarding what and how to pay for disease management or care coordination services has not been determined

What CMS is Looking For

1. Disease Management Features:

- Identification of patients
- Matching interventions to patients
- Use of evidence bases practice guidelines
- Supporting adherence to the plan of care

2. Practice Guidelines:

- Provided to MDs and other providers
- Reporting of progress according to guidelines
- Use of support services and personnel to monitor patients

What CMS is Looking For

3. **Service designed to enhance patient self-management and adherence to treatment plans**
   - Education
   - Patient reminders
   - Monitoring
   - Behavior modification that encourages life-style changes

4. **Routine reporting and feedback**
   - Communication with patients
   - Communication with MD and other providers
   - Practice profiling

What CMS is Looking For

5. Communication and collaboration among and between providers and patients
   - Team conferences
   - Collaborative practice patterns
   - Routine reporting
   - Feedback loops
   - Care manager communication to providers, across providers and to patients
   - Communication across providers to address co-morbid conditions

What CMS is Looking For

6. Collection and analysis of process and outcome measures

7. Use of specialized software, data registries, automated decision support tools and callback systems

8. Additional services to actually treat diseases
   - Assessment social services
   - Preventive services
   - Transportation
   - Rx coverage

Presenting the Opportunity

- Significant, relatively low-risk opportunity in Medicare
- Capability must be broad and scalable
- Cash flow dedicated to DM function
- Insurers: DM capability central to long-term survival in Medicare
  - MA plans: adverse selection in Part D
  - Medigap: ability to mitigate insurance risk
- Strategic opportunities

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Disease Management Core Components

- Population Identification Process (Often segmented by risk level)
- Use of evidence based guidelines
- Collaborative practice between patient, physician and program sponsor
- Patient self management education
- Process and outcome measurement
- Reporting and feedback mechanism to allow for ongoing management of the patient's condition

Is Disease Management the Solution?

- **Disease Management appears to offer the potential to improving quality and contain costs**

- **Persistently expensive beneficiaries present obstacles to traditional disease management strategies such as education and self management**
  - **More likely to be diagnosed with dementia or functional decline along with multiple chronic diseases**

Is Disease Management the Solution?

- **A single disease focus is not the solution for chronically ill Medicare population**
  - **Complicating co-morbidities must also be managed**
  - **Arthritis, Cancer, Heart Disease, Hypertension, Depression, Diabetes, Vision and hearing impairments**

Disease Management Issues

- **DM Industry is still in the development stage**
- **It is not clear whether DM programs can improve health outcomes let alone produce long term cost savings**
  - **Savings comparisons are made between what was actually spent against projected costs for same time period**
- **Studies demonstrating positive outcomes use different strategies, methodologies and standards creating skepticism regarding results**
  - **Results vary depending on baseline used**

Disease Management Issues

- MMA has recommended randomized controlled studies as the method to authenticate results
- However, the industry cannot afford to wait until DM controlled trials are completed to implement some possible solutions

DM Challenges

- Generally designed for commercial population within a health plan
- How to identify the target population
  - Member turnover, change in plans
  - Enrollment and withdrawal patterns
- The need to show short term results when interventions may not show impact for years
- The use of potential bias in reporting results
- Implementing a program that demonstrates a positive or neutral ROI
  - Administrative costs of implementing the program must be considered along with the potential savings

Current DM Outcome Measurements

- **Health Care Process Improvements**
  - Improvement in HEDIS Rates
  - Improvement in appropriate utilization of guideline recommended services
- **Improved compliance to recommended treatment guidelines by physicians**
- **Improvements in Member Satisfaction**
  - CAPHS Survey
  - HOS Surveys
- **Improvement in self management skills**

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Current DM Outcome Measurements

- **Short Term Improvements in Quality of Life and self rated health status**
  - **SF 12 and SF 36 results**
- **Short Term Financial Savings**
  - **Generally achieved from reduction in utilization of services**
  - **PMPM savings and component savings compared to baseline**
- **ROI- DM program cost compared to medical cost savings**
- **Long term outcomes have not been documented**

So…Where are We?

- Demonstrations are currently under way
- The most costly Medicare members have multiple chronic conditions. Costs will continue to increase as life expectancy increases and medical treatments improve
- There is clear agreement that the care of chronically ill populations needs improvement using some type of care coordination methodology
- Management of the chronically ill is central to long term success in Medicare

So…Where are We?

- DM has not yet consistently demonstrated financial savings it has promised
- The day is coming when some sort of uniform methodology to measure Disease Management results will become standard operating procedure
- Who will take the lead in setting the standards for disease management? Industry or CMS?

Disease Management Trends

- **Use of technology to support the self management process**
  - **Telemedicine**
  - **Proprietary Predictive Models**
  - **Electronic management of patient level monitoring results**
  - **Electronic Medical Records to support collaborative practice between providers**
- **Automated electronic care pathways, decision support tools and medical management systems to support disease management efforts**

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Approaches to Chronic Care Management

- **Different approaches to the problem**
  - Use Disease Management or Case Management
  - Most likely a combination of both for best results
- **Disease Management**
  - Treats well defined chronic illnesses
  - Standardized clinical and self management protocols are used
- **Case Management**
  - Complex combinations of medical problems
  - Individual approach to meet specific needs of member
  - Often uses social support services along with clinical interventions

Recommended Chronic Care Management Strategies

- **Effective Case Identification**
  - Use a combination of methods
  - Predictive models, sentinel events, physician referral, utilization, risk surveys
- **High Risk Validation**
  - Once identified, the risk level should be validated to support efficient use of resources
  - Perform comprehensive needs evaluation to determine which risk factors are amendable to intervention
  - Identify readiness to learn and motivation level
- **Risk Stratification**
  - Determine which members can receive intense management and which can receive more passive interventions
  - Passive Management: Reading materials, reminder programs, secondary prevention
  - Active Management: Employment of active, on site, collaborative interventions that include both social and clinical services

Chronic Care Coordination Strategies

- **Management of level of care**
  - Appropriate to enrollees clinical and personal goals
  - Inpatient setting may not be necessary
- **Population based contracting strategies**
  - Where financial incentives complement care management strategies
  - Rewarding for performance
- **Use of standardized care path tools**
  - Specific to the needs of the geriatric population

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Chronic Care Coordination Strategies

- **Focus on Primary Care Physician**
  - **The director and coordinator of the health care treatment plan**
- **Program Sponsor (health plan) focuses on non-clinical needs to complement the clinical interventions**
  - **Social and functional needs the physician does not address**

Chronic Care Coordination Strategies

- **Consider use of alternative health care professionals**
  - **Where appropriate to augment the physician treatment plan**
  - **Nurse practitioners, Nurse Specialists, Physician home visits**
- **Ongoing identification and surveillance of at risk enrollees**
  - **Consider enhanced technology to continuously identify changing needs**

Chronic Care Coordination Strategies

- **Customization of the plan of care to meet individualized needs of the member**
  - **Include social, functional and community service needs**
- **Apply creative use of covered benefits combined with community resources and functional support services**
  - **To address multiple chronic needs that go beyond skilled benefit services**

Summary

- **Disease Management offers potential opportunity to manage chronic care and control costs but does have unanswered questions**
  - **Financial savings and long term outcomes are uncertain**
  - **Methods to measure results are highly variable**
- **Costliest Medicare beneficiaries have multiple chronic diseases and functional deficits that complicate traditional DM approaches**
- **New chronic care strategies are needed to manage the unique challenges offered by the Medicare population**

Summary

- Studies are currently underway to measure the effectiveness of DM and chronic care coordination programs
- MA plans need to consider program costs, outcome measurement methodologies and savings assumptions before implementing chronic care management programs

How To Contact Us

John Gorman

(202) 364-8283

jgorman@gormanhealthgroup.com