MERCER
Human Resource Consulting

July 30, 2002

Pivot Points:
Employer and Plan Solutions Most Likely to Moderate Costs

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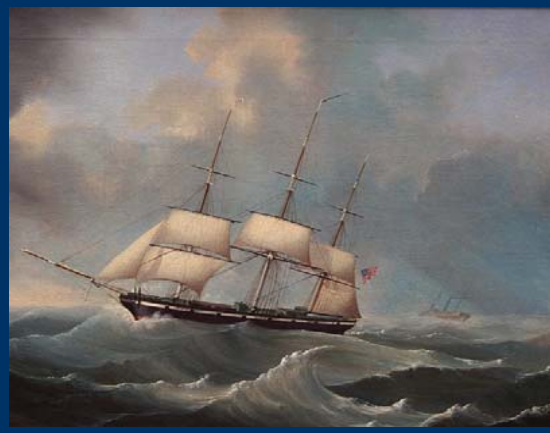
Starting Gate Observations

- Aging and biomedical tech collide with 1.2Σ
- Purchasers seek better, less costly care
- Purchasers can't afford angry enrollees
- Primary purchaser tools are incentives for consumers and suppliers
- What is most likely to succeed?

#1 Focus of Incentives for Consumers



Selection of plans → **Add selection of providers, care management, and treatments**

Focus on biggest remaining sources of total annual cost variation

#2 Bases of Comparing Costliness

Biggest discounts or lowest unit prices → **Best total longitudinal efficiency (AKA "TCO")**

e.g. Pitney-Bowes, UHC, BHCAG, PBGH

#3 Who Keeps Savings from High Yield, Capital-intensive Re-engineering?

Purchaser (mostly) → **Shared by purchaser & supplier**

Focused on early supplier adopters

#4 Cost Insulation for Highest Risk Consumers

→

Unconditional **Conditional**

Out-of-pocket limits that exclude higher co-pay or co-insurance tiers when more efficient, high quality options are available; or positive incentives for highest risk consumers.

How Much Do Pivot Points Matter?

Consumer Engagement Approach	Est. Premium Trend Offset
Ungeared plan (PCA)	7%-8%
Geared plan x 3 w/positive incentives	10%-15%
Geared plan x 3 w/negative incentives	15%-25%
If “critical mass” tips supplier re-engineering	>30%