

# Disease Management in the Private Sector (2002)

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[www.DisMgmt.com](http://www.DisMgmt.com)

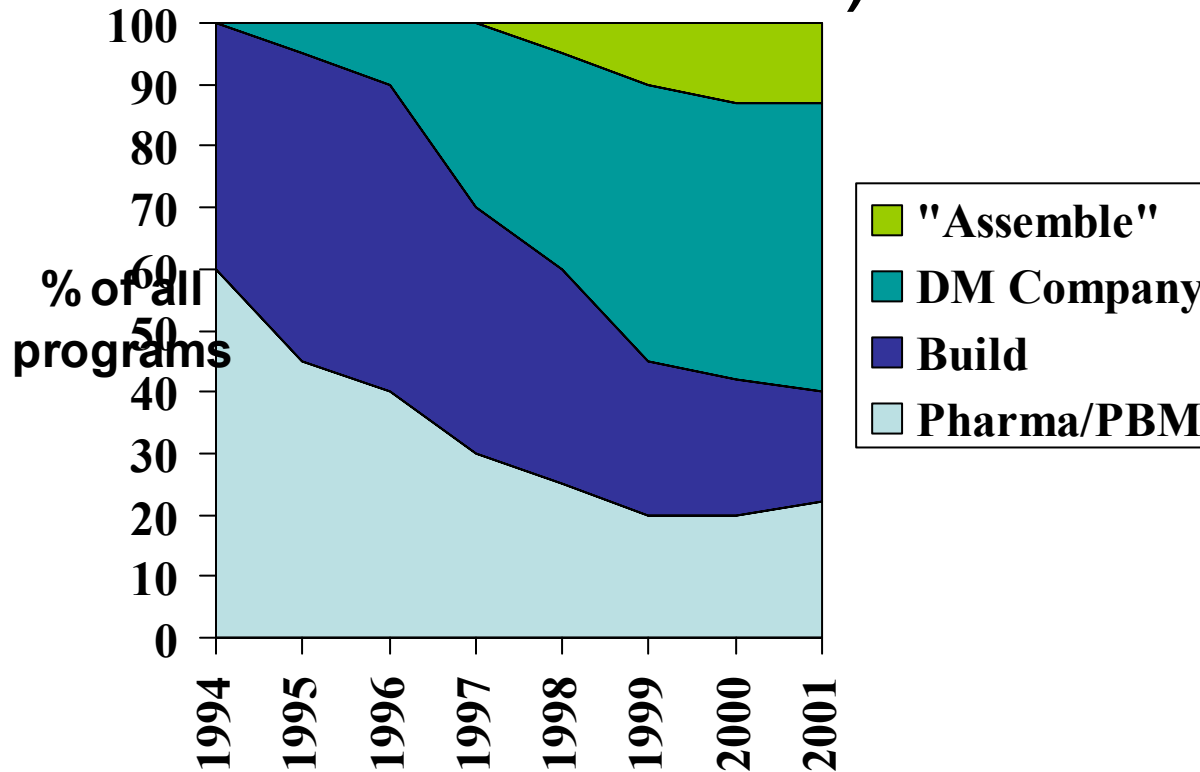
# Agenda

- Background on Disease Management Purchasing Consortium
- Size and Growth
- Pricing and Guarantee Trends
- State of the Industry and Impediments to Future Growth
  - Specifically, employers

# Hey, Butch, Who Are These Guys and why are they wasting our precious time?

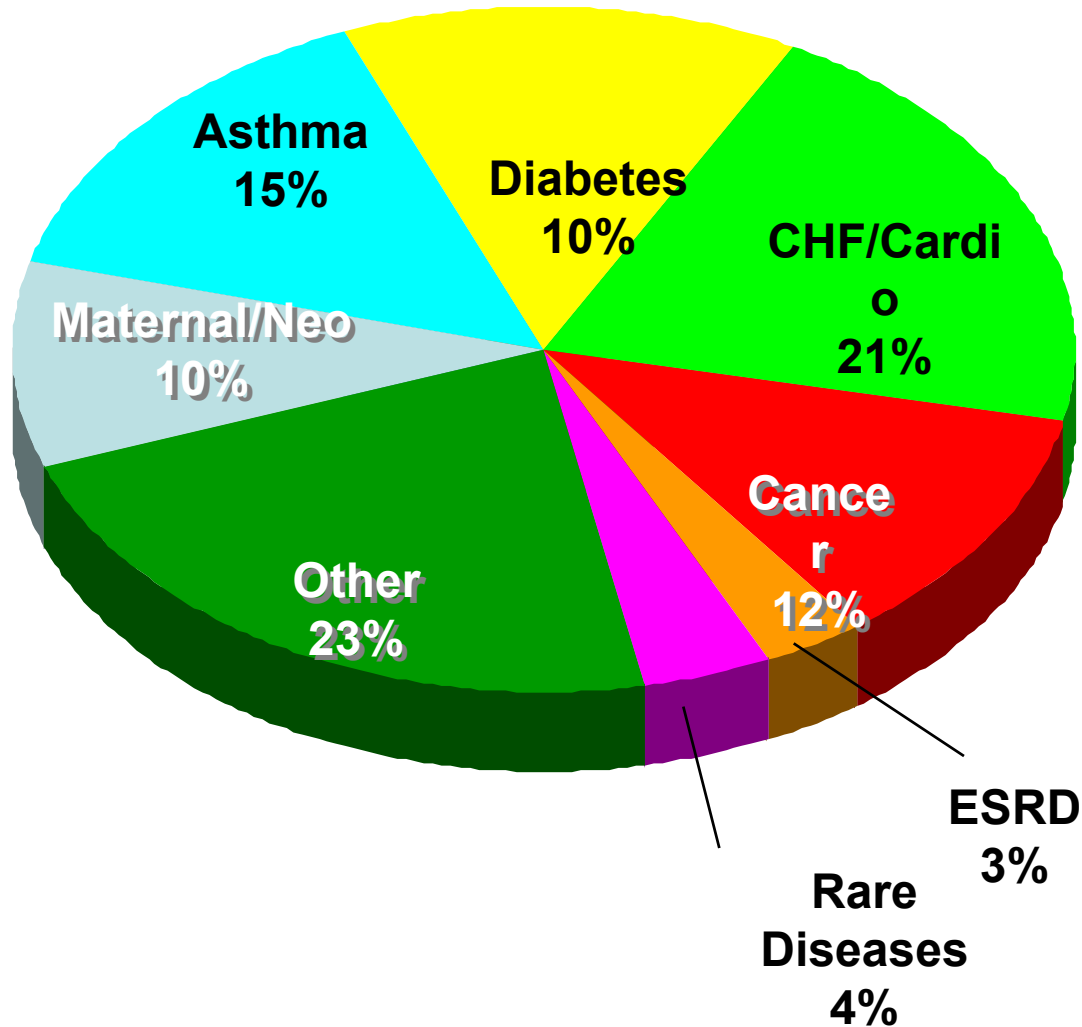
- DMPC membership includes 68 health plans, 4 employers, 4 states, 2 gubernatorial campaigns, 2 states retirement systems and CBO
- Does majority of all private sector and Medicaid RFPs (by dollar volume)
- As a result, we know most of what goes on in DM

# Source of non-employer Disease Management (employers mostly outsourced)

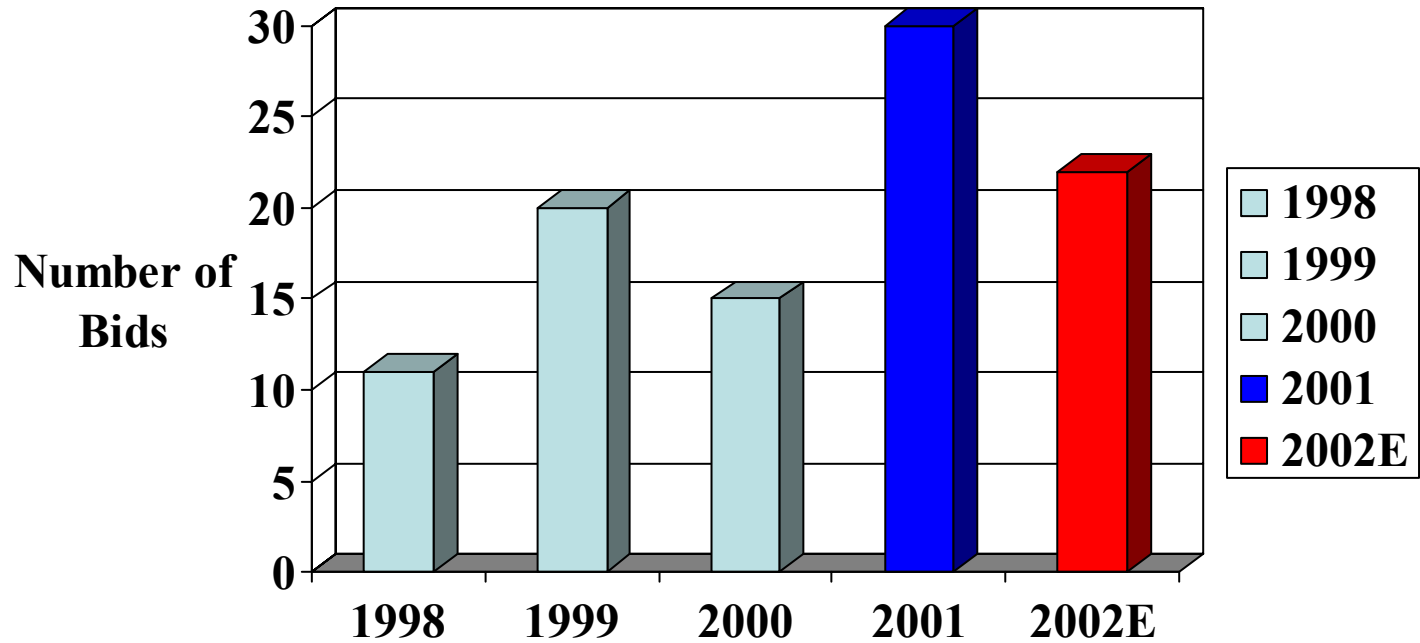


# Industry Trends. Market Sizes and Compositions (2001)

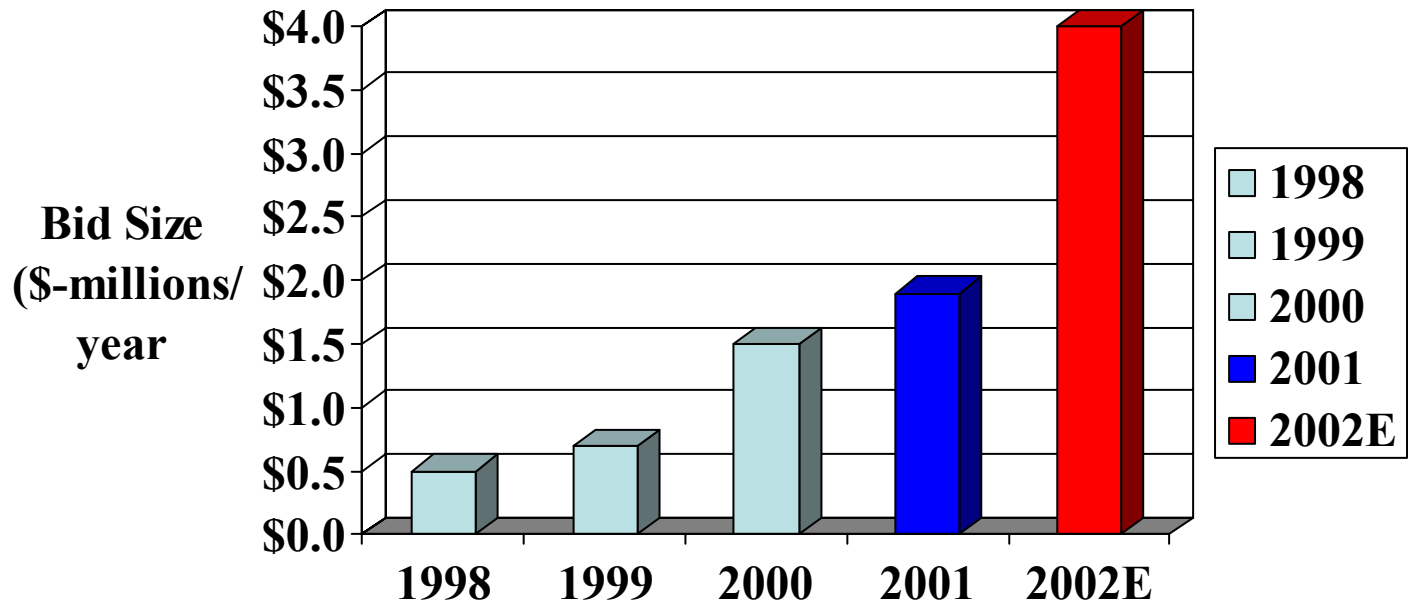
Total Size: \$480MM in fees



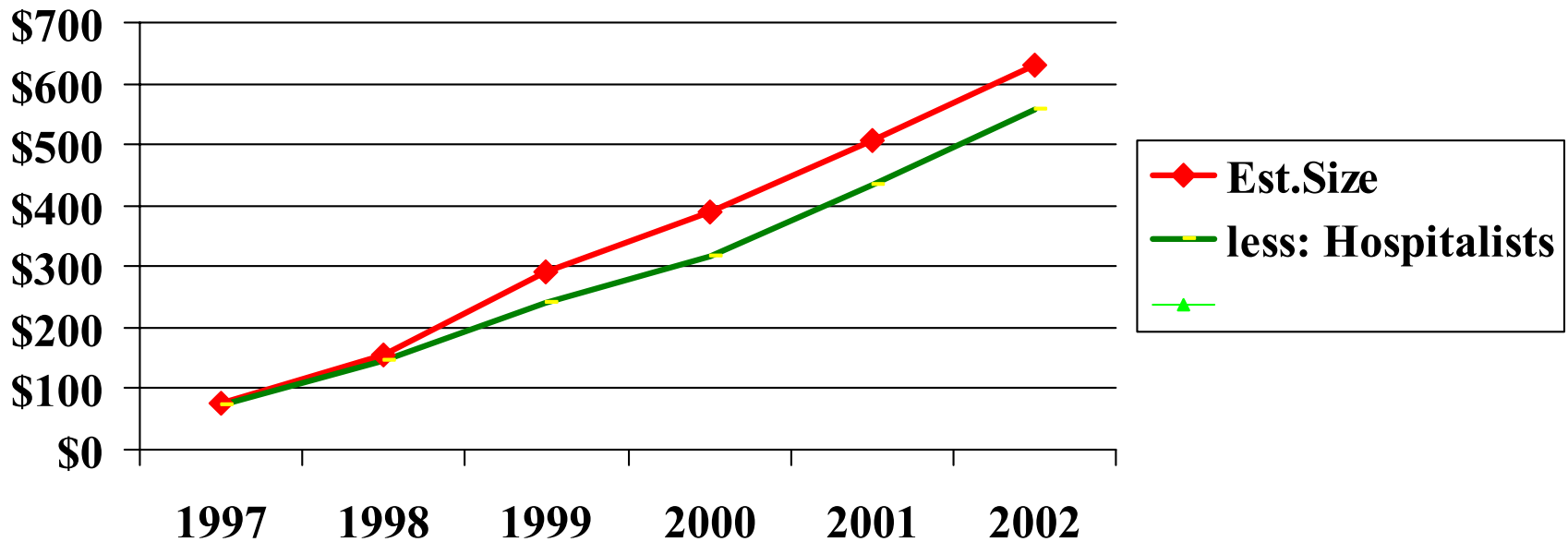
# 2002 is down in # of bidds undertaken



2002 is down in # bids but up in est. bid size



# Disease Management Market Size Estimates (\$-millions of outsource fees)

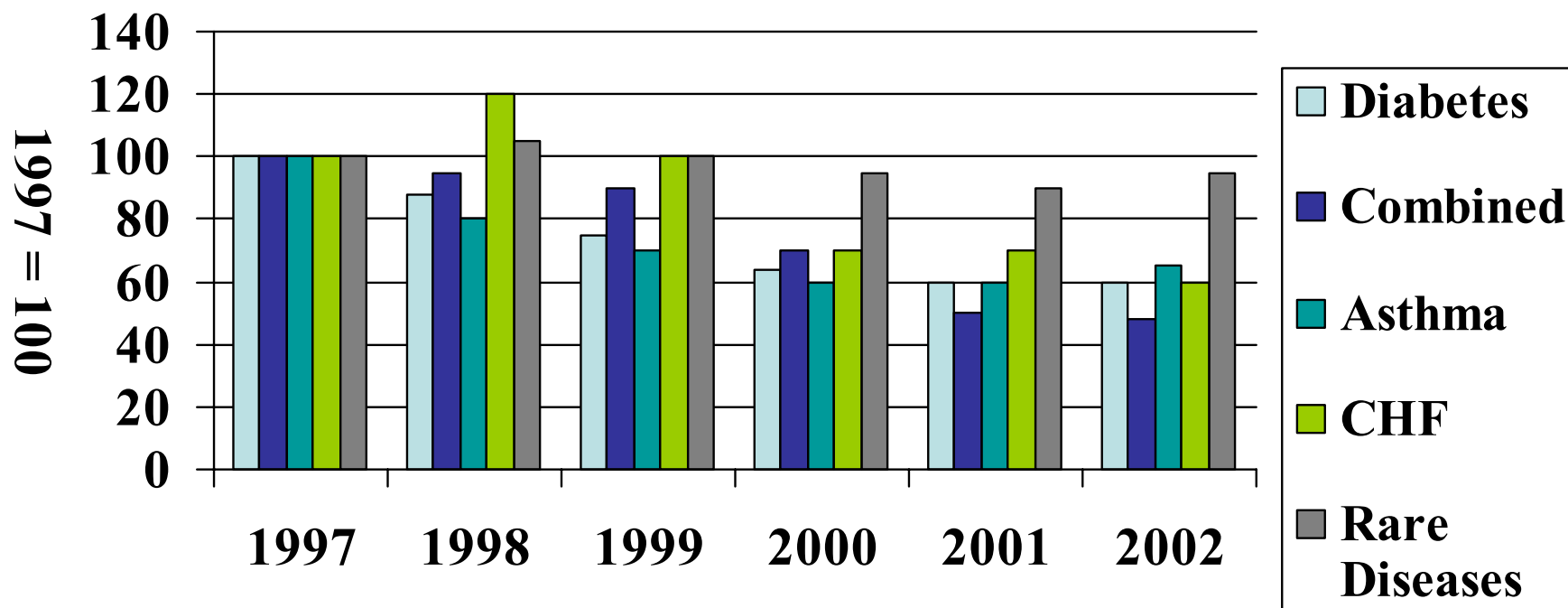




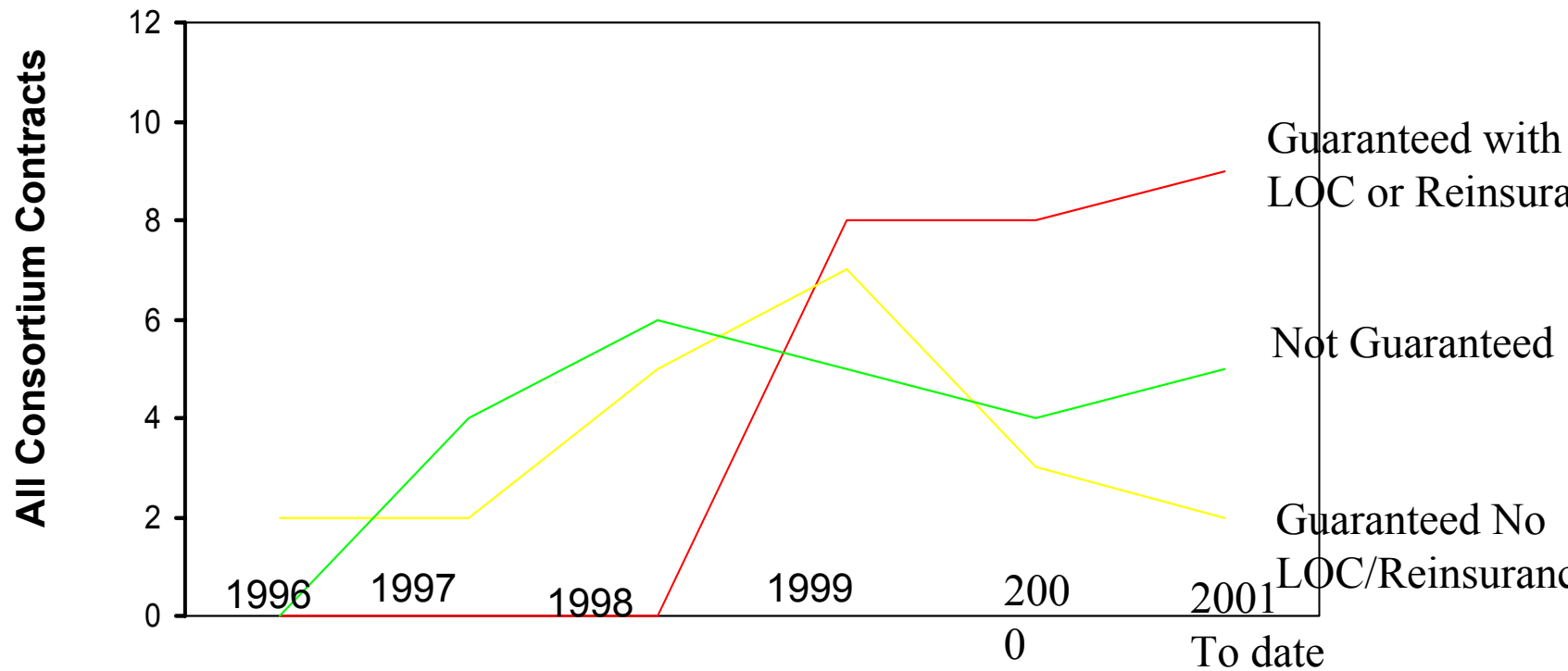
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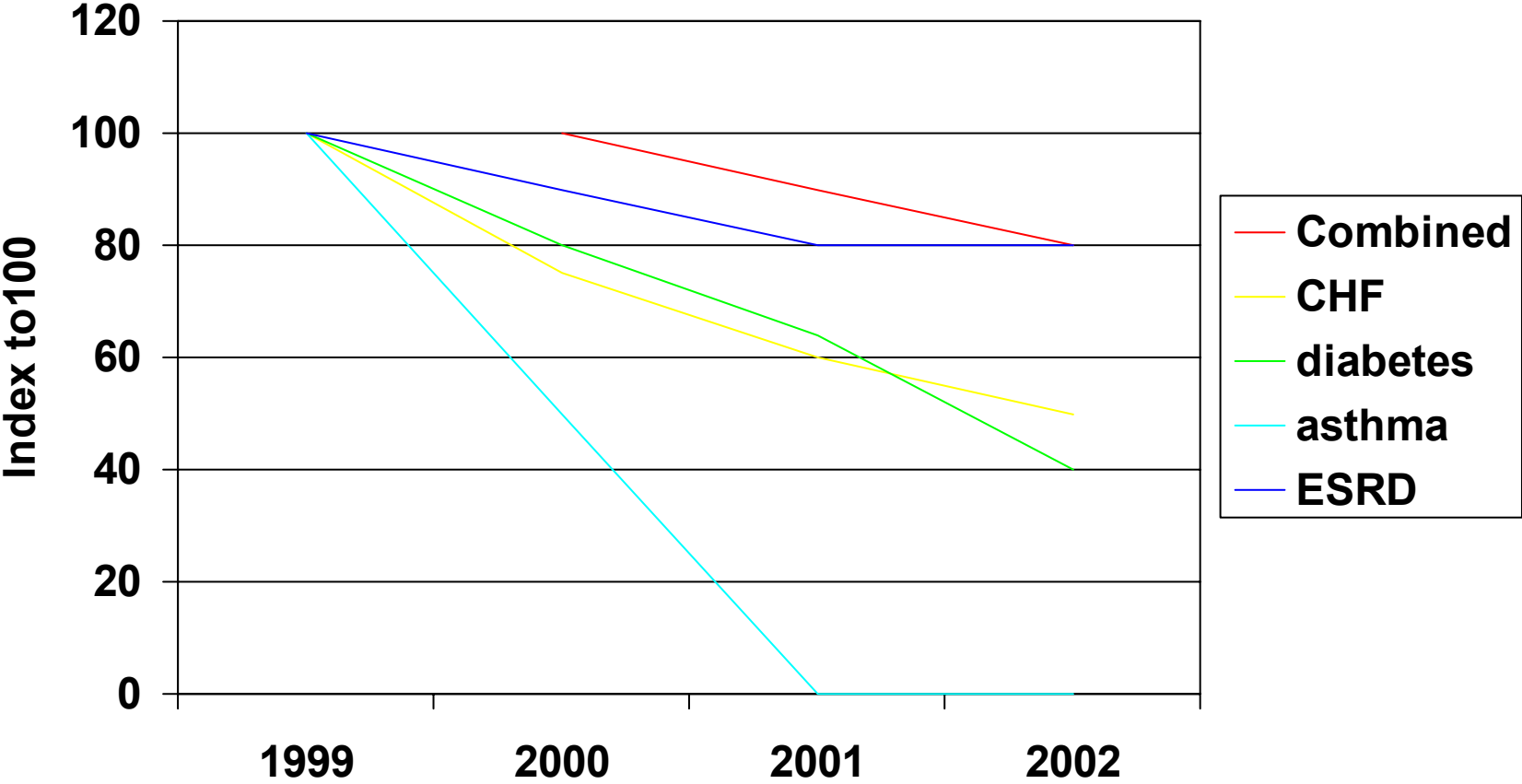
# Fee Migration (indexed 1997 to 100—\$ fees proprietary)



# Guaranteed Savings Deals



# Guarantee Migration over time



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# State of the Industry

- Regulatory Health: Good
  - Workable HIPAA accommodation
  - States moving from blocking to facilitating
- Economic Health: Good
  - Companies creating value for shareholders  
(Accordant sale shows intrinsic value)
- Financial Value-Added: Still a Question  
(clinical/satisfaction value-added not disputed)
  - Next page

# Financial Value-Added: Supporting Arguments

- Vendor outcomes have been positive
- Vendors guarantee savings
- Few plans drop programs and many add them
- **Financial outcomes metrics not valid**
- **They don't always hit their guaranteed numbers and it's difficult to reconcile**
- **Pressure from employers accounts for that**

# Financial Value-Added: Detractor Arguments

**Vendor outcomes aren't valid**

Only if you don't know how to contract with vendors

**Vendors miss their numbers sometimes...**

Reinsurance has been purchased 30 times and there have only been 3 claims

**...So we can't be sure of savings**

Fewer things are more certain than guaranteed savings—you can't lose

**No official standard ROI metrics yet**

DM Purchasing Consortium metrics the *de facto* standard, used in most bids and contracts. Anyone can use them



# Financial Value-Added

- Strong enough evidence to indicate good financial ROI but not strong enough (for Consortium members at least) to do a fee bid—we still like vendors to take risk (though less risk than before)
  - The tradeoff is higher fees and the strong likelihood of a complex reconciliation (though there are ways to simplify this)

# Employer Impediments

Same financial issues, plus:

- Getting bad advice from consultants
  - Failure to understand DM-specific biostatistics needed for risk deals
  - Admission by one consultant at conference that they don't know how to contract for DM
- Using substandard vendors (easy to tell which)
- Not knowing when to disintermediate and when to use health plan's program
- Not looking into option of combining with UM/claims-paying

# Conclusion

- Don't believe the detractors...but don't disbelieve them either
- DM SHOULD save money...
- ...but it is not a 100% certain layup so get significant risk in the deal
  - And make sure of your biostatistics and that your advisor is biostatistically savvy (ask them the same question as a test) and don't pay them to “reinvent the wheel”—this assistance should cost low five figures