OPTUM™

An Employer Challenge:
Demonstrating the Value of Heath and Wellness Programs

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Agenda

Current State: Measurement Landscape

Current State: Employer Attitudes and Perceptions

Best Practices – Summary

OptumHealth® Approach

Q & A

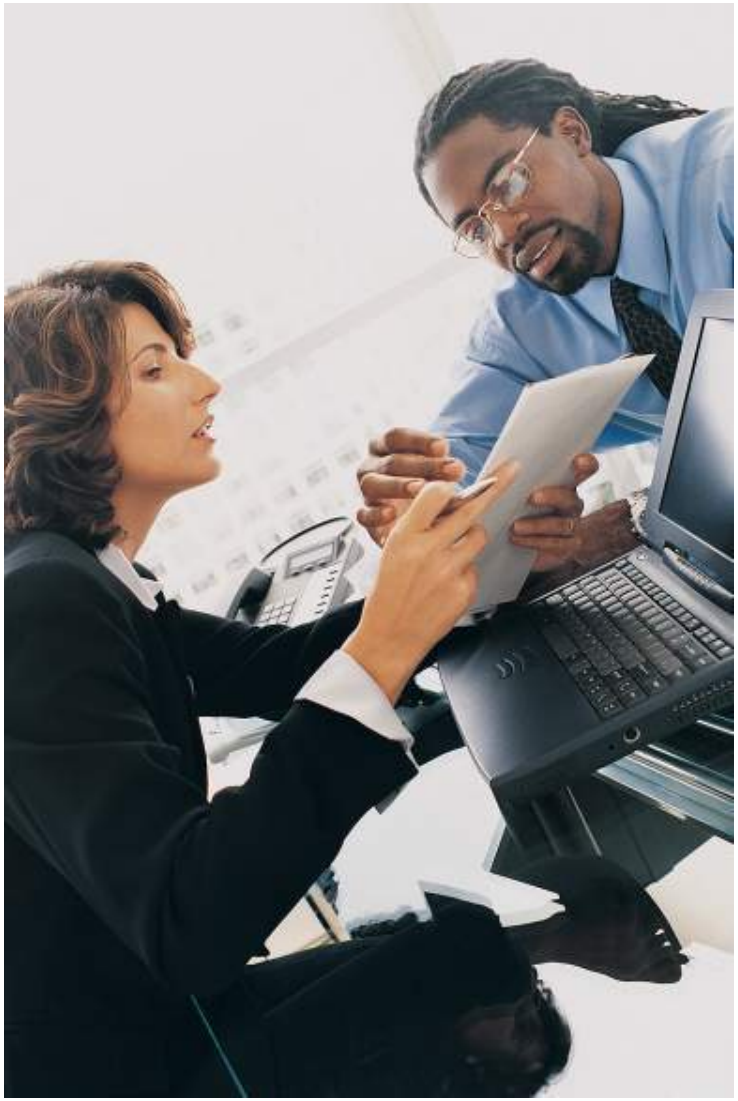
Current State:
Measurement Landscape

Challenges in measurement and evaluation

1. Lack of consistency in industry around methods and assumptions used to project and/or estimate savings, as well as evaluate program savings after-the-fact
2. No standards on program cost definitions, most only include vendor fees: some direct costs included; indirect program costs (especially program incentives) are often omitted
3. Traditional approach of using claims analysis often results in 16–18 month delays in savings calculations
4. Many employers lack resources and access to systems that assign value to outcomes in a timely manner
5. Employers' skepticism is increasing regarding the value proposition
6. Lack of peer-reviewed research is contributing to skepticism

Key considerations

- Choice of evaluation method can drastically impact observed program impact
- Savings just one area of program outcomes
- Minimum evaluation standards should be met by vendors
- Supporting documentation and reporting necessary throughout program development (operational and clinical metrics must also be included in addition to financial)
- Program components and design matter and affect program impact greatly



Reporting on the “Value Proposition”

Reporting packages are still lacking in telling the entire story (i.e., leading and lagging indicators)

- Incoherent, technical approach to data presentation
- Missing metrics
- Inconsistency in operational definitions
  (e.g., participation, clinical)
- Discrepancy in methods across metrics and programs
- Reporting packages are in a constant state of change

Some vendors and carriers are adopting best-practice methods, but many methods are still less than best-practice

- Adoption tends to be on a case-by-case basis within a given vendor or carrier
- More rigorous methodologies may come
  at a cost to the client
- Performance guarantee targets vary according to methodology

Metric types and examples

Metrics support can apply to providers as well as vendors

Broad domains	Example metrics
Operational excellence	• Satisfaction (member, stakeholder) • Timely outreach • Timely transfer of data • Resources allocation
Engagement	• Participation (overlapping and non-overlapping) • Engagement (number and duration of calls) • Retention; average tenure • Goal setting and attainment
Health improvement	• Health risk change • Clinical impact; behavioral Impact • Quality of life
Savings	• Health service utilization – health risk change • Financial/ROI (healthcare: medical/Rx) • Financial/ROI (productivity: disability/absence, presenteeism)

Reporting on the “Value Proposition”

Methods

- Financial savings model
- Pre-post historical control (trend-based)
- “Matched” control using propensity score (matching, weighting, covariate, multi-pass no propensity score)
- Randomized control studies

Financial savings model

Description	Strengths	Weaknesses	Recommended enhancements to current methodology
• Savings modeled on some measured unit (e.g., number of members actively engaged, gaps closed, risk reduced and/or eliminated) • Savings per unit based on external book-of-business analysis or published study • Total estimated savings equals # of units X savings per unit	• Easiest to conduct: does not require analysis of actual claims data • Quicker turnaround of financial reporting (no need for claims run-out) • Can provide more transparent reporting of active engagement if needed for model	Highly dependent on the assumptions of the model	• Base model on peer-reviewed literature • Make sure assumptions of model are transparent (e.g., participation) • Ensure model accounts for and adjusts to prevent double-counting of projected savings • Confirm savings are on net change (opportunity for savings and loss) • Discuss and mutually agree on all assumptions used in the model (e.g., per participant savings)

Pre-post historical control (trend-based)*

Description	Strengths	Weaknesses	Recommended enhancements to current methodology
• Method takes baseline and identifies diseased population, determines total cost and per disease member per month (PDMPM) cost using number of months as denominator, total cost for population as numerator • Pre-PDMPM cost is then compared to post PDMPM cost to determine difference • Members do not need to be in both baseline and program periods • Pre PDMPM cost is then increased by estimated healthcare cost trend to determine the projected PDMPM. That projected PDMPM is compared to actual program year PDMPM to determine difference = represents savings	• Easier to conduct in a reporting environment • Does not require participation data • Simpler presentation of calculation of savings	• Does not establish causal relationship between program participation and change in costs; measures something happened, not why • Masks the need to provide explicit participation data • Does not account for impact of other programs • Method best designed for core five chronic conditions; not appropriate for acute conditions • No generally acceptable method for choosing trend	• Ensure methodology consistently identifies eligible members throughout all reporting periods (vs. “once in, always in”) • Use client-based trend, mutually agreed upon and adjusted for plan design and demographics • Consider 24 months of baseline data, pre-program implementation • Ensure no data gaps between program year and baseline • Confirm eligible members are enrolled in medical plan for at least six months of coverage • Confirm analysis examines the impact on total costs, not condition-specific costs • Discuss and mutually agree on exclusion criteria; consider analysis with and without exclusions • Consider a utilization based approach to avoid the need for cost trend • Require detailed reporting of change in costs by level of program engagement

* Typically associated with Care Continuum Alliance recommendations.

"Matched" control overview

Description	Strengths	Weaknesses
• Analysis "matches" program participants to similar non-participants, based on observable characteristics (e.g., demographics, risk profile, utilization) • Matching (or minimizing differences between groups) can be done by several approaches including weighting, matching, covariates, and multi-pass • Analysis then compares change in costs between baseline and program year within the participant group to the non-participant group's difference during the same time period, controlling statistically for any remaining differences between the two groups – This "difference in difference" is considered the estimated savings per participant • Savings per participant are multiplied by the number of program participants in a given period to determine program savings	• Higher causal relationship • Explicit participation data is required • Controls known and measured confounding variables • Method can account for impact of other programs • Allows a measure of confidence around the results and/or significance of the results	• More difficult to conduct • Data may not be available to conduct this level of analysis • More difficult to explain to lay audiences • Does not account for unobserved differences between participants and non-participants (biases may exist)

Confused yet? What's the ROI?

DM Programs Provide the Best ROI

- Worksite Health, 1999

$9.8:$1

More Employers Turn to DM

- Workforce Management, 2007

$3.9:$1

DM Programs Producing Fast and Meaningful Outcomes, Impressive ROIs

- Employee Benefit News, 2004

$22.4:$1

$6.5:$1

Jury Still Out on DM ROI

- Health Care Financing Review, 2005

$2:$1

Some DM Programs Deliver ROI, Others Do Not

- Managed Healthcare Executive, 2005

$10.5:$1

$17:$1

DM Effectiveness Called Into Question

- AJMC, 2007

Current State:
Employer Attitudes and Perceptions

Employer study methodology

- Study conducted by GfK, a leading independent research firm in October 2011
- Interviews were held with 403 benefits decision makers and influencers working at companies with 3,000 or more employees
- Surveying was conducted among a broad cross-section of industry types, including governments/ municipalities
- All employers offered condition management and/or wellness programs
  - Condition Management (i.e., diabetes, asthma, coronary artery disease)
  - Wellness (i.e., biometric screening, health coaching, health fairs)
- Statistically significant differences reported at 95% confidence level

Respondent profile

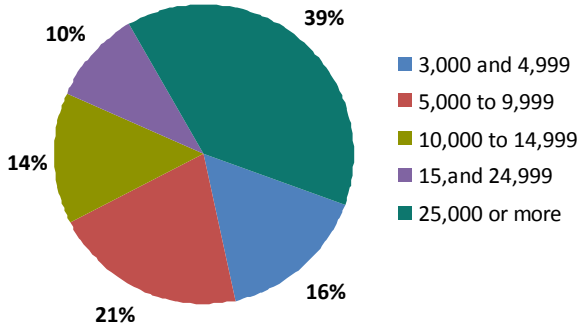
Company size

All respondents had at least 3,000 employees

- 16% (n=64) had between 3,000 and 4,999
- 21% (n=86) had between 5,000 to 9,999
- 14% (n=56) had between 10,000 to 14,999
- 10% (n=41) had 15,000 and 24,999
- 39% (n=156) had 25,000 or more

Respondents consisted of both decision makers and influencers

Number of employees in organization



Decision Maker

(47% of respondents)

N = 189

Influencer

(53% of respondents)

N = 214

Research objectives

- What do employers struggle with most when trying to measure value of Health and Wellness Programs?
- What is current frequency for obtaining information on the financial impact of these programs?
- How much of a pain point is delay in getting timely measures of financial impact?
- How would employers benefit with real-time knowledge from health management programs?

Overall findings

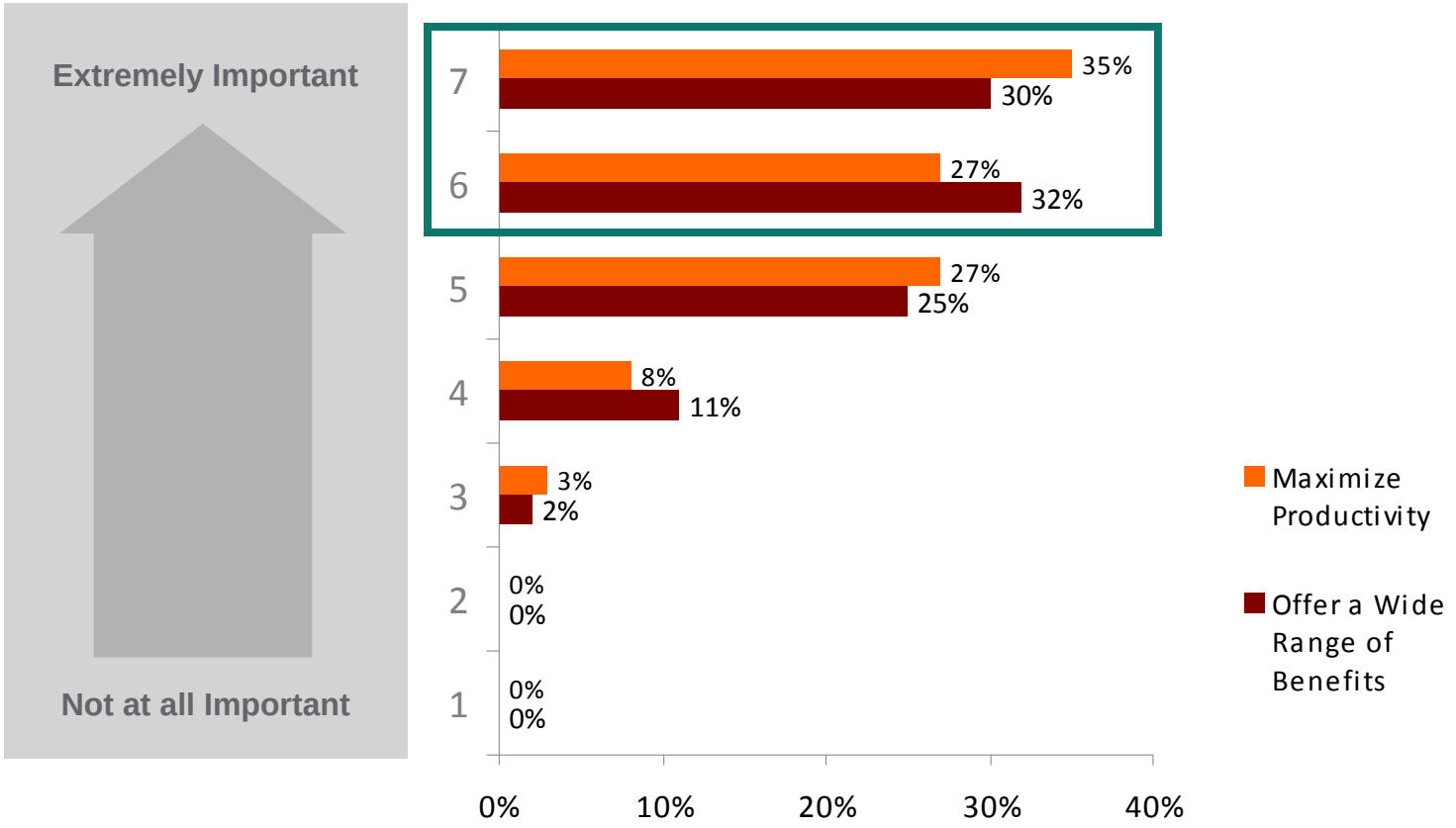
- Employers view programs as important to maximizing productivity, reducing health risks and costs and improving quality of life
- Most plan to increase or maintain investments over next year; almost half plan to increase investments
- Many do not receive or do not know if they get claims-based savings estimates today from vendors
- Employers report vendors need to better quantify health savings and give a better understanding of gaps in care leading to higher costs

Less than half feel their company is fully experienced with programs

More than half report they **do not trust the reporting** from vendors, especially larger employers

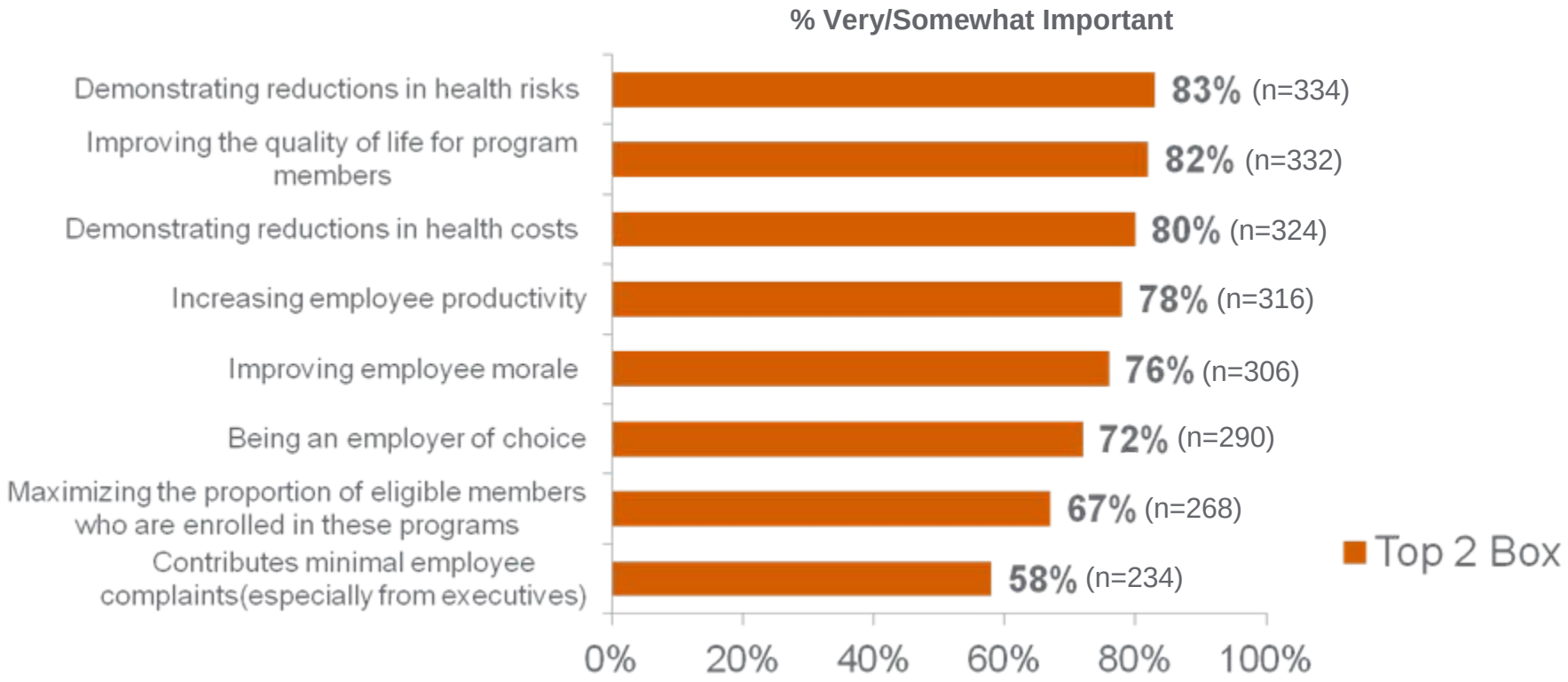
Employer philosophy

- Many employers feel strongly about offering a wide range of benefits to employees and providing programs that maximize productivity



Important aspects of health and wellness programs

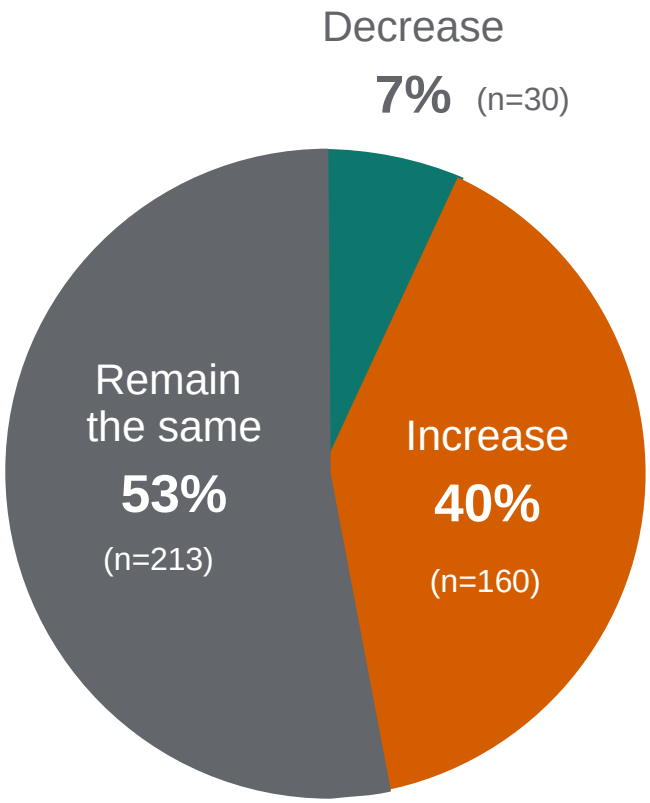
- Reducing health costs and health risks and improving quality of life are viewed as important to demonstrating value in programs



Q12. How important are each of the following aspects of Health & Wellness Programs in demonstrating value?

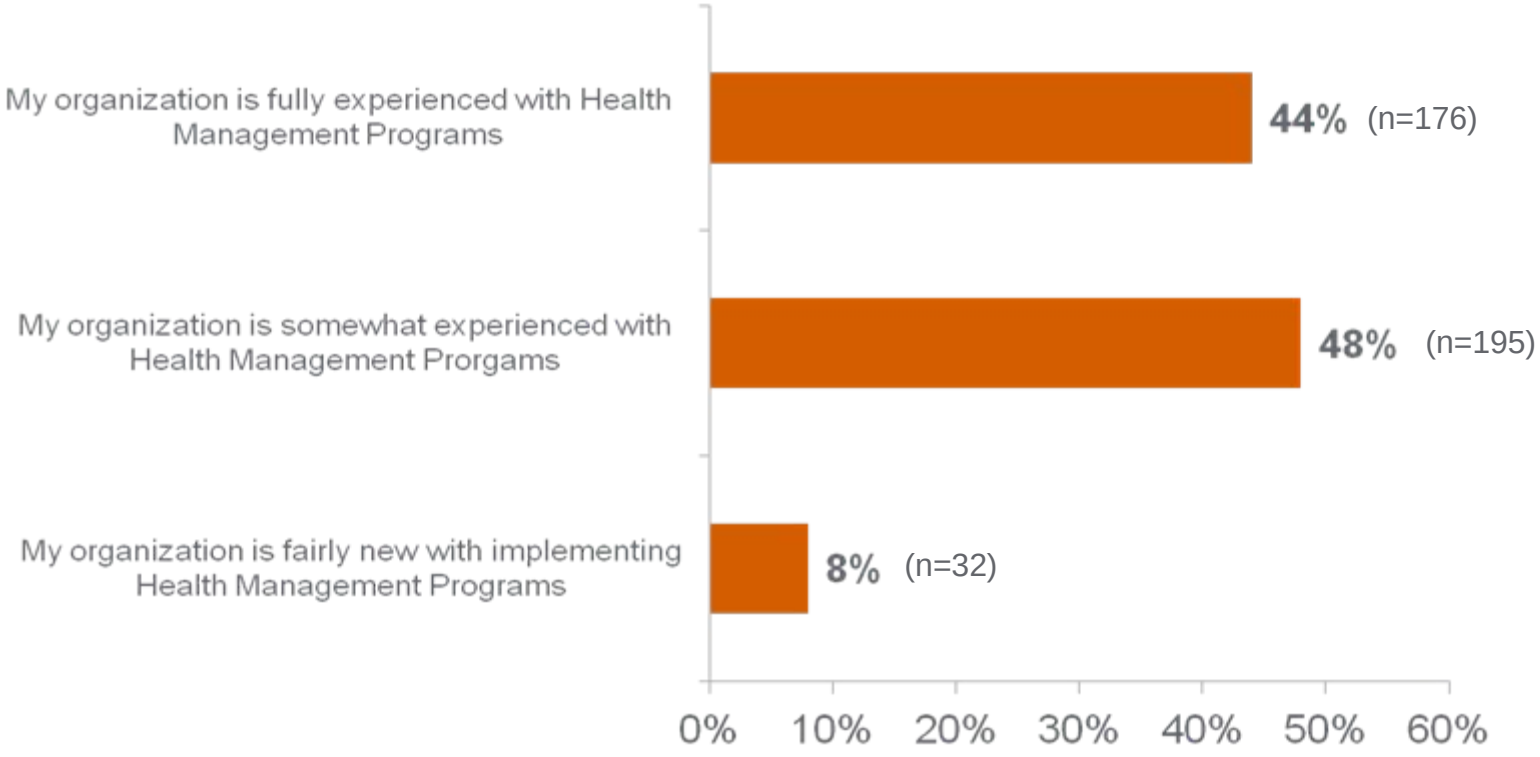
Investment plans

- Most plan to increase or maintain current investments in programs over the next year
- Almost half plan to increase investments in programs
- Only 7% plan on decreased investment



Company experience with programs

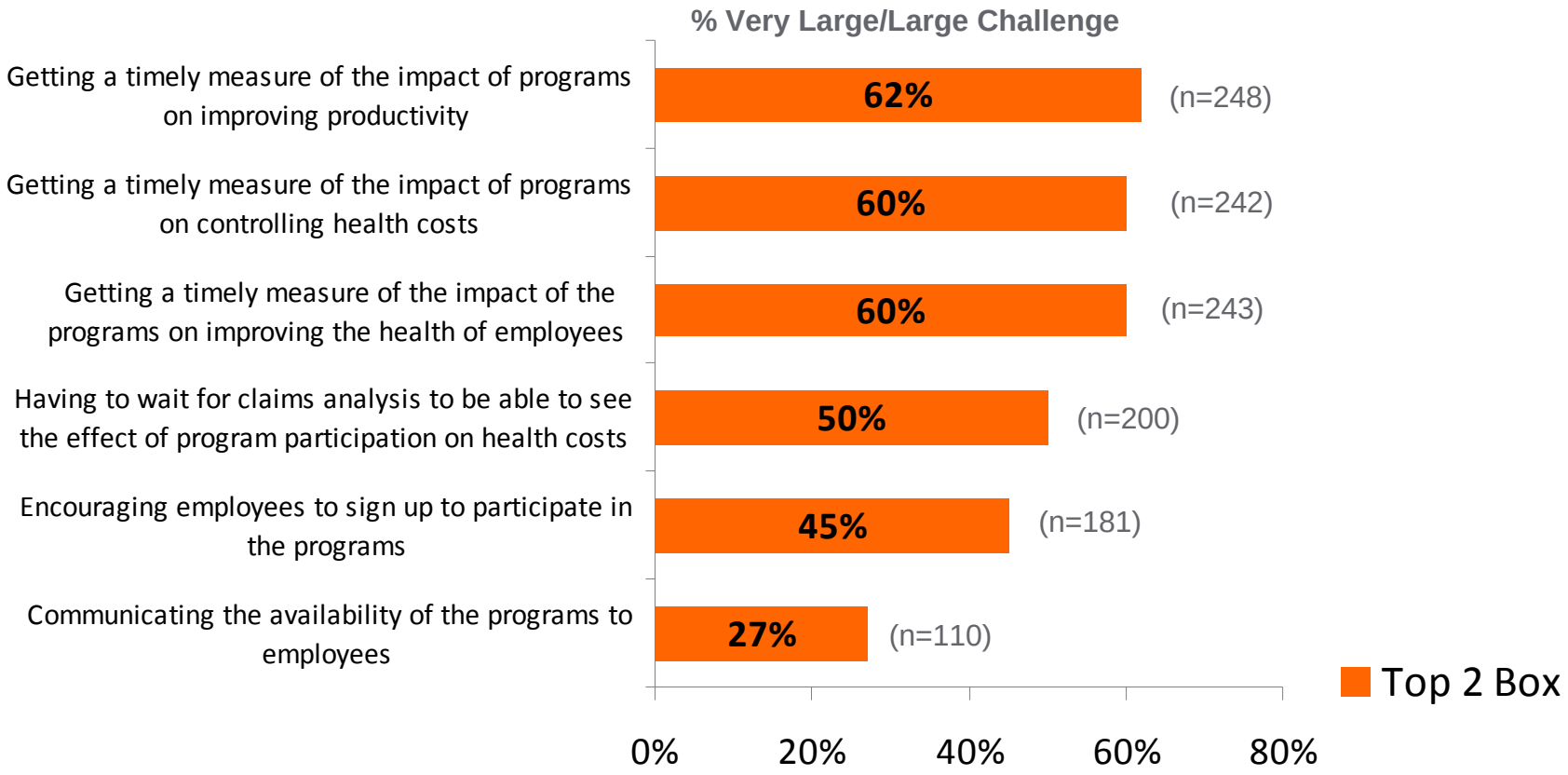
- Less than half of employers feel that their company is ‘fully experienced’ with Health Management Programs



D9. Would you consider your organization fully experienced with Health Management Programs or new/just starting out?

Challenges with Health and Wellness Programs

- Getting a timely measure of the impact of programs on improving productivity, controlling health costs and improving employee health are key challenges
- Fewer employers rate communication as a top challenge



Q7. To what extent is each of the following a challenge with regards to your company's Health and Wellness Programs? (5 Very Large Challenge, 1 Very Small Challenge)

Important services vendors should provide

Employers rate these services as important:

- Quantifying the amount of health savings from activities
- Reporting that shows how programs resulted in cost savings and where gaps in care exist leading to higher costs
- Tailoring approach based on usefulness of intervention
- Real-time reporting showing impact of programs on costs and outcomes
- Receiving estimates of expected future medical savings from programs
- Receiving medical savings estimates based on clinical data

Base= Total (N=403)

Q16. How important are each of the following characteristics for a vendor to provide for Health and Wellness Programs?

Demonstrating the value of programs

- Three out of four agree vendors need to demonstrate how programs affect costs, rather than just measuring program engagement

Challenges

More than half of employers report concerns with:

Timing: Typically takes too long to get information on the value of programs

Trust: Difficult to trust claims and productivity estimates and ROI calculations from vendors

Understanding: Difficult to understand savings calculations used by vendors

Benefits

Three out of four agree that having access to timely reporting would help:

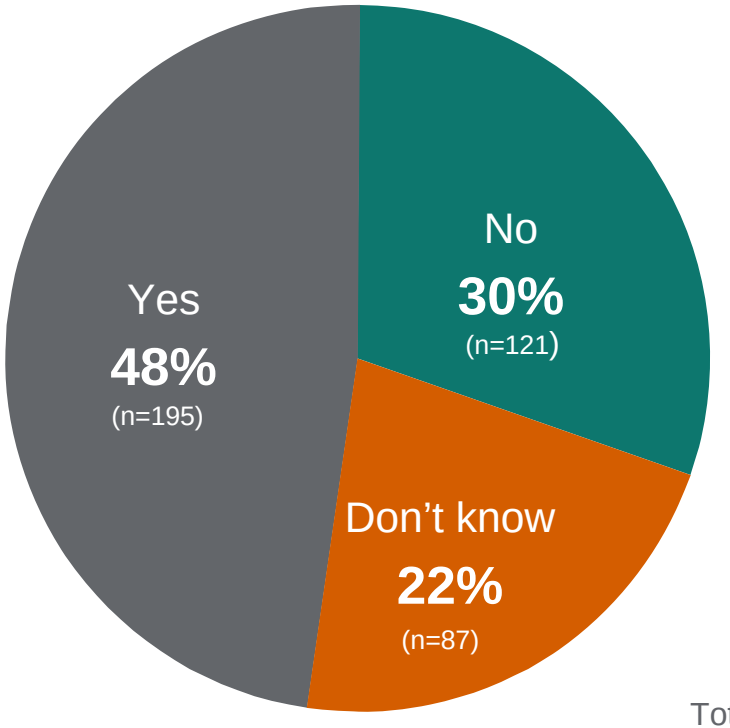
- Gain senior management support
- Optimize program mix
- Prioritize communications

Q13. How much do you agree with each of the following statements?

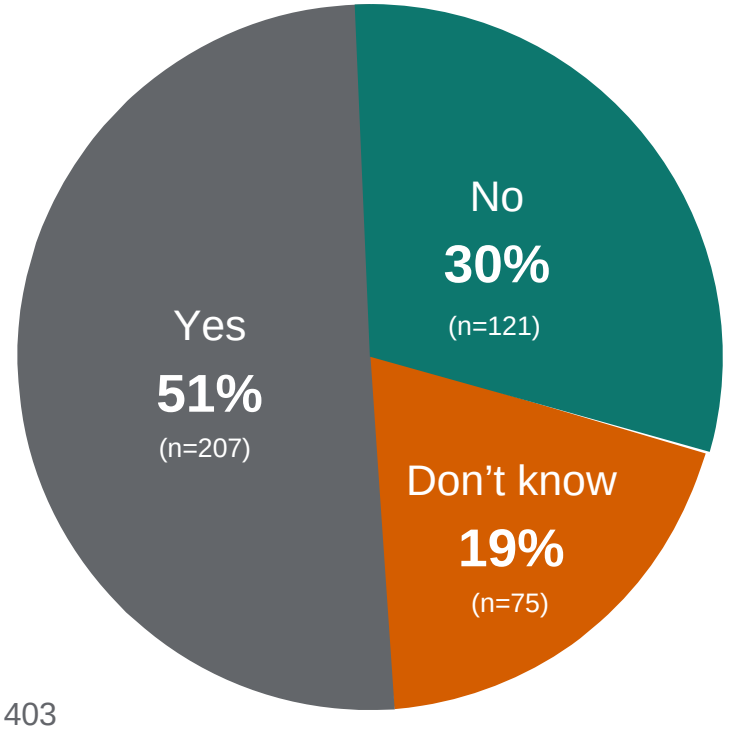
Claims-based savings estimates, ROI calculations and productivity reporting

Over half indicate they do not receive ROI savings estimates or do not know; similar trends exist for productivity savings estimates

ROI Savings Estimates/ Savings Calculations



Productivity Savings Estimates

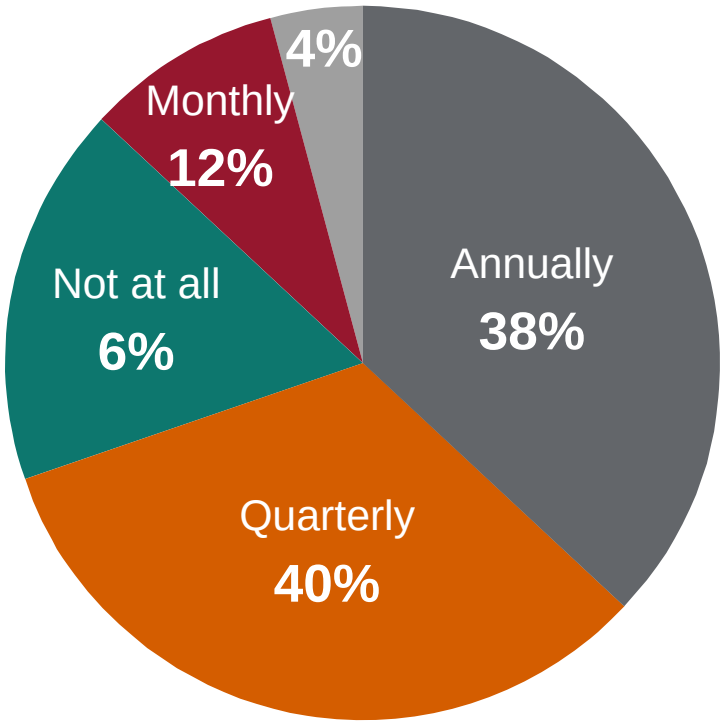


Total N = 403

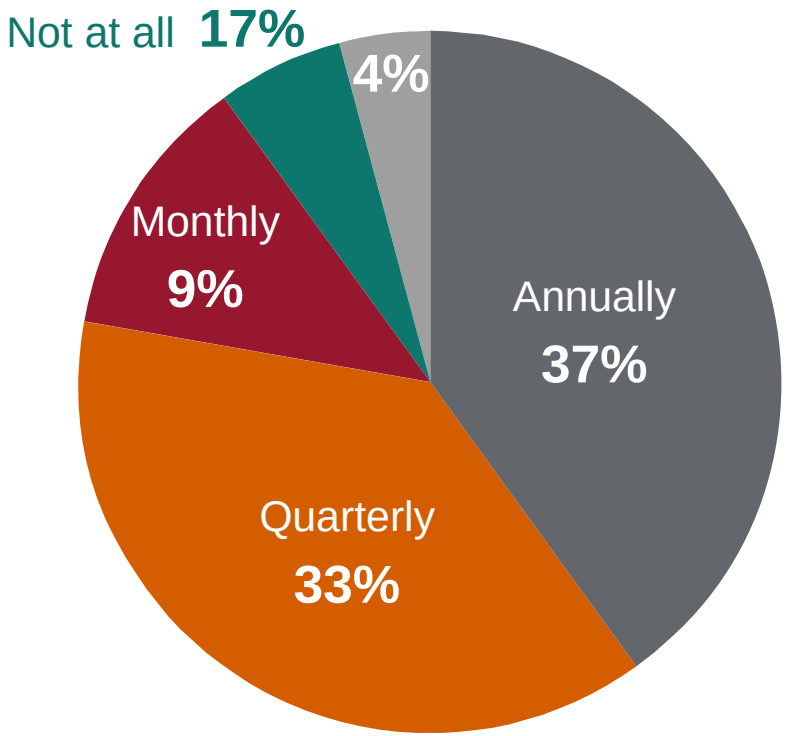
Frequency of reporting

Almost half indicate they receive infrequent reporting on medical cost savings; similar trends exist for productivity reporting

Medical Cost Savings Reports



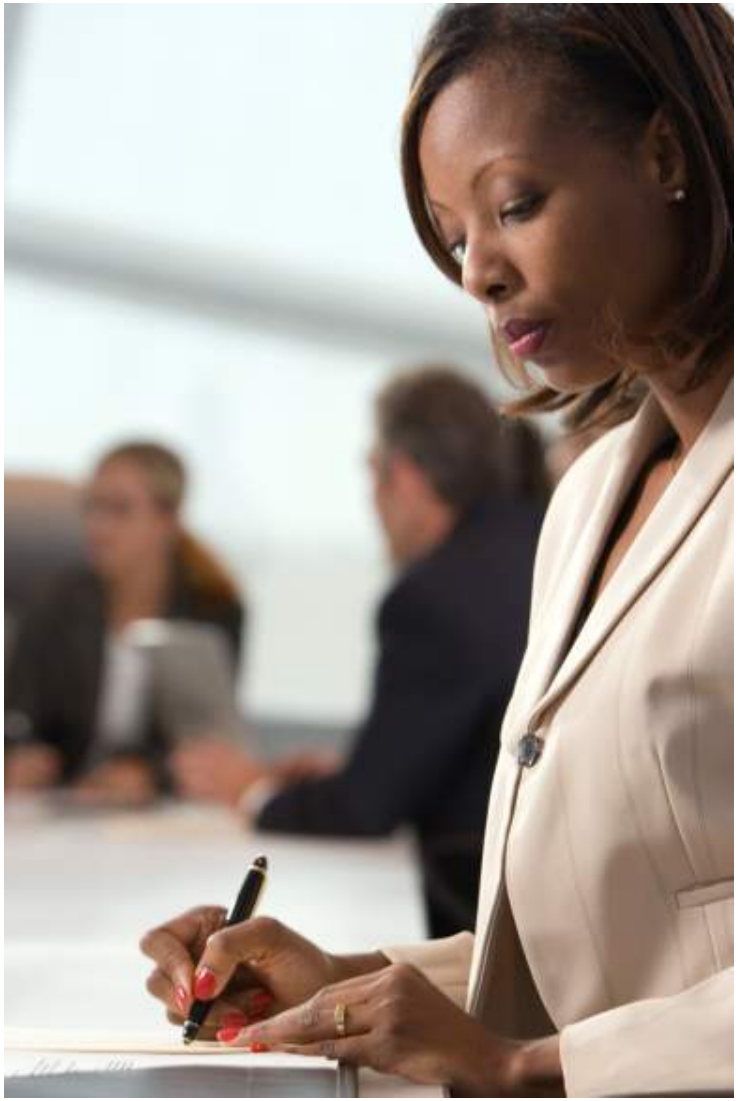
Productivity Improvement Reports



Less often than annually

Trends by experience level

- Experienced companies are more likely to increase investments over the next year than those less experienced
- Experienced companies are more likely to cite programs should improve quality of life, reduce health risks and improve employee morale than less experienced companies
- More experienced companies report less difficulty in measuring productivity than those new to health and wellness



Trends by company size

- Maximizing productivity appears more important to larger companies
- Smaller companies are newer to implementing health and wellness
- Smaller companies cite more difficulty in delays with claims analysis than larger companies
- Larger companies report more skepticism in trusting claims estimates
- Larger employers also report greater challenges with communicating programs to employees

Best Practices

Participation ≠ engagement

Key questions: Boiling it all down

Are people engaged?

- In the program(s)?
- In prevention?
- In their health care decisions?

Did health improve?

- Self-reported health risks
- Prevalence of chronic conditions
- Illness burden (e.g., DCG)

Were there savings (aka What's the ROI)?

- Medical/Rx
- Disability/Absence
- Productivity

If not, who's not? (Even if so, who's not)?

- Engaged
- Improving their health
- Providing savings

Best practice reporting principles

Timely

- Timely delivery of reports following the close of reporting period
- Receipt of reports prior to presentation of results for preparation

Accurate

- Review process built into the reporting production schedule
- Accurate reports; numbers tie throughout the report

User-friendly

- Can the report stand on its own without interpretation from a “talking head”?
- Can a lay person understand key findings?
- User-friendliness enhanced by:
  - Judicious labeling
  - Documenting of data sources
  - Use of white space, larger fonts, graphics
  - Defining terms (providing a glossary)

Actionable

- Does the report simply “state the facts” or does it draw conclusions and provide recommendations for corrective action?
- Does the report provide both direction and meaning?
- Reports should include not only comments summarizing “what” the reader is seeing, but the “so what” as well

Program impact: 2008 review of literature

- Reviewed 120 studies in 23 articles
- Focused on financial impact
- Rated studies on breadth of intervention and validity (internal and external)
- Adjusted reported savings according to study rating
- Calculated ROI and medical impact using various assumptions regarding program cost, PEPM and population extrapolations

	Health Promotion		Disease Management		Employee Health Management	
	Low Range	High Range	Low Range	High Range	Low Range	High Range
Average savings (% impact on medical costs)	2.20%	2.76%	1.01%	1.27%	3.22%	4.02%
Average ROI	3.0:1.0		2.0:1.0		2.5:1.0	

Serxner et al. 2009 Am J Health Promotion: Art and Science

OptumHealth Approach

Significant lag in reporting

Traditional approach

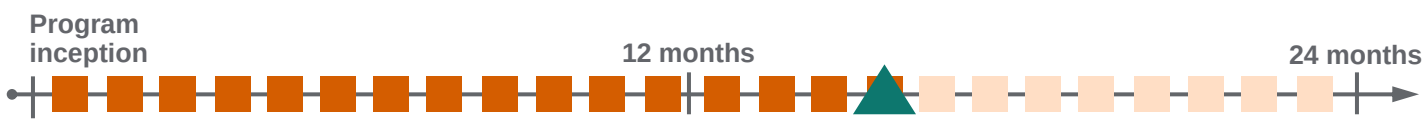
Approximate 16-month delay in savings calculations for the payer

- Lack of understanding into how value is specifically created for the consumer and payer
- Limited ability to tailor approach mid-cycle because savings is not reported until 12+ months out

OptumHealth approach

Immediate understanding of savings generated

- Clear understanding of the specific activities that create value and their related cost savings
- Real-time ability to tailor approach and operations to best create value for the payer and their consumers



Real-Time Performance Management
NO DELAY IN VALUE REPORTING

Traditional Value Reporting

Value drivers

What it is

Value Drivers are discrete gaps-in-care that have been monetized for their impact on health care value through a proprietary and scientifically validated methodology

How it works

Prioritizes consumer interactions to maximize healthcare value for consumers and employers

Value Drivers provide transparent performance monitoring to provide immediate reporting of value delivered by health management programs

Why it matters

Value Drivers address reporting needs for leading indicators of program impact while increasing the efficiency of the health management interventions

The eSync℠ Platform

Comprehensive, Synchronized, Personalized

Synchronize diverse data points to monitor population needs

- Claims data
- Pharmacy data
- Lab data (for select)
- Health assessment results
- Biometric data
- Network and quality and efficiency rated physician utilization
- Operational interactions

Staying Healthy

Getting Healthy

Living with a Condition

Members are measured based on value delivered

- Every opportunity has a point value, so we can make the most of each interaction — both in terms of impact and potential health care savings

			Opportunity Date	Opportunity Name	Status	Program	Topic	Points	Created By		Assigned To
[edit]			1/14/2011	Blood Glucose Managed To Target	Confirmed (1/21/2011)	Diabetes		250	Ingram, Tiffany		Ingram, Tiffany
[edit]			1/14/2011	Blood Pressure Managed To Target	Identified (1/21/2011)	Diabetes		250	Ingram, Tiffany		Ingram, Tiffany
[edit]			1/21/2011	Cholesterol Is Optimally Managed • Service Date: 9/16/2010 | CHOLESTEROL.IN LDL Result: 140mg/dL | Normal Range: 0-99 mg/dL	Identified (1/21/2011)	Diabetes		250	eSync, System		Ingram, Tiffany
[edit]			1/21/2011	Comprehensive Foot Examination	Identified (1/21/2011)	Diabetes		115	Ingram, Tiffany		Ingram, Tiffany
[edit]			1/17/2011	Discussed Coping Strategies	Identified (1/17/2011)	Behavioral Health		100	Wright, Jeff		Wright, Jeff
[edit]			1/21/2011	Foot Care Monitored Daily	Identified (1/21/2011)	Diabetes		155	Ingram, Tiffany		Ingram, Tiffany
[edit]			1/21/2011	HbA1C Improves By 1% - 1.9% • Service Date: 9/16/2010 | HEMOGLOBIN A1C Result: 9.0% | Normal Range: <7 %	Identified (1/21/2011)	Diabetes		250	eSync, System		Ingram, Tiffany
[edit]			1/21/2011	Immunization Completed: Pneumococcal	Identified (1/21/2011)	Diabetes		110	Ingram, Tiffany		Ingram, Tiffany

Opportunities are **identified** and **prioritized** through eSync

Nurse personalizes recommendations for each member; offers support **tools and resources** via:

- eSync℠ Health Portal
- Secure email
- HealtheNotes
- Phone
- Educational material

Performance management: Real-time monitoring of value/outcomes

- The enhanced model leverages a wide spectrum of clinical services, allowing the ability to dynamically reprioritize members who need us most. It also allows mid-course corrections without product mix changes

Enrollment tracking across all services

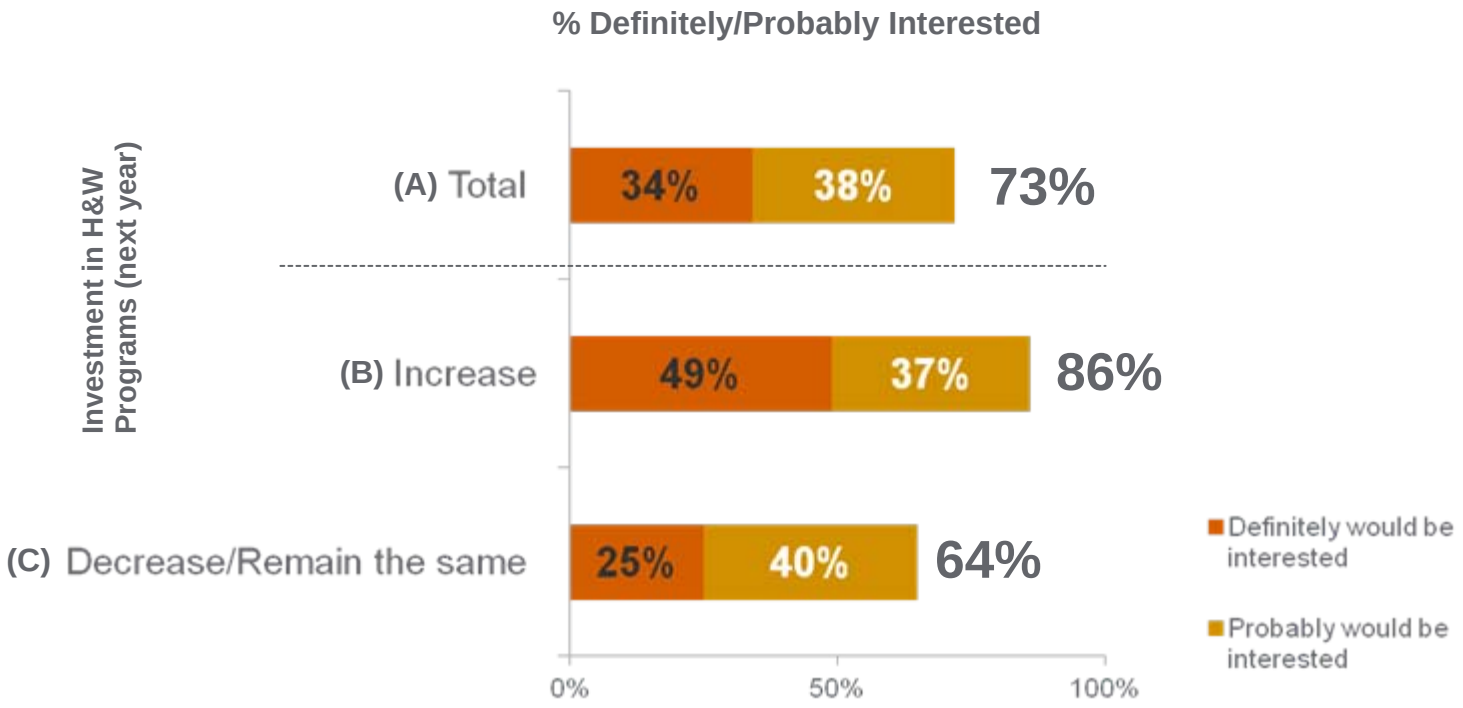
Leading Indicator Value tracking across all services

Top 10 Value Drivers for the population

Note: includes medical, behavioral, and productivity reporting
Source: Fortune 500 Employer with a cross-carrier population, Medical Claims Analysis, 2008-09

Interest in real-time performance management

- Overall, strong interest in real-time performance management
- Employers who plan to increase investment programs over the next year are more likely to show interest in real-time performance management capabilities than those planning to decrease



Reporting features: Transparency

- Highly transparent documentation that facilitates peer review and replicability
- Assumptions and definitions:
  - Numerators and denominators
  - Consistency across all metrics
- Methodologies for evaluations of all metrics (e.g., leading and lagging indicators)
- Detail of calculations available

Final thoughts

Employers are experiencing *challenges* in evaluating the impact of health management programs. They often lack access to reporting in a *timely* manner. Some may not necessarily *trust* the metrics provided to them by vendors.

Challenges vary by experience level and size of company:

- More experienced organizations tend to report less difficulty with evaluating programs and a greater commitment to investing in these initiatives
- Smaller companies appear to be somewhat newer to the game. However, while larger companies have more experience, they report greater distrust and challenges with communication

Best-in-class reporting for health and wellness programs should be *timely, accurate, credible, user-friendly and actionable to demonstrate* value of the service provided.

OPTUM™

Thank you.

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