Center for Health Value Innovation

2007-2008: Training the Market in Value-Based Designs

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Former VP HR Strategic Initiatives at Pitney Bowes

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What to expect today?

- Does the concept of health as an investment make good business?
- Is this model sustainable and scalable?
- The Movement-Update on the Market

Teaching the Market to Invest in Health

CENTER FOR HEALTH VALUE INNOVATION

a 501c3 non profit organization

Center for Health Value Innovation 501c3

Mission: We will share evidence that value-based designs improve health and financial sustainability.

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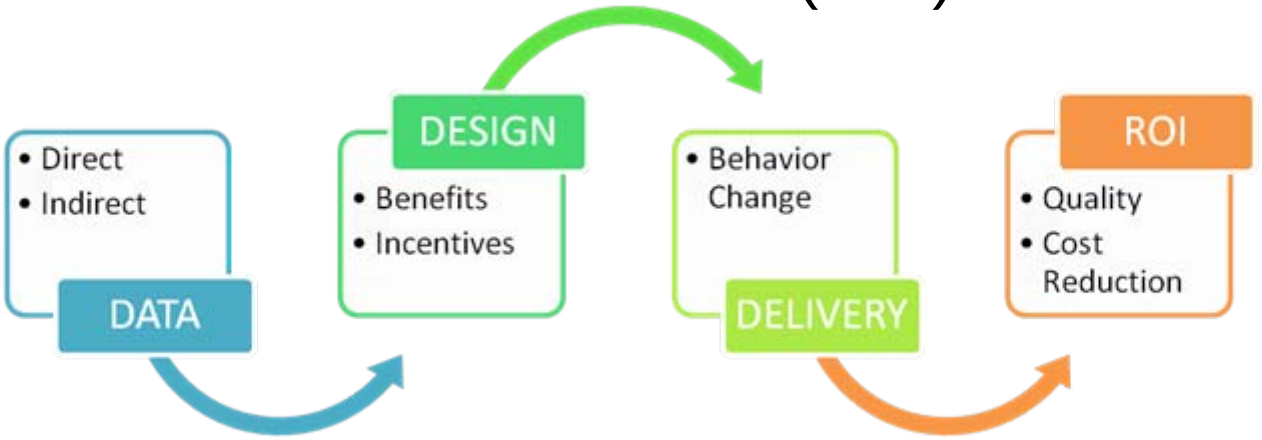
- NBCH
- PBMI
- Interface EAP
- Colorado Business Group on Health
- Midwest Business Group on Health

Definition

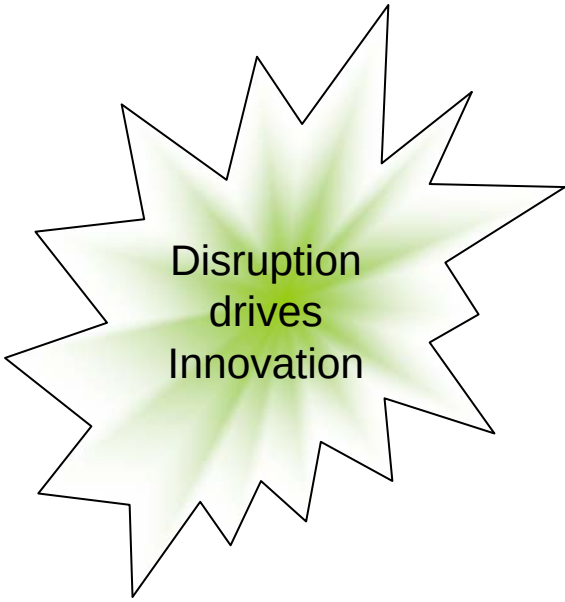
Value-based design is a health management process that

1. Uses data to
2. Invest in benefits/incentives that
3. Change behaviors to
4. Reduce financial and health risk(ROI)



Evidence: Value-Based Design Delivers ROI to Purchasers

Purchasers need reliable, accessible, active data to invest in the optimal performance of the workforce



- **Data:** Identify those at risk, those who are under-managed, and those who have low risk
- **Design:** Build support platforms that improve the health status (shift left)
- **Delivery:** Engage experts to support the movement and accelerate the change
- **Refinement:** Evaluate through a planned process

Pitney Bowes
Value Based Benefits Design

Some Observations from the Past Five Years

Managed Competition-Cost Focus-The 90's

The Concept:

- Access to a broad array of managed care plans
- Employee cost based on quality

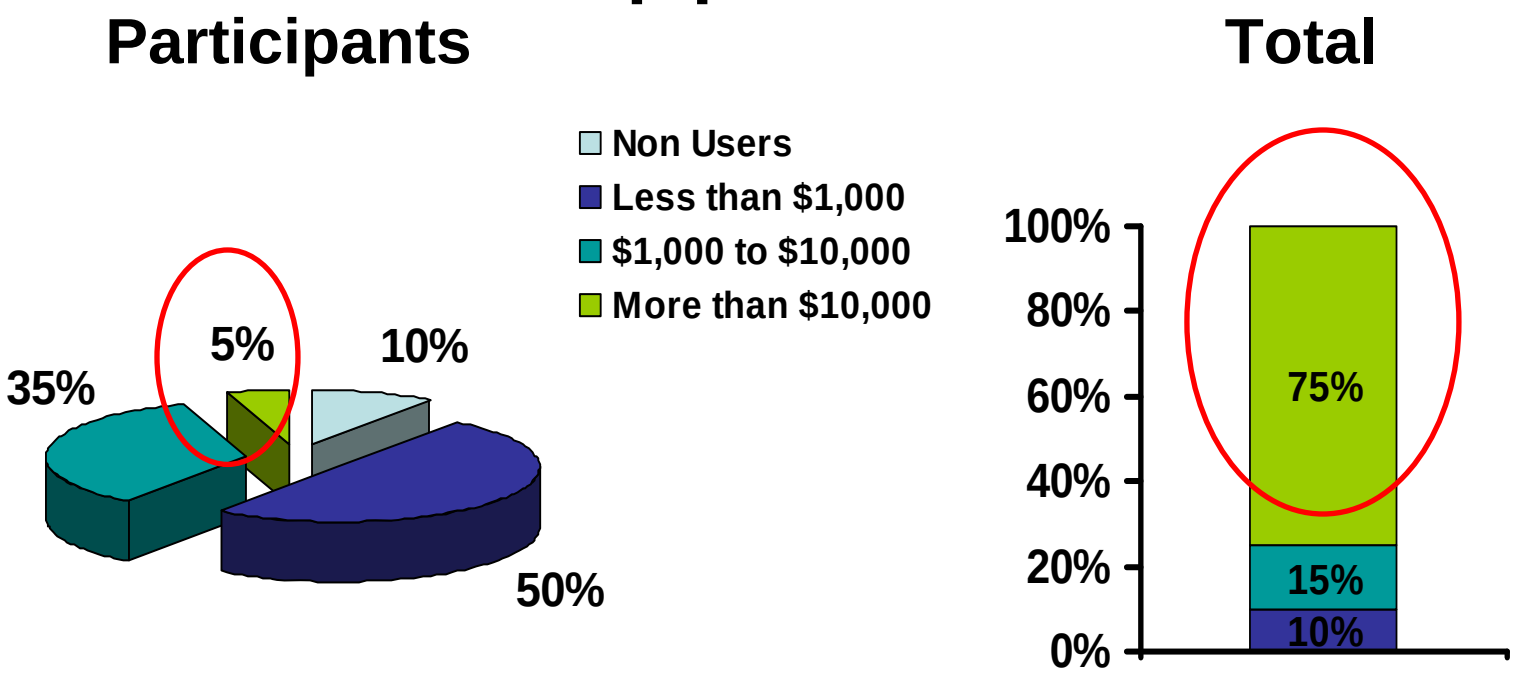
The Issues:

- Annual Plan Design Changes
- Entry/Exit of HMOs
- Network Geographic Changes
- Fluctuating Employee Contributions
- Manage resource consumption through deductibles/copays/coinsurance
- Focus on high cost cases

Strategic Issues:

- HMO Centric
- Overemphasis of Financials
- Reactive not Proactive

Enrollee Annual Cost Distribution-Traditional Approach



Benefits Redesign Based on Predictive Modeling-Pitney Bowes

Finding:

Individuals with no exposure to health care system (zero claims) are at high risk of becoming high cost claimants within 3 years.

Response:

Engage people in health care system

- Free or limited cost of preventive/screening services
- First dollar coverage for routine medical care
- Eliminate front-end deductibles
- Robust EAP services
- PB-Specific
  - "Culture of Health" initiative
  - On-site Medical Clinics
  - Health maintenance/improvement incentives expanded to include screenings and routine medical/dental care

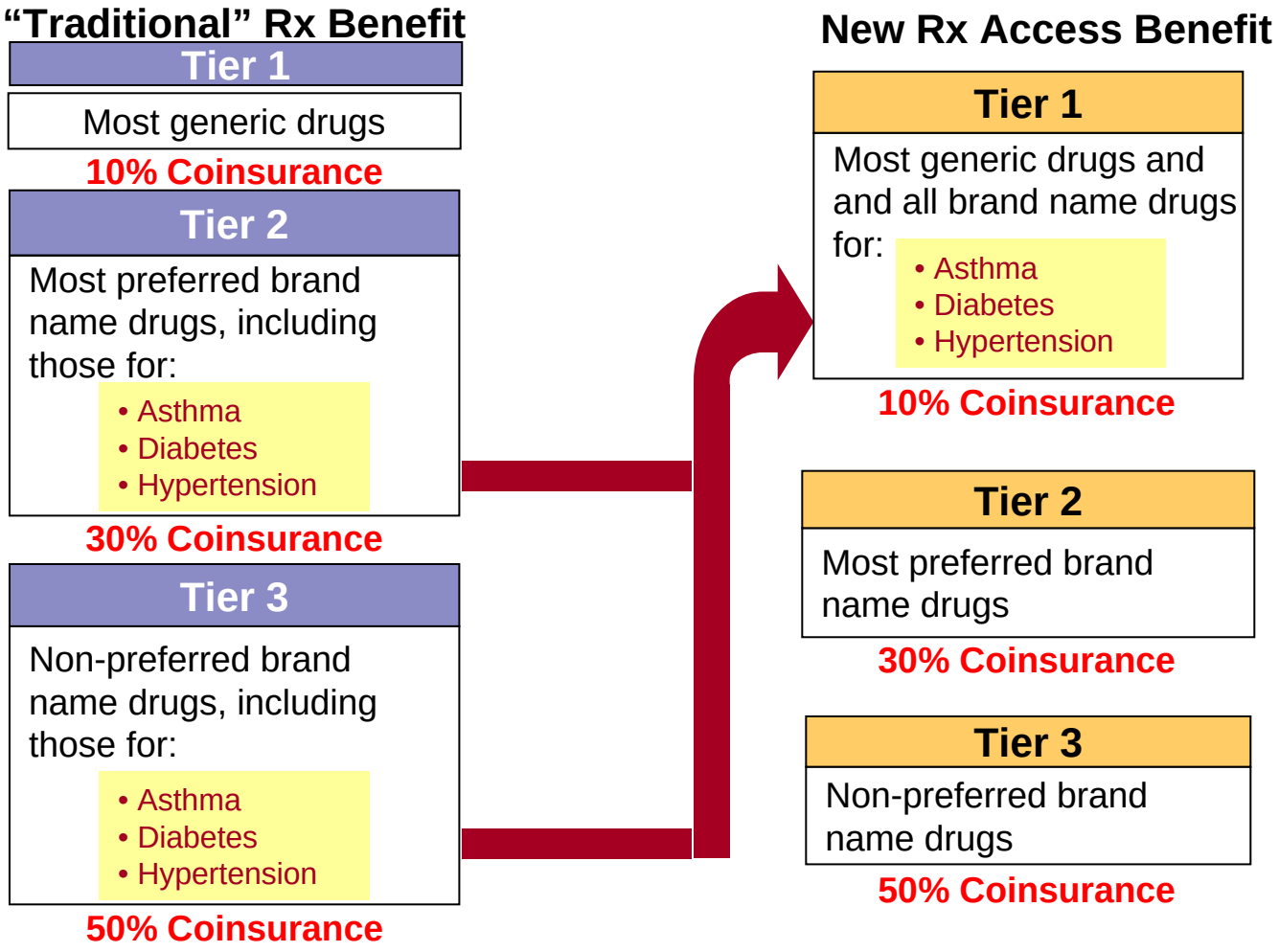
Benefits Redesign Based on Predictive Modeling-Pitney Bowes

Finding:

Individuals with chronic conditions and low medication compliance rates have high probability of moving to a higher cost tier within one year

- Asthma
  - More than 1 fill of Albuterol in a 30 day period
- Diabetes
  - Less than 9 30-day fills in a 12 month period
- Hypertension
  - Less than 9 30-day fills in a 12 month period

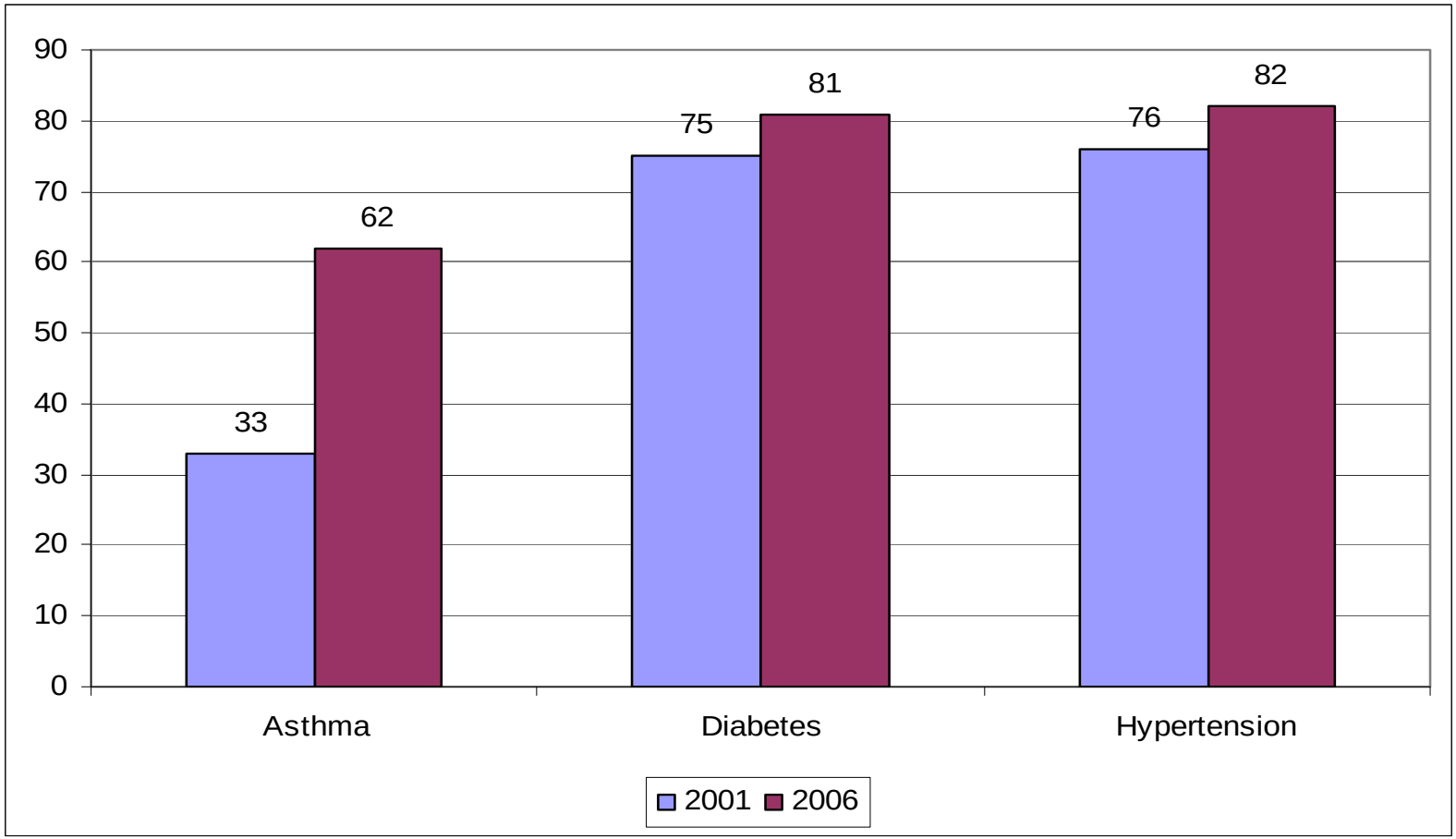
Change in Drug Tiering- Pitney Bowes



Plan Design Elements for 2002- Pitney Bowes

- Retain some element of employee contribution towards medication costs
  - No free medication
- Maintain price separation between brand and generic
  - Coinsurance design with price transparency
  - No minimum or maximum limits to copay
- Affordability of evidence-based treatments
  - Keep 30-day cost to consumer below $20
  - Drive consumerism where possible
- Move all medications in the treatment class
  - Future modifications based on evidence-based outcomes possible
- Implemented with Disease Management programs but discounts not dependent on participation

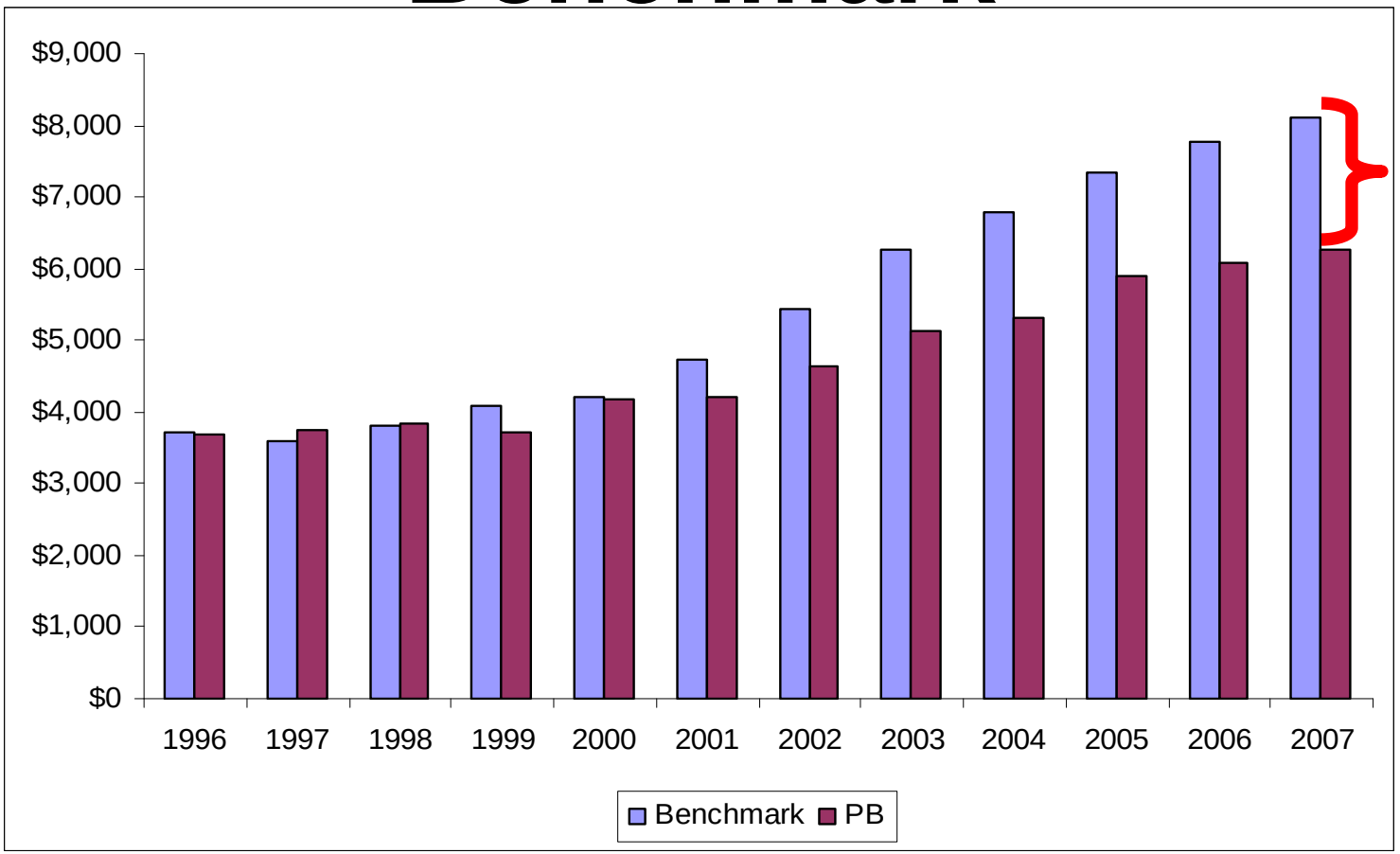
Pitney Bowes-Five Year Change in Medication Adherence-Pitney Bowes



Pitney Bowes-Updating the Strategy for 2007

- No copay on all statins and statin fixed-dose combinations for:
  - Diabetics
  - Post cardiac event
    - MI
    - Angioplasty
    - Stent
- Preliminary statin results for diabetics (reflects first 6 months of 2007)
  - MPR increased from 85% to 88%
  - Sub-Optimal users decreased from 28% to 23%
- Other investments

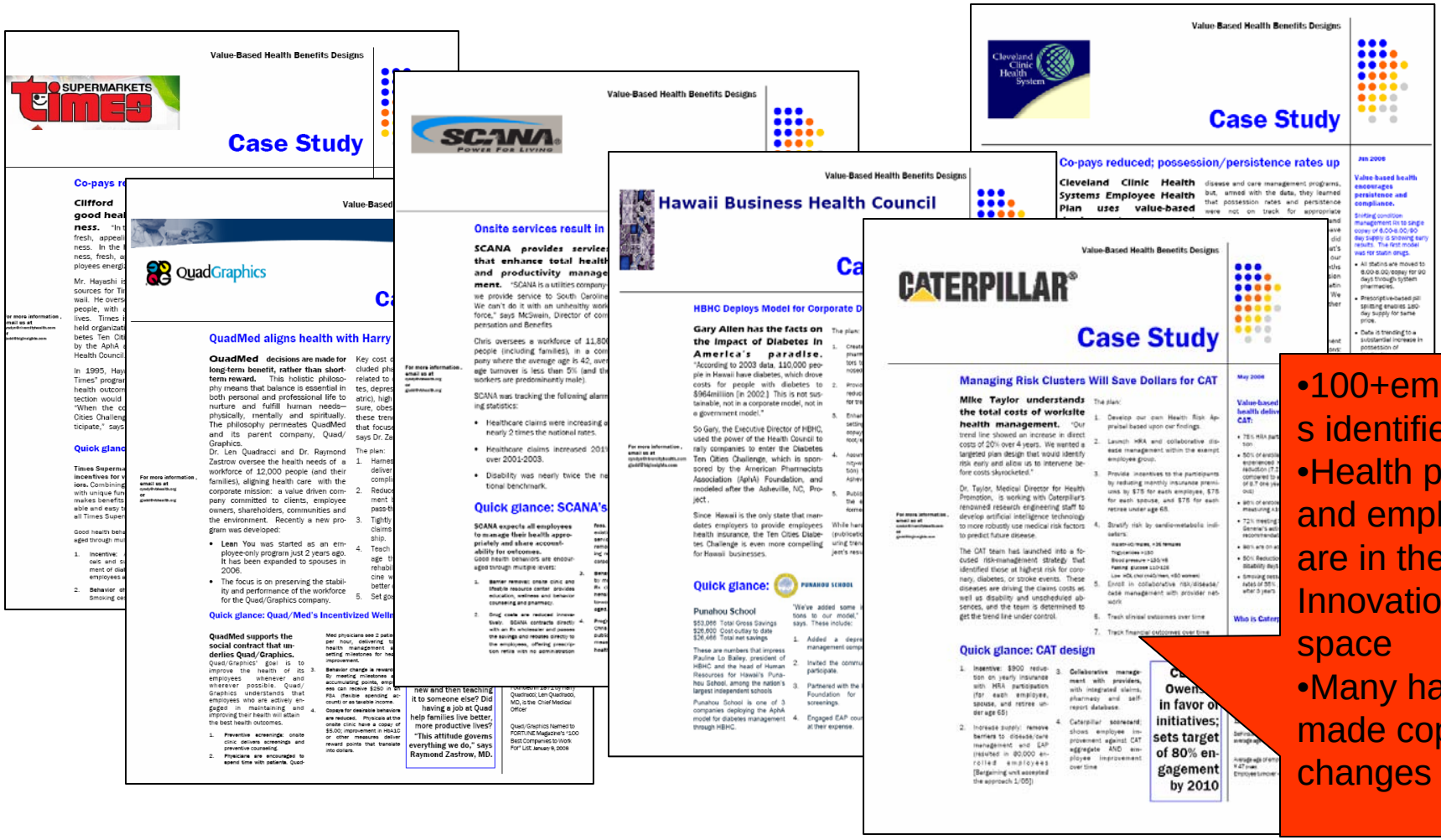
Pitney Bowes Total Annual Cost per Employee vs. Benchmark



Center Quantifies the Innovators, Amplifies their Success

The Emerging Evidence

Health Value Innovators Are Leading the Value-Based Movement



- 100+employers identified
- Health plans and employers are in the Innovations space
- Many have made copay changes

Procter and Gamble

Large Manufacturing Firm Uses Design to Re-Balance Business Health Strategy

Problem

Health Inflation Shifts Employer/ Employee Share

Need to re-apportion benefits to preserve the 75/25% balance

Level I Medications – preserve life or major body system functions.

30% employee co-ins [$6 minimum /$50 maximum]

Level II Medications – not typically required to preserve life or major body system functions.

50% employee co-ins [$6 minimum/ no max]

Level III Medications –

Employees own the total cost for medications used primarily to enhance **lifestyle related** activities.

Value-Based Design

Create VB Tier for Targeted Adherence

Level IA Medications – preserve life or major body system functions.

Reduce employee co-insurance by 50% for:

Asthma

High Cholesterol

Hypertension

Diabetes

Goal:

Increase Quality of Life and Productivity

Reduce Total Medical Costs

Results

Improvement in Possession Rates and Refills

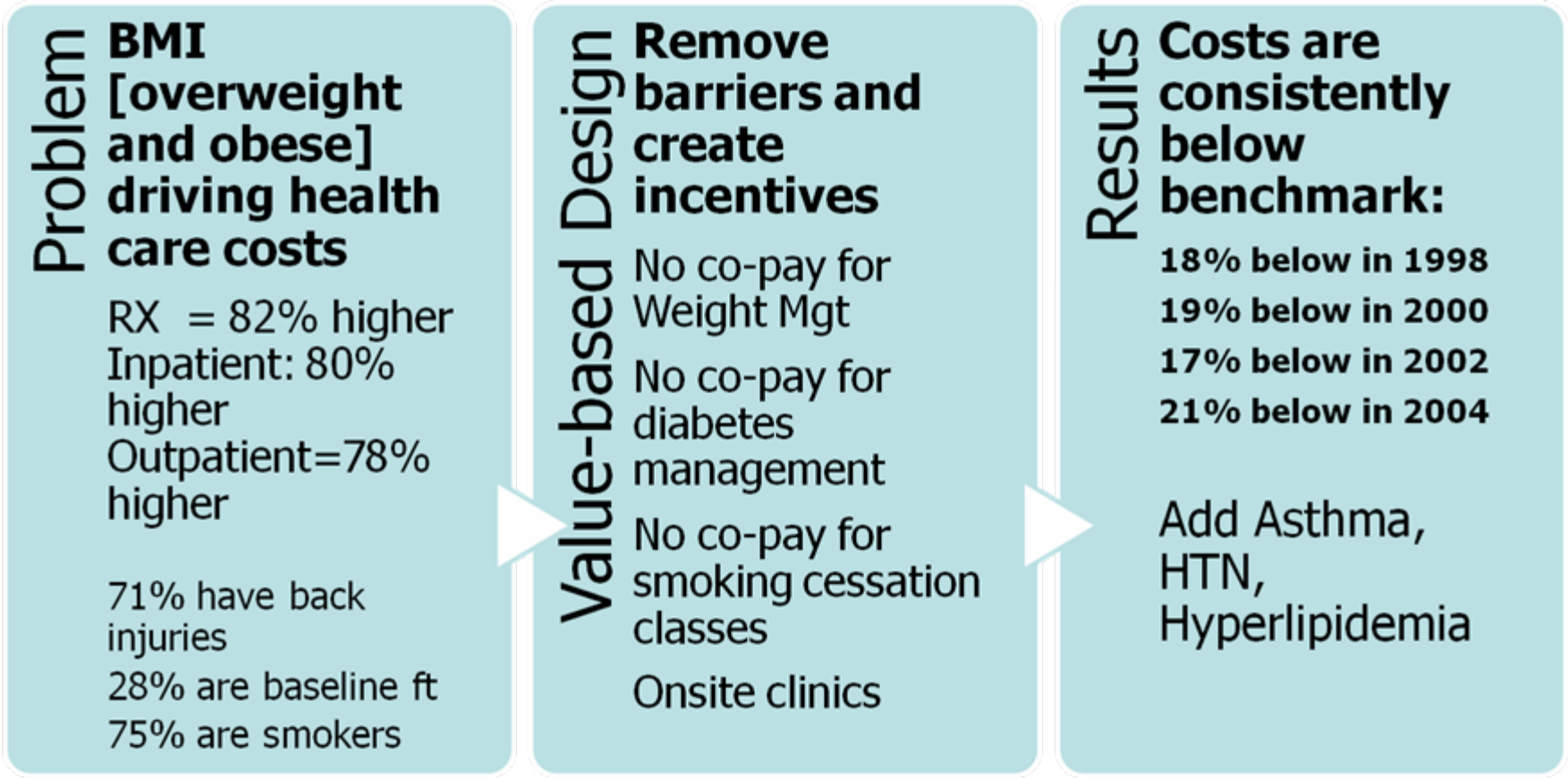
Level IA utilization rates increased—improving total costs for most-costly conditions

Level II utilization rates continued to decrease

Drop in Level II rates resulted in re-balance of 75/25% cost-share

Midwest Company Ach Value-Based Results

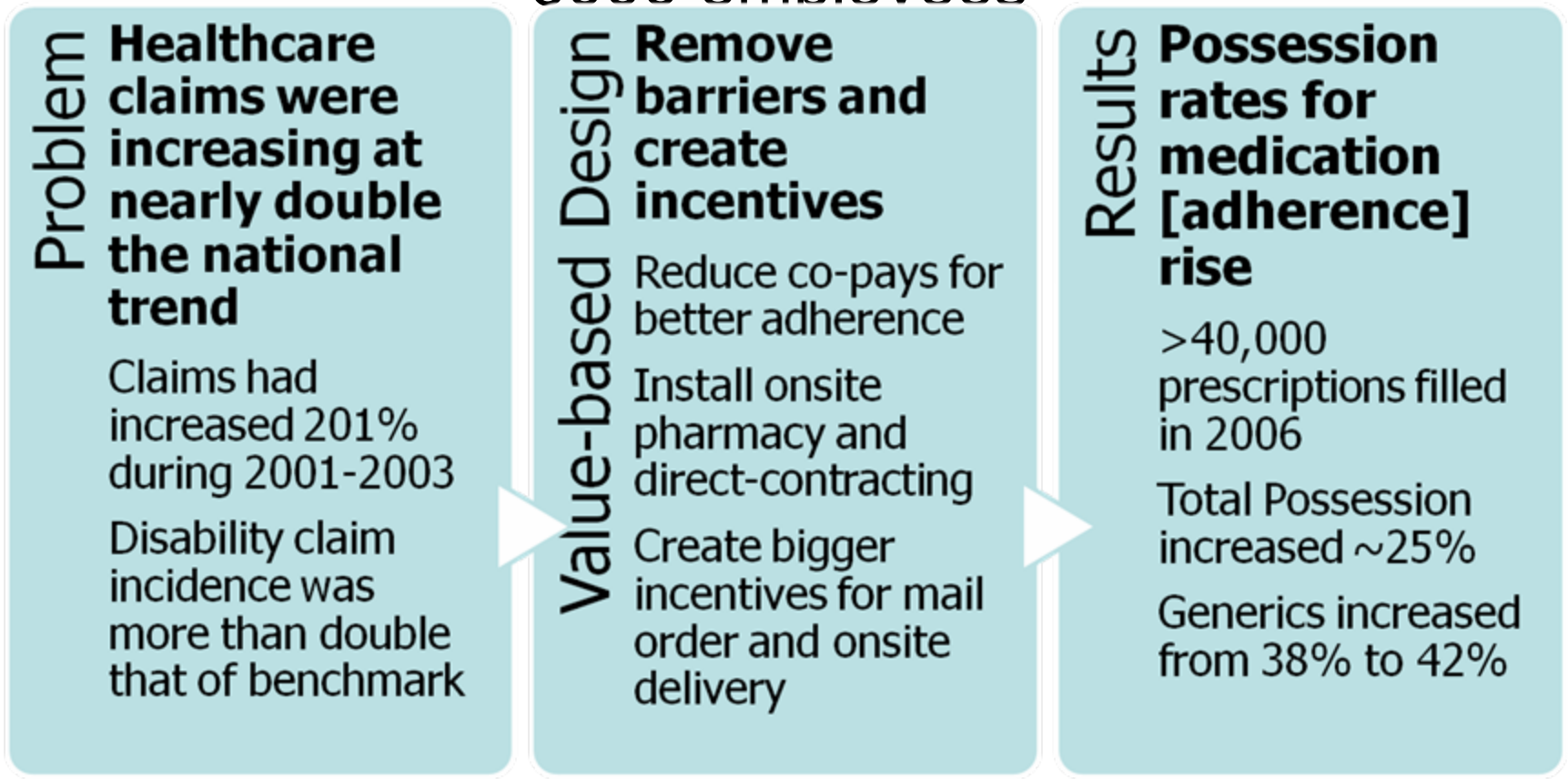
Quad Graphics-QuadMed



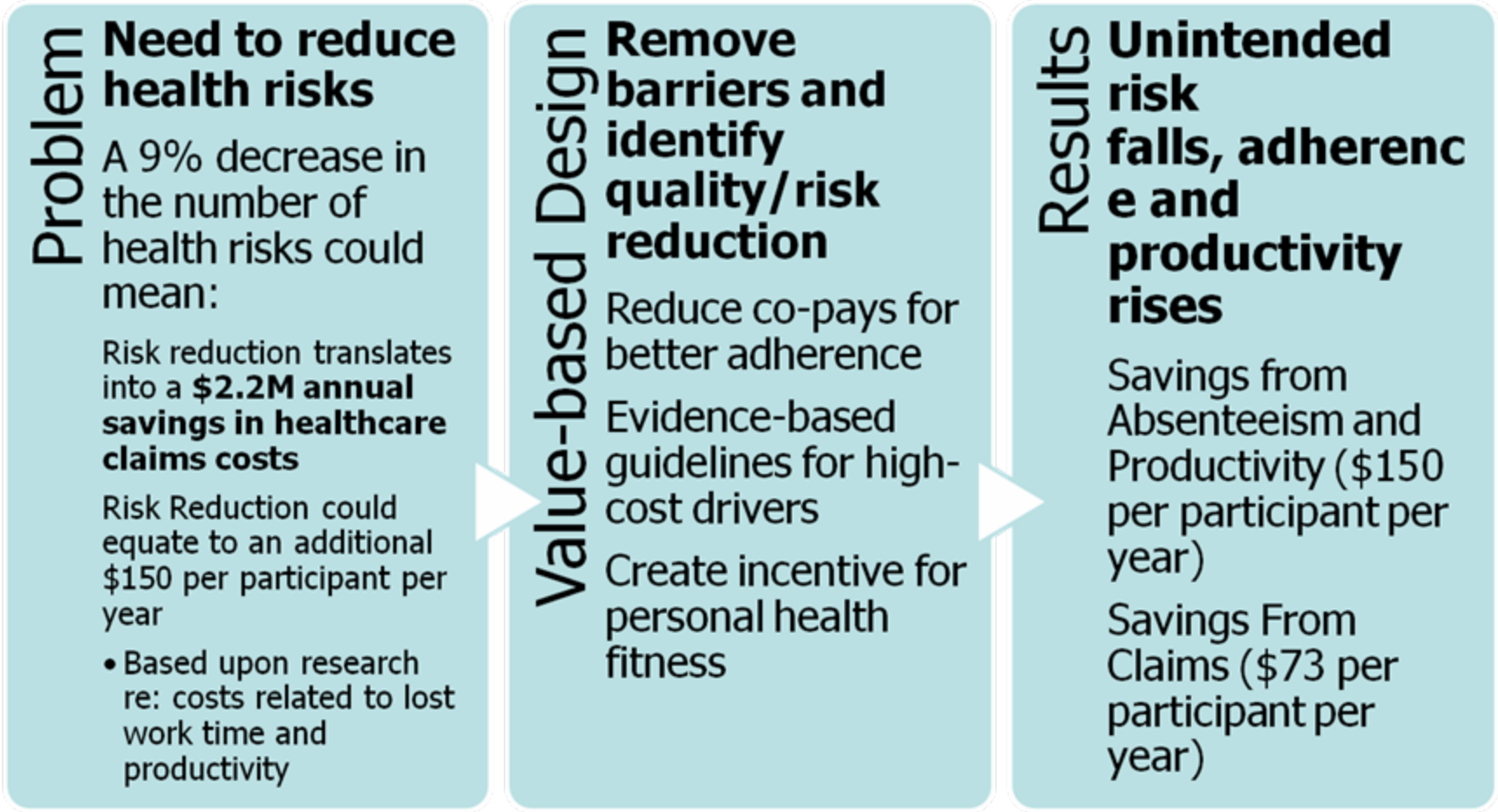
Mid-Market Company in Southeast Achieves Results in Value-Based Design

SCANA

6000 employees



Global Multi-Site Company Assesses Risk and Safety



Educating the Market
The Pipeline: Employers, Unions, Trust Funds

- Database of approximately 100+ verified organizations who have adopted a Value Based Design
  - Benchmarked 10 companies for case studies www.vbhealth.org
- Educated 7 State AFL-CIO Presidents on VBD
  - Invited to internal stakeholder forums
- Will expand to other unions in 2008
- Strong alliance with AIAG
  - Presentation at Auto Med 2006 and 2007

Educating the Market
The Pipeline: Insurance Brokers/ Consultants

- Two strong regional brokers have joined
  - Intercare Health Solutions-California
  - Corporate Synergies-New Jersey/New York/PA
- 5 additional regional brokers in process of joining CHVI
- Several large consulting firms have launched a VBD model

Educating the Market
The Pipeline: Health Plans

- Several health plans have adopted a VBD for their associates
  - Great West Life-Diabetes
  - Health Alliance Medical Plan-Diabetes
  - Blue Care
- Health Plans who have joined CHVI
  - Health Alliance Medical Plan
  - Providence Health Plan
  - Humana
  - Horizon Blue Cross
  - John Hopkins Health Plan
  - Several others are confirming membership commitment
- PBM's
  - Prime Therapeutics
- Several regional health plans are developing a VBD for their customers
  - Health Alliance Medical Plan
  - Several Blue Cross Blue Shield regional plans
- AHIP has adopted VBD as a key message

Educating the Market
The Pipeline: Coalitions

- Working agreement with NBCH on developing Value Based Graduate School

- Wide adoption of VBD with the strong coalitions
  - 10 Plug and Play for Value workshops completed
  - 2-3 Theatres of Operation are being installed for 2008

- Coalitions have agreed to join CHVI
  - Midwest Business Group on Health
  - Colorado Business Group on Health

Educating the Market
The Pipeline: Health Systems

- Several health systems have adopted VBD
  - Cleveland Clinic Health Plan
  - Mayo Health Plan
  - Preferred Health Systems of Wichita
- Several systems are considering VBD
  - Denver
  - Tulsa
  - Kansas City: 2 systems
- Physician Groups have joined
  - Partners in Care-NJ
  - Integrated Health Partners

Educating the Market
States and Municipalities

- State of Colorado implemented VBD for State employees for diabetes in 2006
- State of Wyoming is considering a diabetes program
- State of Oregon will build on municipal success in quality improvement
- State of Kansas will implement VBD in 2008
- King County WA adopted VBD in 2006
- GASB accounting will drive states to consider implementing a VBD to lower the assumption on the rate of medical inflation

Summary

- Emerging body of evidence to support value-based designs
  - Value-Based Designs can be much more than pharmacy or chronic care: they evolve to encompass Total Health Mgt
  - Solid evidence of adverse impact of high coinsurance levels
- Implementing value-based pharmacy design doesn't adversely impact pharmacy plan management goals
- Should be implemented concurrent with other health management programs
  - Disease Management
  - Value-Based design for preventive services
- Imperative to assess total cost implications in making benefit design decisions
- Total value approach translated into substantial savings for Pitney Bowes

Questions

- Does the hypothesis of health as an investment make good business sense?
- Barriers to moving forward
  - Creating the business case
  - Health plan administrative systems
- Lessons learned

Comments/ Contact Information

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