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

80% of members = 20% of cost
20% of members = 80% of cost

Well-Being

At Risk

Chronic Conditions

Catastrophic Conditions

Acute Conditions (e.g., maternity, disability, self-diagnosed conditions, strains, sprains, colds)
Programs: Nurseline, self-care skills, online resource, safety at home and work

Health Promotion
Awareness & Education
Campaigns & Challenges
Immunizations
Healthy Culture-Based Activities

Health Risk Management
Screenings
Health Risk Assessment
Targeted Communication

Chronic Disease Management
Patient Identification and Engagement
Care Coordination
Practice Guidelines
Address Co-morbid Conditions

Disability Management
Patient Identification and Engagement
Care Coordination
Rehabilitation and Return to Work
Address Co-morbid Conditions

High-Cost Case Management
Resource Management
Care Coordination
Patient Advocacy
Address Co-morbid Conditions

Health Advocacy (e.g., navigational, clinical and claims advocacy)

Integration of Services, Incentives, Communications, Measurement and Evaluation
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

Determinants of Health Status

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Access to Care</th>
<th>Genetics</th>
<th>Environment</th>
<th>Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determinants</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: IFTF, Center for Disease Control and Prevention
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
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

The Hidden Costs of Illness

- Estimated indirect cost of absences = 2% of payroll
- Direct non-occupational absence costs = 2.7% of payroll
- Health care benefits costs = 16% of payroll
  *Equals more than 20% of payroll*

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

## Creating a Range of Approaches Over Time – Carrots and Sticks

<table>
<thead>
<tr>
<th>Mild</th>
<th>Moderate</th>
<th>Progressive</th>
</tr>
</thead>
</table>
| - 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. | - Drive change in behaviors through a blend of “carrot” and “stick” approaches.  
- Add incentives and show the bar being raised over time. | - 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?*
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**.

<table>
<thead>
<tr>
<th><strong>Health</strong></th>
<th>Mature program average savings as% of payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disease Management</td>
<td>0.5%</td>
</tr>
<tr>
<td>Lifestyle Management</td>
<td>0.5%</td>
</tr>
<tr>
<td>Case Management</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Absence</strong></th>
<th>Mature program average savings as% of payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Disability Management</td>
<td>0.3%</td>
</tr>
<tr>
<td>Incidental Absence Management</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Clinical</strong></th>
<th>Mature program average savings as% of payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selective High Performance Network</td>
<td>0.7%</td>
</tr>
<tr>
<td>Hospitalists</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Pharmacy</strong></th>
<th>Mature program average savings as% of payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacy Benefit Management</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

*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)

<table>
<thead>
<tr>
<th>Clinical evidence</th>
<th>Desired behavior</th>
<th>VBD – Actions</th>
<th>Impact on employee</th>
<th>Value on investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-performing specialists are more cost-efficient and achieve higher quality.</td>
<td>Employee chooses high-performing specialists.</td>
<td>Lower co-pays for high-performing specialists</td>
<td>Moderate – High</td>
<td>** – ***</td>
</tr>
<tr>
<td>People with preference-sensitive conditions (conditions that have multiple treatment options) who use shared decision making tend to choose less invasive approaches.</td>
<td>Consult health adviser (HA) before elective surgery.</td>
<td>$500 penalty for not consulting HA</td>
<td>Low – Moderate</td>
<td>**</td>
</tr>
<tr>
<td>High-risk diabetics who have eye exams and regular blood glucose screenings have lower costs than those who do not.</td>
<td>High-risk diabetics get preventive screenings.</td>
<td>Lower co-pays for screenings</td>
<td>Moderate</td>
<td>**</td>
</tr>
</tbody>
</table>

*More asterisks indicate higher value on investment.*
## Engagement
### Changing Behaviors... Building a Culture of Health

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

**Goal is to ultimately develop an Evolving Long Term Approach that more strongly reinforces appropriate behavior over time**
Integration and Performance Operational Requirements

1. **Member-centric** approach with advocacy and coordinated care management across behavioral health, medical and disability programs.

2. Ability to **engage members** and their **providers**.

3. Optimal **care management programs** from wellness to health and disability management. **Integrated with onsite health programs** for efficiency, effectiveness and convenience.

4. Seamless **integration of data** for cross-vendor member referrals, earlier intervention, and results tracking.

5. **Proven results** through rigorous reporting, analysis and refinement.
Employers need measurement strategies that include and **balance**: 

<table>
<thead>
<tr>
<th>Functions</th>
<th>Scope</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are all of the right questions being addressed?</td>
<td>Are the measures we are tracking broad and balanced?</td>
<td>How do we align our measurements with CLIENT actions?</td>
</tr>
<tr>
<td>Diagnose</td>
<td>Structure – measures of the availability of resources/services/infrastructure</td>
<td>Integrated program performance</td>
</tr>
<tr>
<td>Target</td>
<td>Process – measures of how something is being done</td>
<td>Financial management</td>
</tr>
<tr>
<td>Forecast</td>
<td>Outcome – measures of expected results</td>
<td>Health &amp; Productivity management</td>
</tr>
<tr>
<td>Monitor</td>
<td></td>
<td>Provider management</td>
</tr>
<tr>
<td>Evaluate</td>
<td></td>
<td>Plan management</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Service</th>
<th>2006</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health risk assessment</td>
<td>53%</td>
<td>73%</td>
</tr>
<tr>
<td>Disease management program</td>
<td>65%</td>
<td>71%</td>
</tr>
<tr>
<td>Behavior modification</td>
<td>30%</td>
<td>51%</td>
</tr>
<tr>
<td>Health advocate services</td>
<td>35%</td>
<td>53%</td>
</tr>
<tr>
<td>Nurse advice line</td>
<td>67%</td>
<td>78%</td>
</tr>
</tbody>
</table>

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

~35% Lower Net Spending

\[ \text{Level 3} – \text{Referral to most cost-effective specialists/hospitals} \]
\[ \text{A-ICU} \]
\[ \text{Level 2} – \text{Lean primary care} \\
\text{MD visits} \]
\[ \text{Level 1} – \text{Motivation and self-management coaching\,*} \]

\[ \text{........................... + 13\%} \]
\[ \text{........................... - 20\%} \]
\[ \text{........................... - 5\%} \]
\[ \text{........................... - 23\%} \]
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)
A-ICU Improves Health Provides 20% Savings

- Improvement in Timeliness of Care
- Improvement in Mental Functioning
- Improvement in Physical Functioning
- Net Savings
A-ICU Reduces Missed Work Days by Almost Half

Missed Work Days

Pre A-ICU

With A-ICU
Getting Improved Health Outcomes at Lower Costs

**No**
- Large delivery system scale — just a few good personal care teams
- Costly IT
- Many years of waiting for results
- Reduction in provider fees

**Yes**
- Leadership of at least one large payer
- Consortium of medium employers/Trusts
- Robust provider incentives
- 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 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
For more information

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