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Human Resource Consulting

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Will Consumer-Driven Health Care Improve the Value of Health Insurance Benefits?

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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 and quality 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 and innovations with negative provider ROI



#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; and/or positive incentives for highest risk consumers.

How Much Do Economic Pivot Points Matter?

Consumer Engagement Approach

Est. Premium Trend Offset

Static Savings

- | | |
|---|---------|
| ■ Ungearred plan (PCA) | 7%-8% |
| ■ Positive incentives geared to consumer-selected provider, care management and tx option | 10%-15% |
| ■ Negative incentives geared to consumer-selected provider, care management and tx option | 15%-25% |

Dynamic Savings

- | | |
|--|------|
| ■ If “critical mass” tips continuous supplier re-engineering | >30% |
|--|------|



Beyond Economic Efficiency: Ingredients Critical to Improved 6-D Quality

- **Provider payment levels (including care management providers) determined by:**
 - Publicly reported standardized performance measures (NQF-endorsed) in 5 or 6 domains
 - Performance excellence
- **Consumer decision-support**
- **Increase AHRQ and FDA funding for performance reporting for major treatment options**

