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PREDICTIVE
MODELING
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Keynote II: How Employers use Predictive Models Effectively

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What are the Key Issues

- Healthcare costs are increasing
- Employees are being asked to take on more responsibility for care
- Many programs and vendors in market so difficult to decide which to choose
- Need to understand data to determine what to do next and measure success of programs
- New ways of engaging with providers and vendors to improve outcomes & productivity while decreasing costs
- Healthcare delivery is changing with new laws, technology, expectations

Why Wellness Internally/Externally?

- It's the right thing to do
- Improve recruitment
- Create a culture of health
- Reduce workers' compensation costs
- Reduce lost work time
- Improve productivity
- Reduce health care costs
- Be an employer of choice
- Minimize turnover/improve retention
- Improve morale
- Improve community perception
- Generate revenue/referrals

Impact of Health Care Reform for Employers

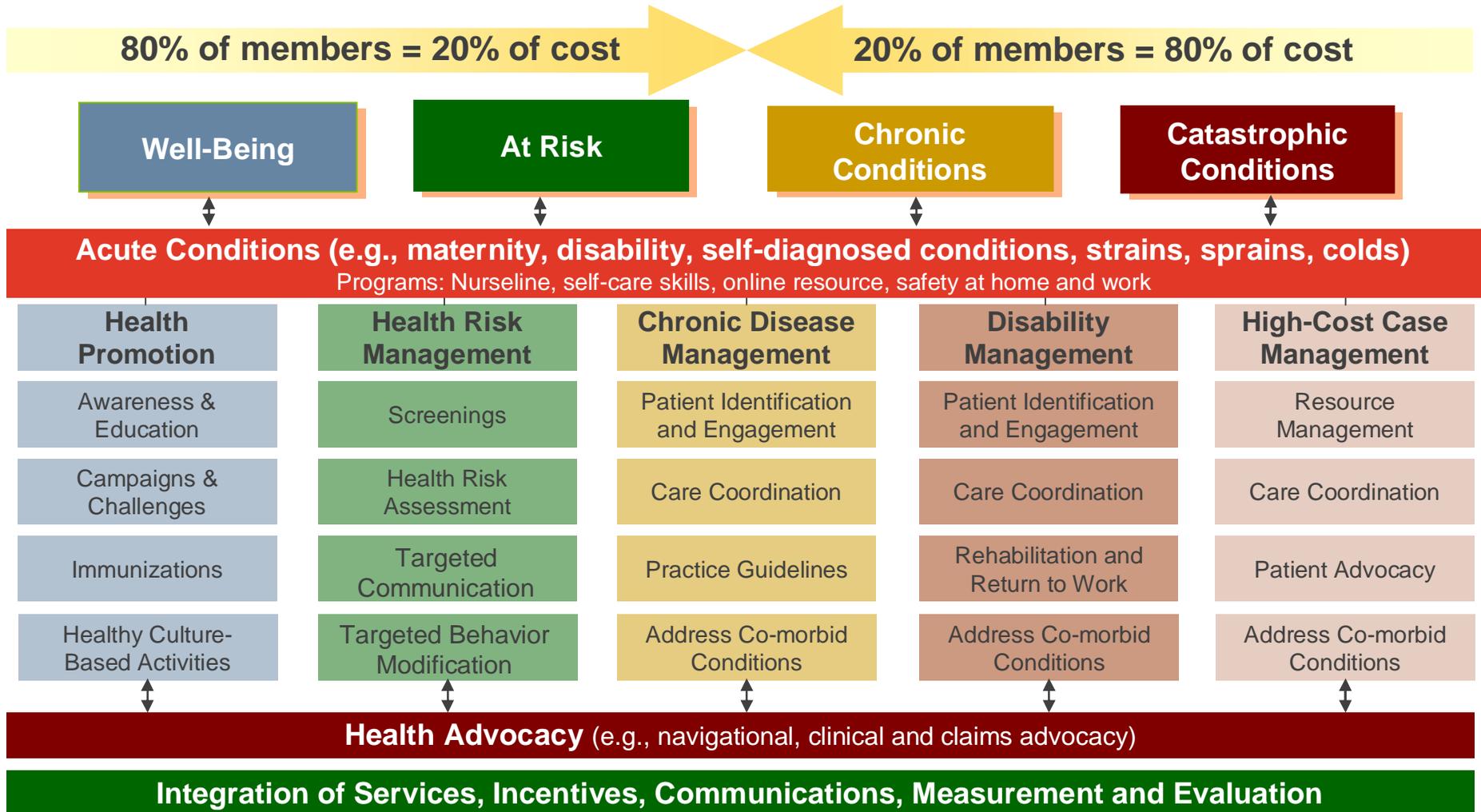
- Preventive care and other services now must be provided
 - However, still many questions in regulations that need to be addressed
 - Plan designs need to reflect changes
 - Carriers need to be able to process claims in changing environment
- Consistency between employers, carriers and regulations still is lacking

Common Gaps in Existing Wellness Programs

- **Lack of strategy**
 - No program goals and objectives
 - No direction
 - No link to the business
- **Focus on activities**
 - What activity should we do next month?
- **Lack of overall brand and visibility**
 - No program identity
 - Piecemeal activities not tied together
 - Difficult to maintain awareness among desired participants
 - Out of site, out of mind
- **Little accountability**
 - No administrative ownership
 - Little meaningful program evaluation
- **No administrative infrastructure**
 - Corporate
 - Site-based
 - Difficult to sustain momentum

Medical Model

Services Across the Continuum

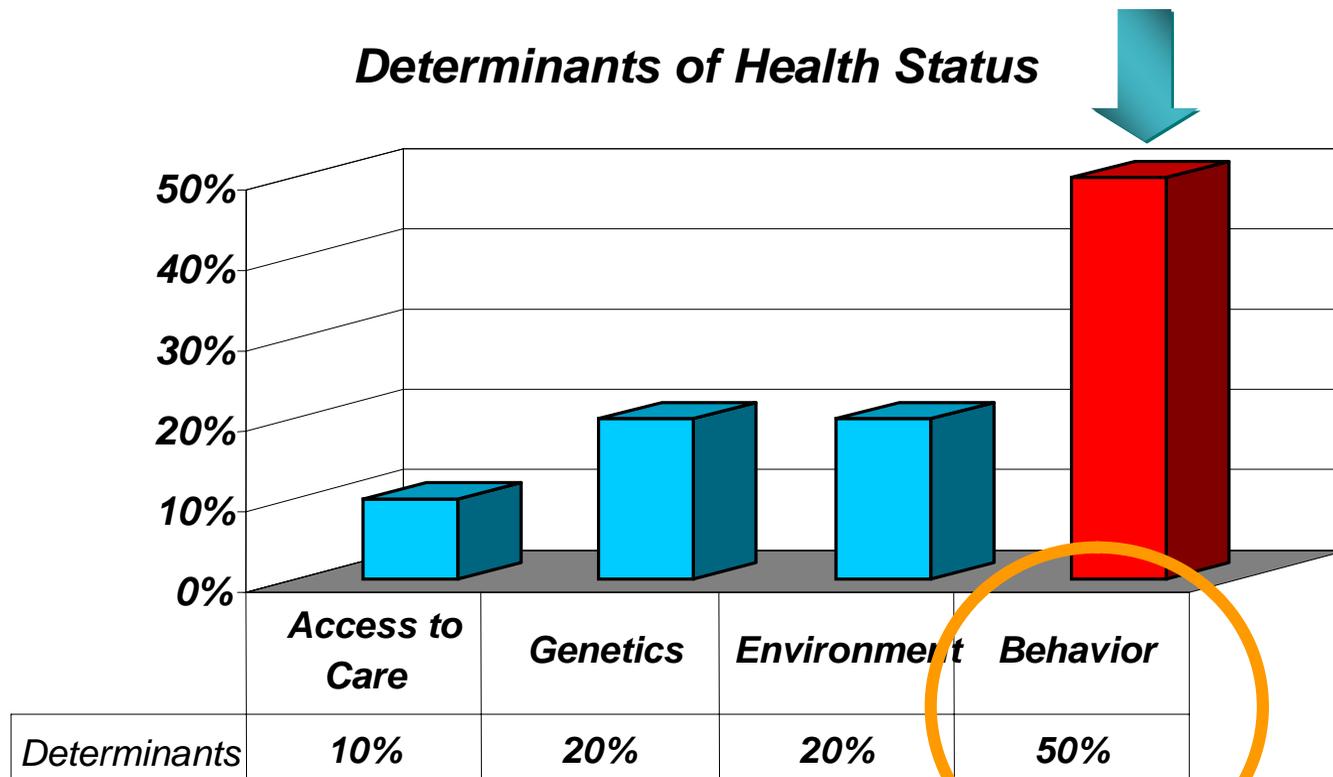


The Case for Wellness – Health Care Costs

The Need for Behavior Change

60-75% of health costs are controllable

Individual lifestyle behavior determines 50% of health status and associated controllable costs



Source: IFTF, Center for Disease Control and Prevention

Mercer's Point of View on Health and Wellness

Based on Client Outcomes, Experience, and Research

Behaviors drive health costs

Promote and sustain healthy behaviors ... positive cost outcomes will follow.

Apply a multi-faceted approach

Design, programs, vendors, communications, incentives, and leadership support must be in sync to optimize results.

One size does not fit all

Success requires effectively reflecting your culture, risk tolerance, readiness to change and business/industry constraints.

Promote outcomes: build a foundation

Build trust, participation and engagement before moving to results-based incentives.

Measure results and enforce accountability

Rigorously review and assess the program to drive improvement.

What's in it for me?

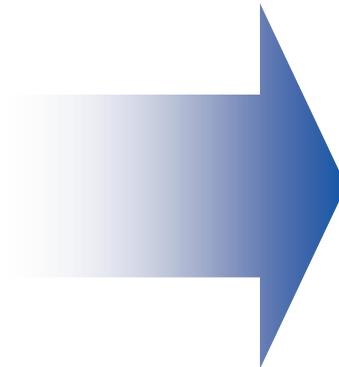
Make sure you can answer this question; it's on everyone's mind.

Total Health Management (THM)

Definition

- Total Health Management is all the actions an employer can take to engage and support employees in making good choices to avoid the cost and consequences of poor health.

Strategic framework

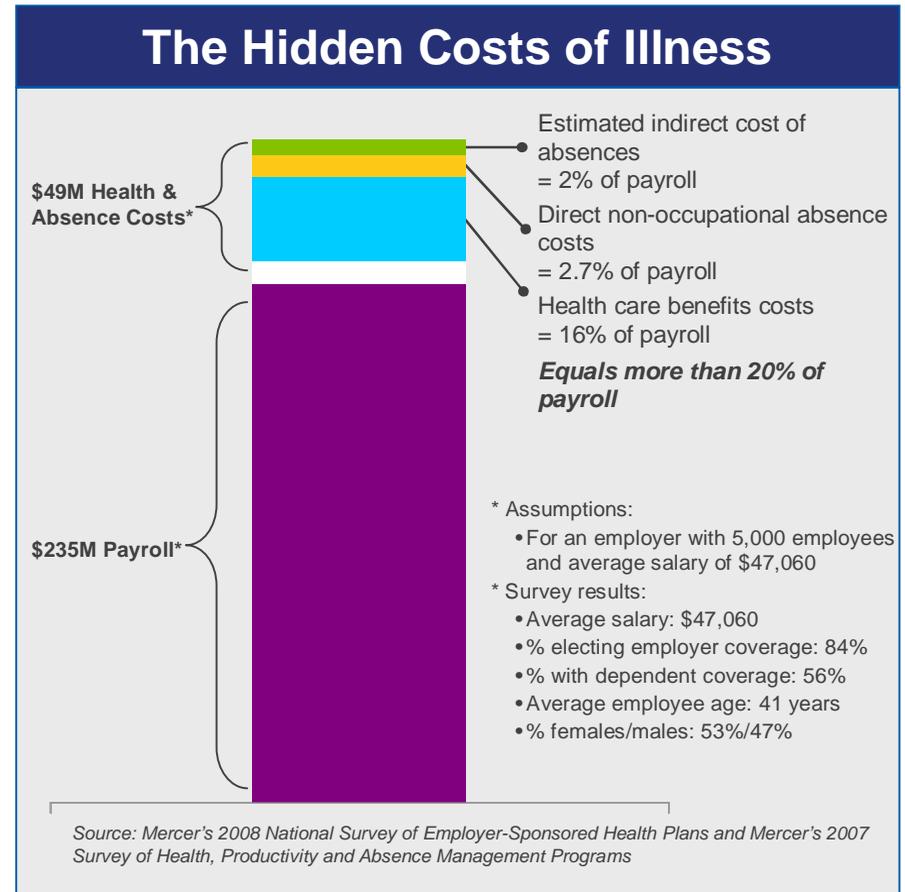
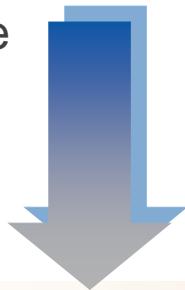


- Creates a sustainable culture of health
- Facilitates employee behavioral change and commitment
- Reduces costs associated with poor health

The THM Opportunity

Total Savings of 1 – 2% of Payroll (~ \$1Million/1,000 Employee)

- There are many untapped opportunities
 - We can address the “hidden” costs associated with poor health (such as at risk, illness, injury) with a comprehensive and integrated approach
- Manage total health to achieve total value



Reduced cost + Healthier workforce + Increased productivity = Competitive advantage, Positive company image

Creating a Range of Approaches Over Time – Carrots and Sticks

Mild	Moderate	Progressive
<ul style="list-style-type: none">▪ Pique interest.▪ Create excitement about activity.▪ Encourage participation.▪ Use more of a “carrot” approach.▪ Realize you will create less of an impact on employees in terms of potential adverse employee relations.▪ At times, only offer something or communicate the benefits or convenience.	<ul style="list-style-type: none">▪ Drive change in behaviors through a blend of “carrot” and “stick” approaches.▪ Add incentives and show the bar being raised over time.	<ul style="list-style-type: none">▪ Strongly incent desired behavior or discourage inappropriate behavior.▪ Incentives can include changes to policy in addition to plan design.▪ Potential mandates may be used.▪ These types of incentives are integrated across plans and programs.▪ This is more of a “stick” approach.▪ This approach could be needed to drive behavioral change with the most stubborn behaviors.▪ There could be a significant potential adverse impact on employee relations if this is implemented too early in evolution or not messaged appropriately.

The “right” amount of financial incentive will vary greatly depending on each situation and over time.

Which approach will work most effectively with your population ... Today? Two years from now? Five years from now?

THM Source of Savings

- A fully integrated approach to the interventions below can result in **total savings of 1 to 2 percent of payroll**. For an employer with 5,000 employees and an average salary of \$47,000, **total savings of 1 to 2 percent yields up to \$5 million**.

		Mature program average savings as% of payroll*
Health	Disease Management	0.5%
	Lifestyle Management	0.5%
	Case Management	0.3%
Absence	Comprehensive Disability Management	0.3%
	Incidental Absence Management	0.1%
Clinical	Selective High Performance Network	0.7%
	Hospitalists	0.3%
Pharmacy	Pharmacy Benefit Management	0.3%

* Not additive due to potential overlap in savings

Mercer has found that there are four essential building blocks to achieving results and sustainable change

Design

- Programs designed to facilitate greater engagement, behavior change, treatment compliance and sustained utilization of higher quality providers and treatment options

Engagement

- Hold all parties accountable – organization leaders, employees, dependents and vendors – to achieve success through plan design, incentives and strategic and tactical communications

Integration

- Bring all data, systems and programs under one real-time, comprehensive and seamless participant focused umbrella

Measurement

- Rigorous and sustained monitoring of process and impact metrics and comprehensive evaluation of the total value of investments made in health and productivity

Sample Value Based Plan Designs (VBDs)

Clinical evidence →	Desired behavior	→ VBD – Actions	Impact on employee	Value on investment
<ul style="list-style-type: none"> High-performing specialists are more cost-efficient and achieve higher quality. 	<ul style="list-style-type: none"> Employee chooses high-performing specialists. 	<ul style="list-style-type: none"> Lower co-pays for high-performing specialists Health plan with health provider network Good web tools and marketing campaign 	Moderate – High	** – ***
<ul style="list-style-type: none"> People with preference-sensitive conditions (conditions that have multiple treatment options) who use shared decision making tend to choose less invasive approaches. 	<ul style="list-style-type: none"> Consult health adviser (HA) before elective surgery. 	<ul style="list-style-type: none"> \$500 penalty for not consulting HA Vendor with HA for shared decision making Marketing campaign to employees 	Low – Moderate	**
<ul style="list-style-type: none"> High-risk diabetics who have eye exams and regular blood glucose screenings have lower costs than those who do not. 	<ul style="list-style-type: none"> High-risk diabetics get preventive screenings. 	<ul style="list-style-type: none"> Lower co-pays for screenings Health management vendor outreach and skill building Physician reinforcement 	Moderate	**

¹ More asterisks indicate higher value on investment.

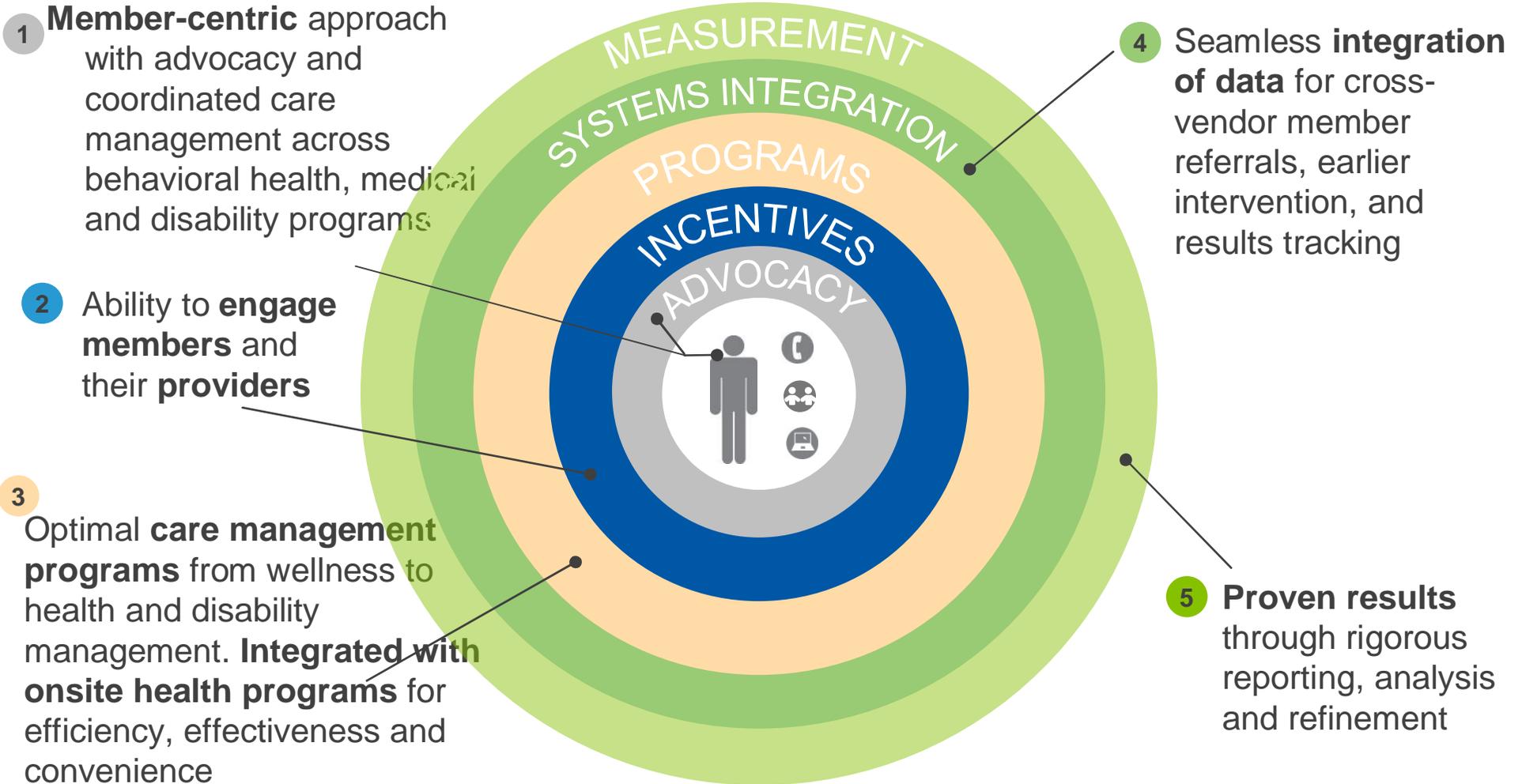
Engagement

Changing Behaviors... Building a Culture of Health

<i>Key Behaviors</i>	<i>Year #1</i> 2011	<i>Year #2</i> 2012	<i>Year #3</i> 2013
Being Aware of Health Status – Health Assessment and Screenings			
Preventing Illnesses – Immunizations and Maintenance of Healthy Lifestyles			
Reducing Risks – Mitigating or Eliminating Unhealthy Behaviors			
Accessing Right Care – Access and Use the Right Care, at the Right Time, from the Right Providers			
Complying with Treatment Regimes – Follow Through with What is Prescribed			

Goal is to ultimately develop an Evolving Long Term Approach that more strongly reinforces appropriate behavior over time

Integration and Performance Operational Requirements



Measurement Framework

- Employers need measurement strategies that include and balance:

Functions	Scope	Applications
Are all of the right questions being addressed?	Are the measures we are tracking broad and balanced?	How do we align our measurements with CLIENT actions?
<ul style="list-style-type: none"> Diagnose Target Forecast Monitor Evaluate 	<ul style="list-style-type: none"> Structure – measures of the availability of resources/ services/infrastructure Process – measures of <i>how</i> something is being done Outcome – measures of expected results 	<ul style="list-style-type: none"> Integrated program performance Financial management Health & Productivity management Provider management Plan management

What Employers Want to Achieve

- ***Direct savings:***

- Payroll savings
- Health care savings
- Pharmacy savings
- Improved ROI

- ***Indirect savings:***

- Improved health status of the employee population
- Reduction in absenteeism
- Improved vendor performance
- Improved program management

New Innovations Employers are Using

- Health Risk Assessments participation expectations
- Medical homes in action for the sicker employees
- Healthcare travel to Centers of Excellence
- Expanded service offerings at on site clinics

Increased use of technology



Putting in Programs for Employees

- As healthcare costs continue to increase, employers are looking for ways to save money and measure ROI on existing programs
 - On site clinics
 - LM and DM coaching
- However, in order to make these work effectively, communication strategies need to be a key part of the program
 - If the employees don't see the value they won't participate

Sharp growth in use of health management programs

Percent of large employers offering programs

Health risk assessment



Disease management program



Behavior modification



Health advocate services



Nurse advice line

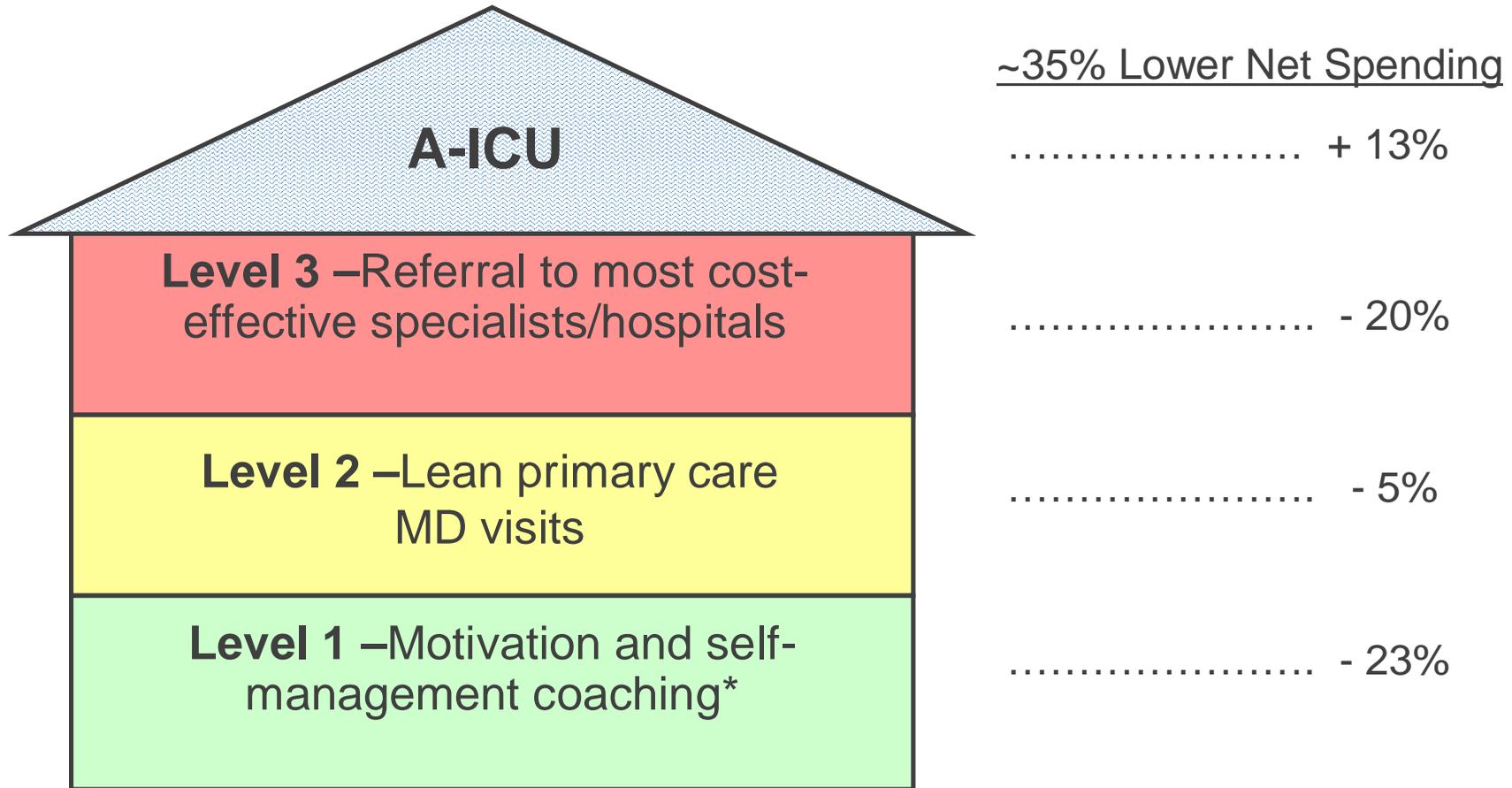


Source: Mercer's National Survey of Employer-Sponsored Health Plans 2009

HRA Use

- Now being required by many employers to participate in health benefits
 - No longer optional to fill out
 - Spouses expected to fill out
- Higher premiums or exclusion from plan if not filled out
 - Participation in coaching programs if stratified into higher risk groups

Incubating Leaner Care for Sickest 20% Reengineered Primary Care for Chronic Illness



Identify Methods to Identify Members at Highest Risk

- Estimate population size and geographic dispersion
- Assess available methods for identifying next year's sickest 20%
 - Predictive modeling by health plan, DM, or other
- Evaluate/select likely predictive modeling approach
- Assess data needs & availability
 - Medical claims data, pharmacy claims data, HRA
- Identify target population (Implementation)



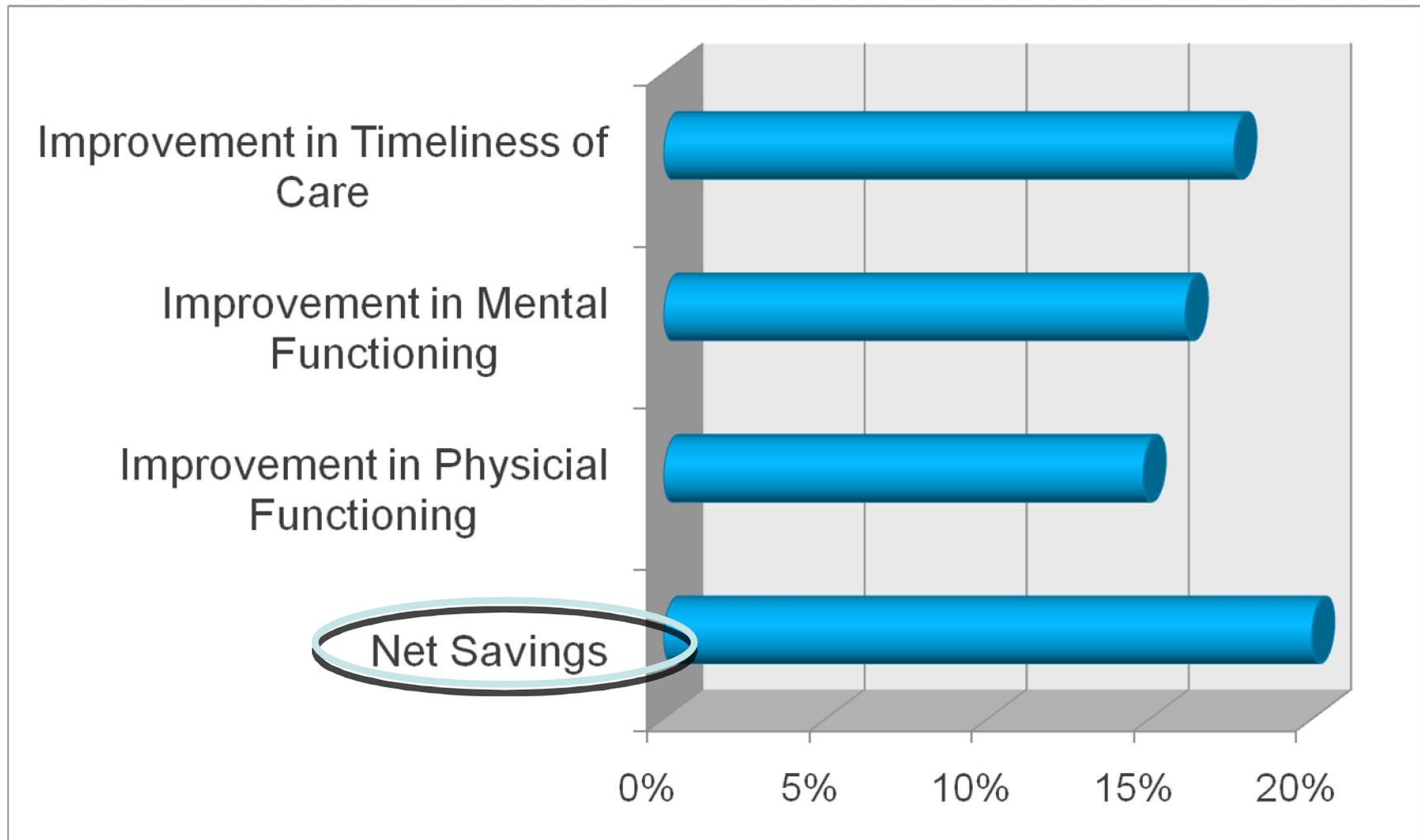
Assess Methods to Identify Potential Physician Partners

- Assess available methods for identifying high performing physicians
 - Predictive modeling by vendor partner
 - Evaluate/select likely predictive modeling approach
 - Assess data needs & availability
- Establish criteria for accepting physician practices
 - Practice experienced in medical home model and proven reduction in costs
 - Top ranked physicians, both cost and quality
 - Close support from caring nurse
 - Willing to accept upside and downside risk
 - Willing to closely partner with Fortune 500 employer
- Identify target physicians (Implementation)
- Contract with physicians (Implementation)

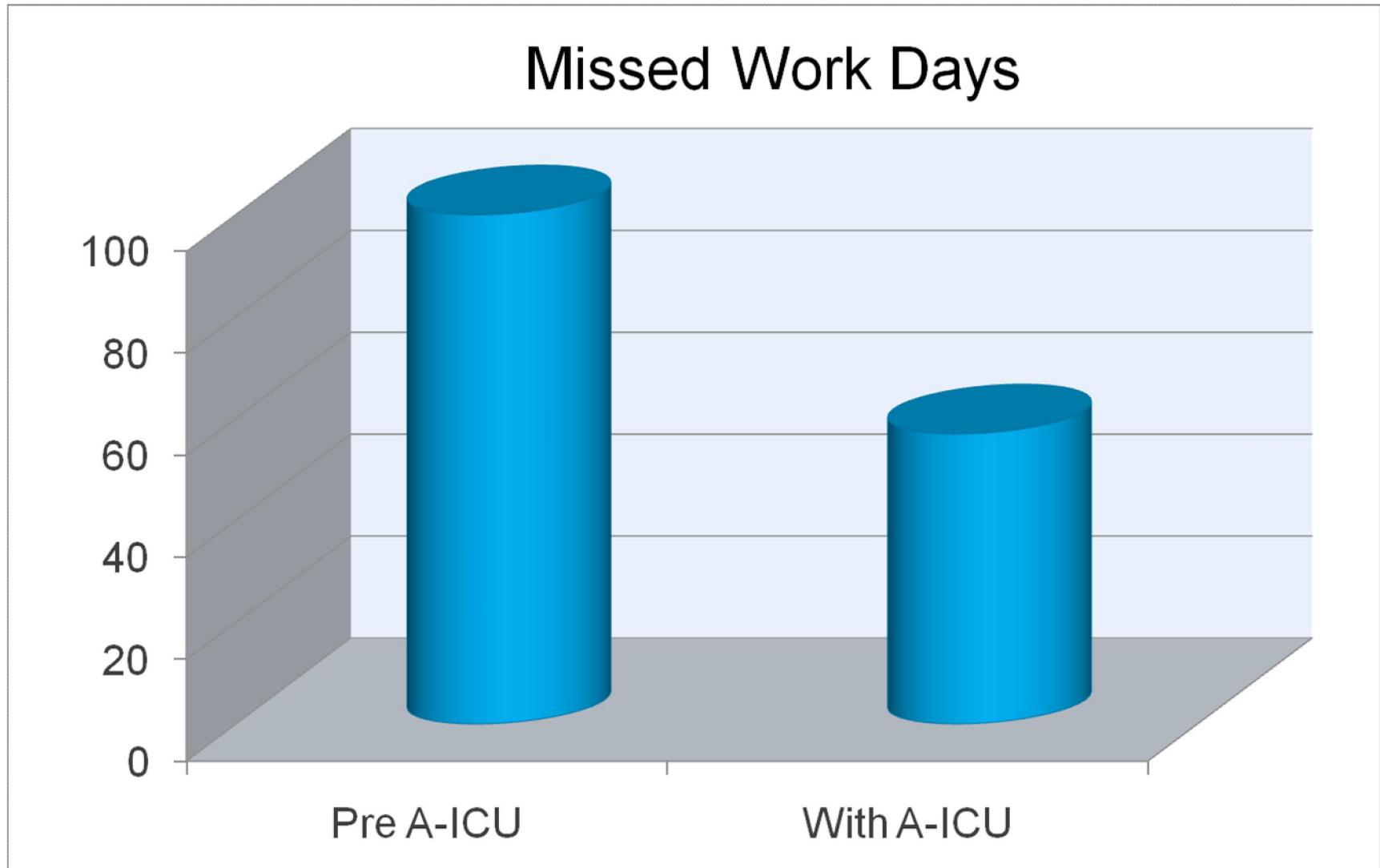


High
Performing
Physicians

A-ICU Improves Health Provides 20% Savings



A-ICU Reduces Missed Work Days by Almost Half



Getting Improved Health Outcomes at Lower Costs

No

- Large delivery system scale — just a few good personal care teams

No

- Costly IT
- Many years of waiting for results

No

- Reduction in provider fees

Yes

- Leadership of at least one large payer
- Consortium of medium employers/Trusts

Yes

- Robust provider incentives

Yes

- Shared savings model

Travel Surgery

- More than just medical tourism
 - Domestic
 - Foreign
- Need to ensure that centers have
 - Measurable volumes for procedures
 - Quality measures

Travel Surgery

- Designed as part of Lowe's initiative to specifically address members with high risk and high cost health problems
 - The 20% of members driving 85% of health care costs
- Evaluated three travel surgery options
 1. Out of country surgery—good quality with greatest cost reduction
 2. US travel surgery networks—good quality with some cost reduction
 3. Single center of excellence—highest possible quality, cost neutral
- Selected Option 3—Single Center of Excellence
 - Provide members with best possible chance of excellent outcomes for high risk surgical procedures

Lowe's Cardiac Program

- Lowe's recently launched a highly innovative healthcare program designed to help its employees seek top quality care for complex surgeries. Partnering with the Cleveland Clinic, Lowe's negotiated favorable, fixed per-case rates for select complex surgeries. A cardiac surgery program was selected to be the first offering. The new turnkey program is completely optional, but employees have an incentive to consider using the Cleveland Clinic, because Lowe's covers 100% of all expenses, including medical, travel and support services. Patients benefit from financial incentives that encourage them to use the high-quality provider, and providers must be efficient to keep costs within the bundled case rate. In other words, it's a win-win solution aligning incentives and providing an upside for Lowe's employees, Lowe's and the Cleveland Clinic.

On Site Clinics

- More than occupational health
- Now using clinics as adjunct to primary care
 - Using Health Risk Assessments to stratify member and sending higher risk members to clinic for counseling and disease management coaching
 - Monitoring blood pressure, medications, chronic diseases
- Reduction in services going through health plan
 - Cost savings on unit basis
 - Improved compliance and coordination of care
 - Decreased absenteeism and time away from work

Clinical Review of the Programs & Vendors

- Employers are measuring the efficacy of the vendors
 - Understanding risk stratification and predictive models for engagement and identification strategies
 - Auditing the programs through formal case reviews by third parties
 - Putting in clinical performance guarantees based on evidence derived measures
 - Holding vendors accountable to close clinical gaps in care
 - Making vendors put fees at risk as a component of the performance guarantees

What Employers are Learning

- They are not running the models
 - They may not understand the complexities of the models
- They are relying on their vendor partners to identify, stratify and outreach to the appropriate target populations
 - Want to see ROI based on engagement and changes in disease outcomes
 - Want to understand how to monitor the vendors with performance guarantees
- Using consulting firms to help analyze the data and identifying new areas for programs

The Art & Science of Employee Health Management

- **Science** (**what** you implement)
 - Make sure the programs are effective and science-based
 - Make sure the programs address your specific needs
- **Art** (**how** you implement it)
 - Wellness is tied to the business, leadership is on board and corporate policies and practices support a healthy culture
 - Program policies and procedures are documented and an accountable infrastructure is in place
 - Program variety is offered and participation options are varied
 - Effective mass and targeted marketing is used to keep the message in front of people and valued incentives are selected
 - Program status information is collected and reported to key stakeholders in accepted company format
 - Continual input and feedback is obtained from various key stakeholder groups



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