

Improving Prediction of Future Medical Benefit Spend for the Self-Insured Employer: Focus on High Cost Claimants

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The Predictive Modeling Summit

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Agenda

- About Quest Diagnostics
- Self Insured Employer Marketplace
- Quest Employee Health Program
- Data, Analytics & Informatics Resources
- Long Term Strategy

About our company

- World's leading provider of diagnostic information services
- 2015 revenues of approximately \$7.5 billion
- Touches the lives of 30 percent of American adults each year
- Serves about half of the physicians and hospitals in the U.S
 - 44000 employees
 - 2300 patient service centers
 - 650 M.D.s and Ph.D.s
 - 3500 courier vehicles that collectively make tens of thousands of stops daily
 - 25 aircraft
 - 10000 (1099) Mid Level Providers
- Test menu that is industry leading in breadth and innovation
 - routine biological tests to complex and specialized molecular and gene-based testing as well as anatomic pathology

Quest Diagnostics: Inspiring action through insight

Quest Diagnostics is far more than a lab

We are a driving force behind the innovations and solutions you need to help you stay ahead of the curve and continue to deliver quality care



Inspiring action to better health with
**LEADING DIAGNOSTIC INFORMATION
CAPABILITIES**



Illuminating answers through
**ADVANCED ANALYTICS &
TECHNOLOGY SOLUTIONS**



Advocating better health with a
**PORTFOLIO OF SPECIALIZED
SOLUTIONS**

Self Insured Employer Marketplace

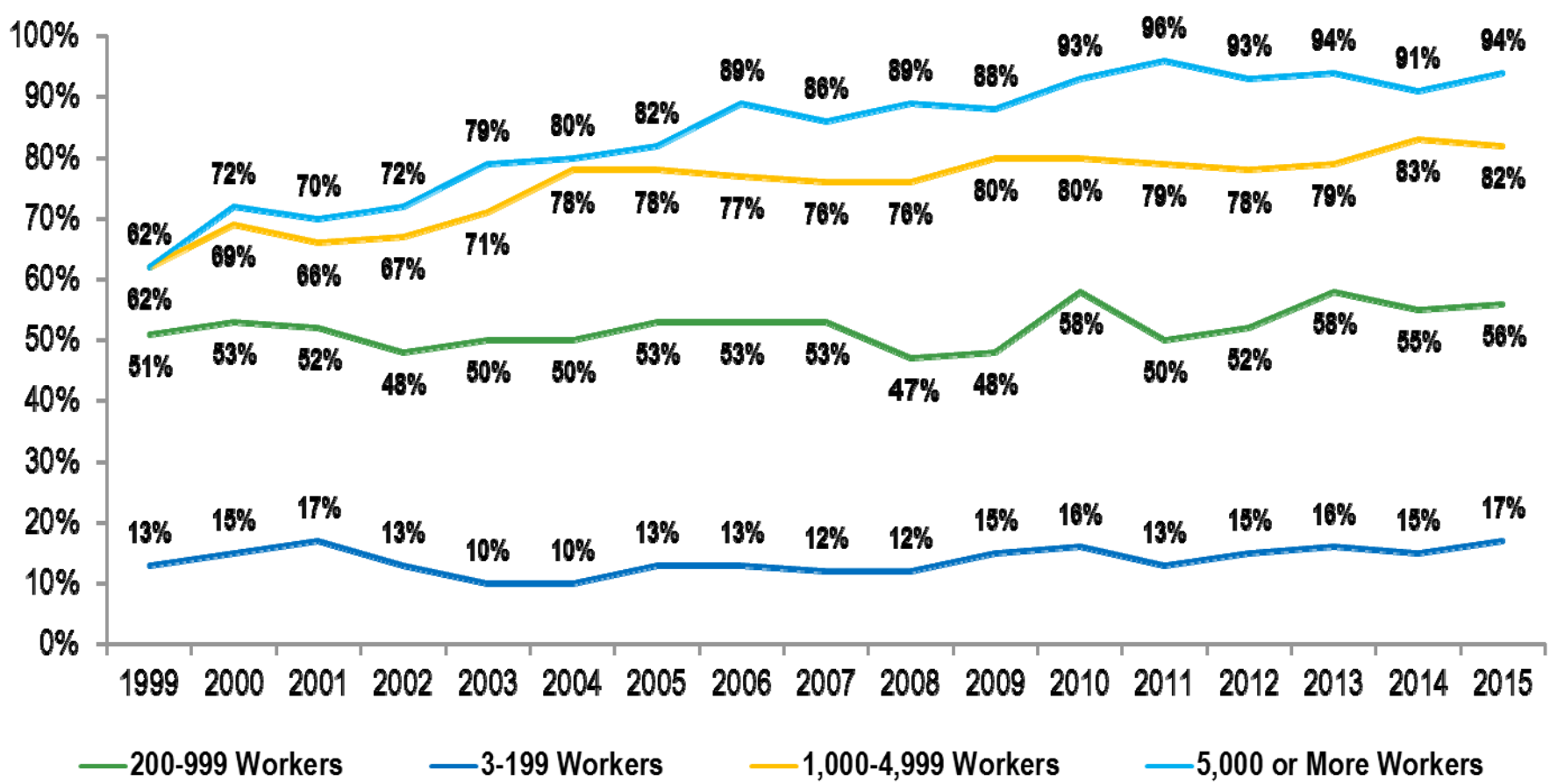
- Market size
 - 50M workers and dependents (2000 data, Self-Insured Institute of America)
 - 33% of the 150M participants in private employment-based plans
- Trends in cost
 - 2017 trend is **6%** (NBGH survey; 33 large employers; 15M lives)

NUMBERS YOU NEED



Percentage of Employers That Self-Fund Their Health Plans

A National Business Group on Health® Resource



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015.

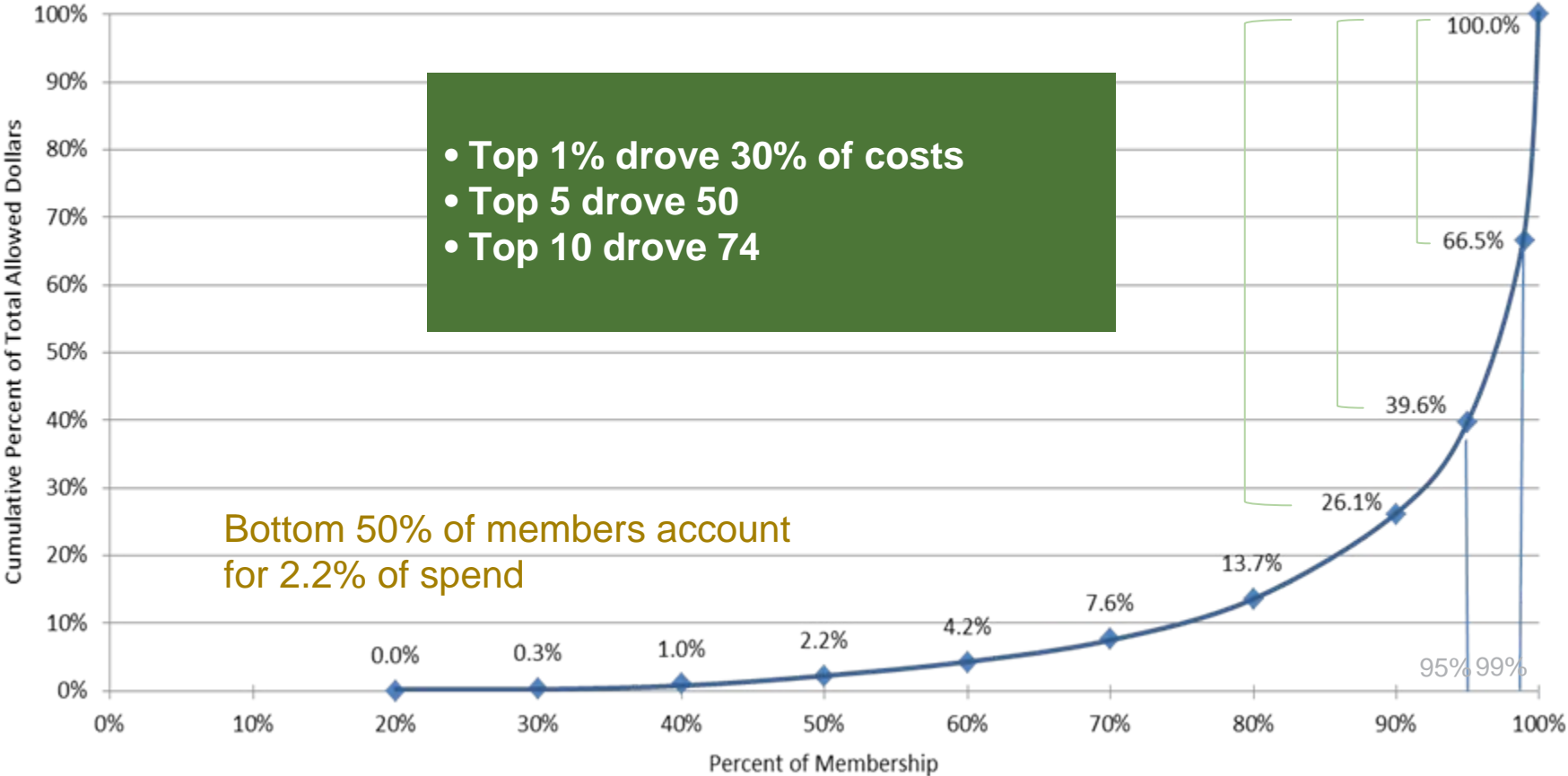
High Cost Claimants (HCC) – American Health Policy Institute*

- AHPI 2016 survey of 26 large employers
 - average HCC costs \$122,382 annually
 - 1.2% of all members are HCC
 - HCCs represent 31% of total spend**
 - 53% of spend for chronic conditions; 47% for acute conditions
- Recommended initiatives
 - mining health data to target certain chronic conditions
 - engage beneficiaries to be active participants
 - wellness programs
 - predictive biometric screening
 - care management to target particular diseases or procedures

*American Health Policy Institute, 'High Cost Claimants: Private vs. Public Sector Approaches, by D. Mark Wilson, others, 2016

Distribution of 2015 Allowed Spend by Percent of Membership

Small pockets of population driving majority of spend

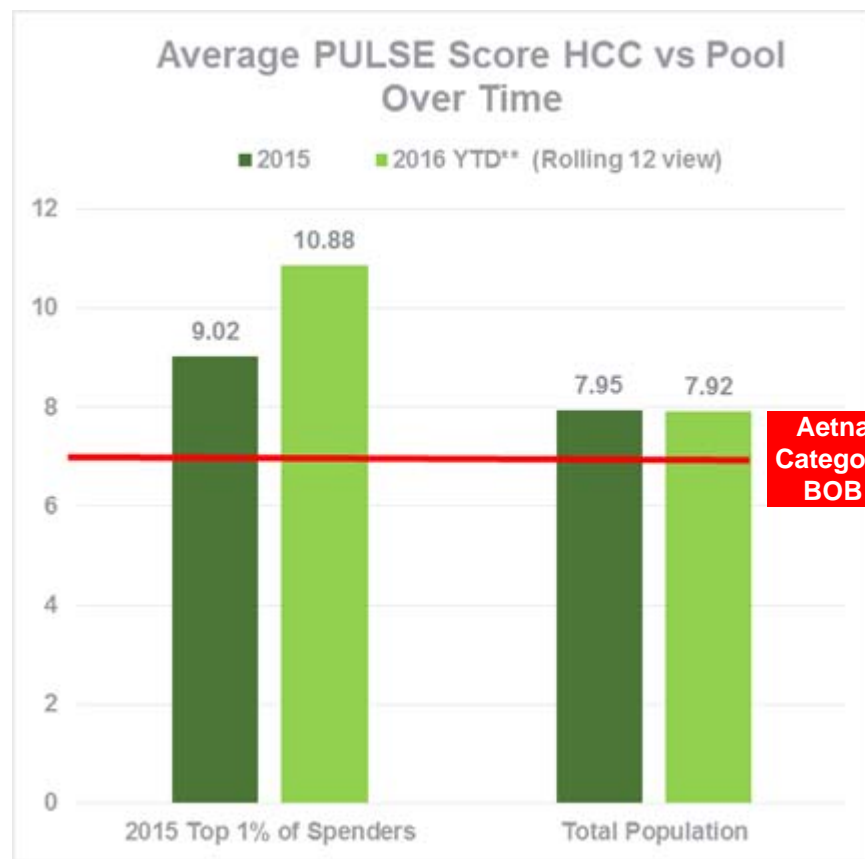
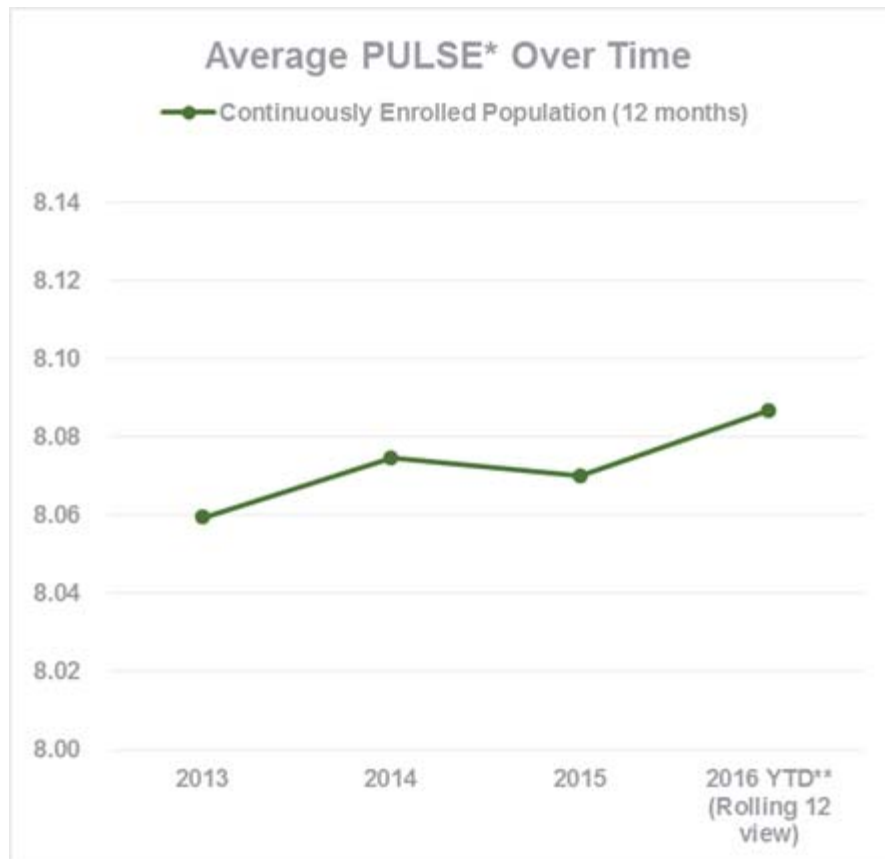


Data is Medical and Rx allowed dollars January – October, two month lag.



Health Status* Quest Diagnostics Population 2013 to 2016

Average age up (>1 year); illness burden in the pool is stable but elevated;
High Cost Claimant population 1 year escalation in severity



*Aetna membership: higher the score the higher the medical spend in the future

EHP Spend May YTD Results* 12 month view

88% of spend is the following (8) categories

Category	% Spend	Category	% Spend
Inpatient	23.8%	Medical Rx	5.8%
Pharmacy	22.4%	ER	5.6%
Specialist	14.3%	Radiology	4.4%
Ambulatory	10.3%	Lab	1.8%

***This report is based on TPA #1 data and covers 80% of beneficiaries**

EHP Spend May YTD Results* 12 month view

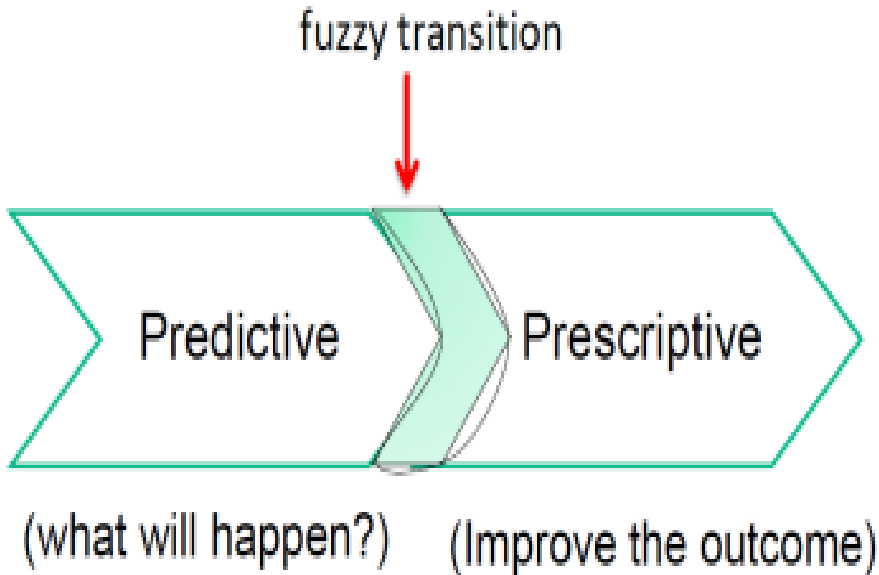
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71%

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Objective Improve Accuracy of Monthly Prediction



- Short Term (Monthly-Quarter) focus
- Best manage concurrent spend
- Identify and engage HCC* with high sensitivity (minimize false negatives; OK to over call)
- Reduce # HCC
- Reduce total HCC spend
- Not possible to case manage every HCC

*HCC FY claims expense of >\$75K

Quest Employee Health Program (EHP) - Guiding Principles

- First focus on member engagement, care experience and quality outcomes
- Reduce year over year cost increases
- Limit cost shift to employees
- Expand use of 'virtual' care where appropriate
- Move care to settings of 'pay for value'
- **Engage High Cost Claimants**
- **Prioritize improving the health status of the entire beneficiary population**

Quest Employee Health Program (EHP)

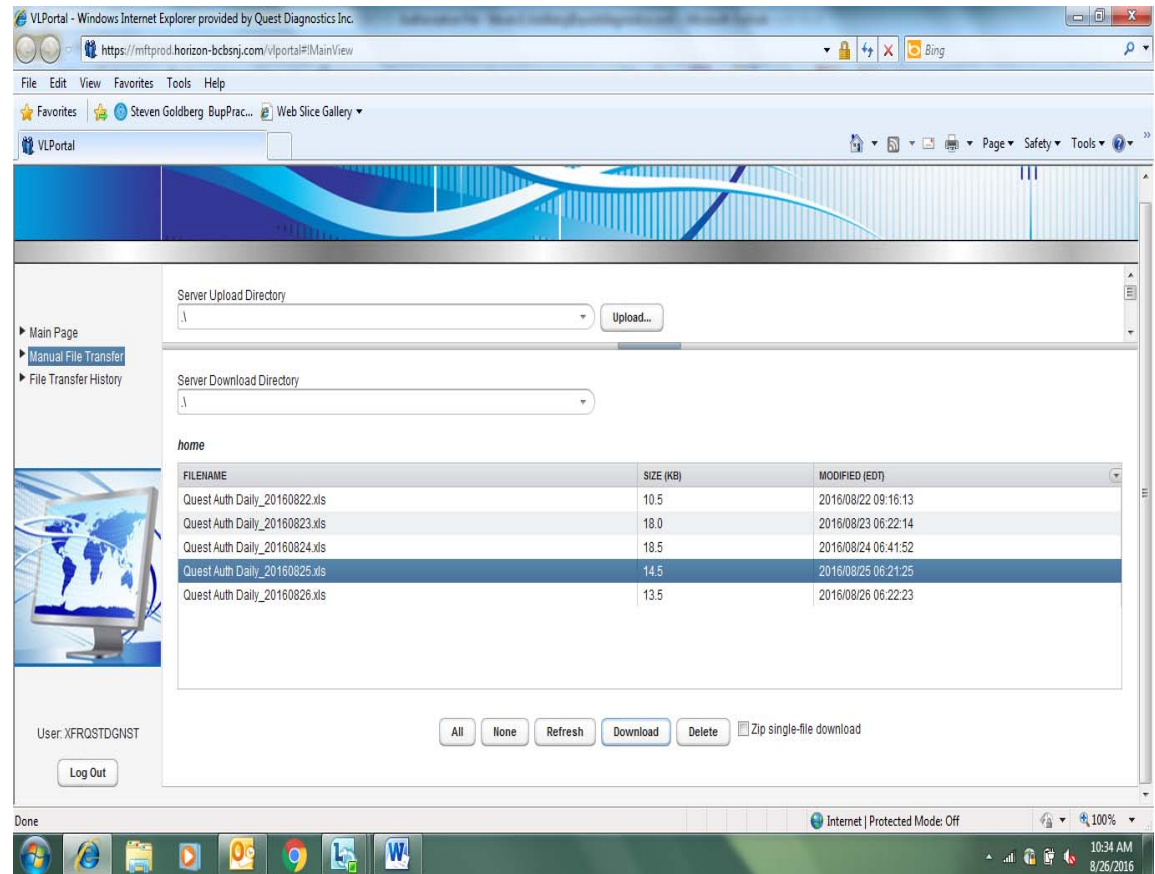
- Beneficiary count
- 2017 plan designs
 - Option 1: National Consumer Choice (HRA funding); out of network
 - Option 2: **EPO** (no HRA funding; ACA Silver; narrow network; no out of network)
 - Option 3: Basic Plan (no HRA funding; ACA Bronze; no out of network)
- Proactive engagement of Third Party Administrator (TPA) partners
- Vendor solutions
- **HealthyQuestWorkplace**
- Internal Team

Mitigating clinical variance to mitigate financial variance

- Inpatient spend
 - utilization management; manage transitions of care
- High Cost Claimants (\$75-300K)
 - accurate diagnosis and evidenced-based treatment (Center of Excellence)
 - case management/care coordination
 - intervention when indicated (i.e., migraine headaches with 5 hospitalizations)
- Engage potential future HCC
 - predictive analytics indicates likelihood of future spend
 - referral for telephonic coaching: risk reduction/chronic disease control
- Pharmaceuticals
 - Rx adherence
- Stop loss
- *Prospective* forecasting
 - weekly* tracking of services that require an authorization
 - monthly* performance tracking to determine population outreach priorities
 - annual* Blueprint for Wellness (biometric screening) & Health Risk Assessment informs member selection and program design
- Longitudinal improvement of beneficiary population health status

Concurrent Identification of High Cost Claimants

- URL, ID and PW
- IP Authorization
- Other authorizations



EHP Data, Analytics and Informatics Resources

- Health Data & Management Solutions (HDMS Dart)
- TPA Reporting Suite
 - standard reports
 - predictive analytics to target for care management
- Employee Health Program
 - program management
 - project management
 - vendors
 - other
- Extended Quest Team -HR
 - Finance
 - Analytics
 - Communications
 - HR

YTD Results

- versus 2015
- Q4 pending
- other

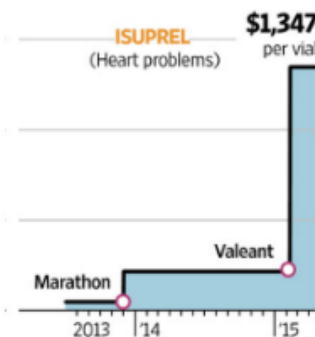
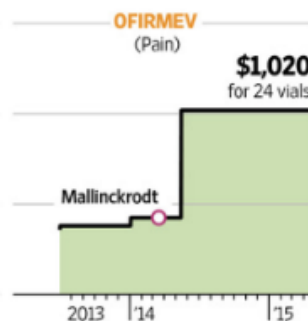
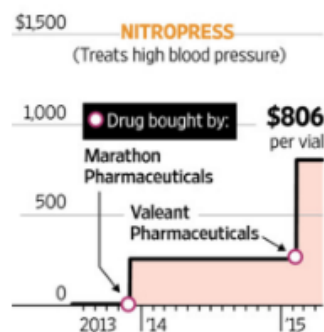
Long Term Strategy

- **Elevate health status of Beneficiary Population**
 - they understand and leverage benefits
 - ‘upstream’ engagement of risks
 - medication adherence
 - culture of resilience and wellness
- **Evidenced-based care**
 - Centers of Excellence
 - 2nd opinion of complex care; preference sensitive surgery
- **Proactive engagement of monthly spend**
 - Acute hospital
 - In network
 - Narrow network/ACO
 - ‘Tight’ utilization management; transition of care
 - Future: Direct Network Contracting/Bundled Payments
- **Medical Benefit Rx (huge trend)**
 - site of service steerage
 - evidence-based care

We must be proactive advocates for our beneficiaries

Price Spikes

After some deals buying drugs from other companies, drug makers have hiked the prices significantly. Average wholesale prices:



Source: Truven Health Analytics

THE WALL STREET JOURNAL.

"Every system is perfectly designed to get the results it gets"

- Paul Batalden, M.D. Institute for Healthcare Improvement

Thank you!

Q & A