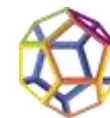


# **Kansas Association of City- County Management**

**February 5, 2010**



**Health Dimensions, LLC**



# America's Health System

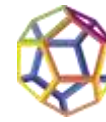
(Factors that impact costs)

- **Employer based health insurance system**
- **Government and cost transfers**
- **Service benefits**
- **Regulation/Mandated benefits/HIPAA**
- **Large claims/Rx costs**
- **Technology**
- **Supply Induced Demand**
- **Variation and Fragmentation**



# Statistics from MCOL

- **Percentage of total compensation = 10% or \$2 – 4 per hour**
- **Cost to employer = \$8,500 - \$10,200 Per Year/Employee**  
=
- **Medical plan cost increase: 2-7 times CPI every**  
**Per Capita cost 2000: \$4,788 2008: \$7,680**
- **Average of all (2008)**
  - **Family = \$1,119/mo**
  - **Individual = \$385/mo**



# Kansas Premium Levels

- **Family Coverage - \$1,500 per month/\$2,000**
- **Groups with maximum increase 75%**
- **Medical prices rising at 2-3 x CPI**
- **Lost more groups to no insurance than to competitors**
- **By region of country (5), second highest**



# Continuum of Insurance Products

**Annual Cost**

**Increase**

**Patient Choice**

20%

Indemnity

12%

Discount PPO

6%

EPO

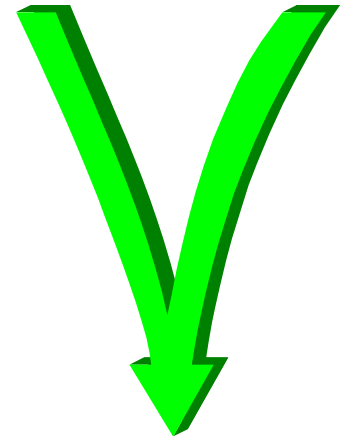
4%

POS

3%

HMO

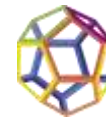
0-2% Closed HMO





# Actuarial/Rating Issues

- **Risk**
- **Use (including IBNR)**
- **Price**



# Rating Variables

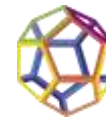
- **Profitability & Surplus**
- **Utilization Rates/Prevention**
- **Provider Payments**
- **Reinsurance/Pooling Charges**
- **Technology/Benefits/Length of Contract**
- **Demographics**
- **Administration**



# Rating Expense Summary

<b><u>Expense</u></b>	<b><u>% of Premium</u></b>	<b><u>Amount</u></b>
<b>Insurer</b>		
Commissions	2.0	48
Profit	4.0	96
Administration	7.5	180
Premium Tax	2.0	48
Reserves/Other	1.0	24
<b>Total</b>	<b>16.5%</b>	<b>\$396</b>





# Rating Expense Summary

<b>Expense</b>	<b>% of Premium</b>	<b>Amount</b>
<b>PHO/PPO</b>		
Access	1.0	24
UR/QA	1.0	24
Sub-total	2.0	\$48
Investment Income	(1.5%)	(\$36)
Claims Expense	83%	\$1992
Total	100%	\$2400



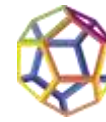
# Risk and the Law of Large Numbers

- **Each member has risk but risk to the group is at the collective level**
- **Collective risk can be determined by a formula**
- **As membership increases, the collective risk decreases**



# Predicting Future Costs

- **Demographics**
- **Benefit changes and distribution**
- **Provider contract changes**



# Predicting Future Costs (Continued)

- **Normalized trended claims = Expected future costs**
- **Risk load is on top of expected costs**
- **Administrative costs added to premium**



# Capital and Surplus

- **RBC (Risk Based Capital)**
- **Financial stability measures**
- **Insurance Department Regulations**
- **State & Federal Laws**

# U.S. Private Healthcare Marketplace is Eroding as Employers Struggle with the Cost of Health Benefits

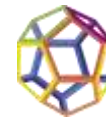
- \$865B funding platform
- Growing at 8-12% per year
- 13M Americans have lost coverage in the last 5 years
- And \$72B of costs have been shifted to employees
- Limited evidence of root cause focused solutions



## Notes

1. Includes both discontinued employer contributions for members who are no longer covered by a group benefit, as well as cost-shifting to continuing members
2. Average uninsured on any given day; equates to 40M on a full year equivalent basis

Sources: Kaiser Family Foundation, AHRQ-Medical Expenditure Panel Survey, Hewitt Health Value Initiative, Bureau of Labor Statistics, U.S. Census Bureau (Current Population Survey), ChapterHouse Analysis



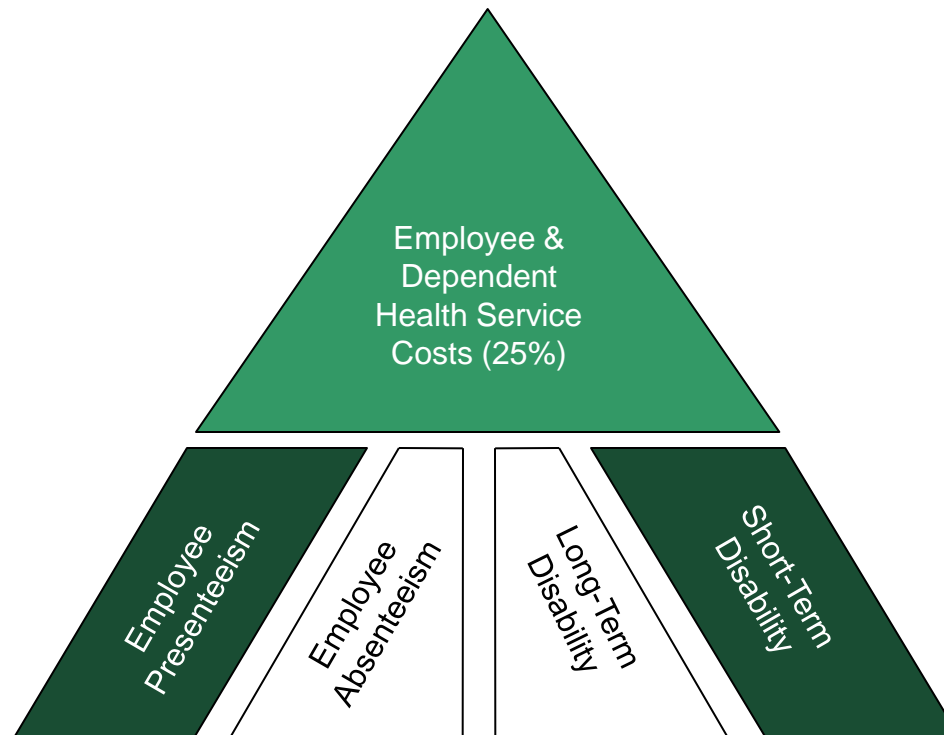
# Chapter House – Root Problems

- Lack of consumer engagement and consumer support systems
- Largely price-point driven benefits plans
- Mostly volume-driven physician economic models (FFS)
- Significant gaps in meaningful performance measures and consumer-friendly information
- Significant physician practice variation with limited adoption of EBM and almost no measurement systems
- Fragmented care delivery system leading to inefficient management of complex/ chronic patients
- Limited adoption of care coordination technologies like EHR and HIE
- Limited physician practice of consumer-informed consent
- Largely illness-oriented and transaction-based system (visits and claims) creating major coverage and information gaps



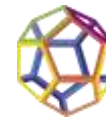
# Insurance Buyer Cost Environment

Increasingly, plan sponsors are realizing that their total healthcare cost is much more than their premiums:



Impacting the drivers of premium growth is something that must be done...





# The “Customer”

- **Individual as the consumer** (Less responsibility)
- **Individual as the customer** (More responsibility)
- **Example:**
  - ER lab



# Health Care Customer

- **Attributes of a customer's purchase behavior**
  - **purchase frequency (4 times, 6 times/year)**
  - **purchase quantity (end of life)**
  - **choice, price and value**
  - **needs, products, benefits**
  - **convenience**
  - **rewards**

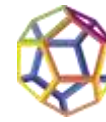


# Customers Demand Transparency

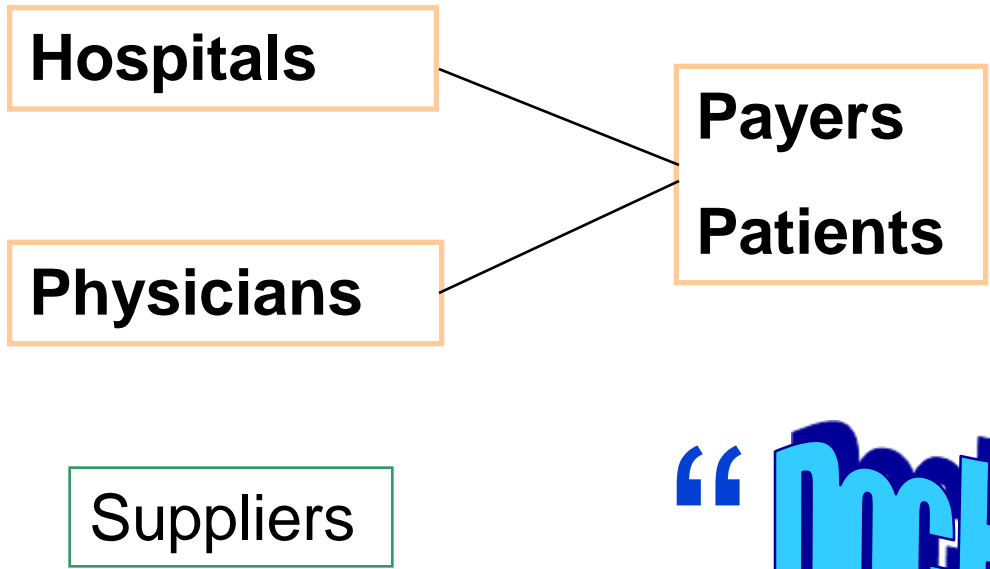
- **As customers drive purchasing, so does the demand for tools that:**
  - Measure quality
  - Predict price for treatments and procedures
- **80% of insured adults want to be able to select providers using “consumer reports style” quality ratings<sup>3</sup>**
- **While only 2 out of 5 Americans have seen quality comparisons in health care, more than 80% want his information when making decisions<sup>4</sup>**

<sup>3</sup> according to American HealthWays

<sup>4</sup> according to the Kaiser Family Foundation



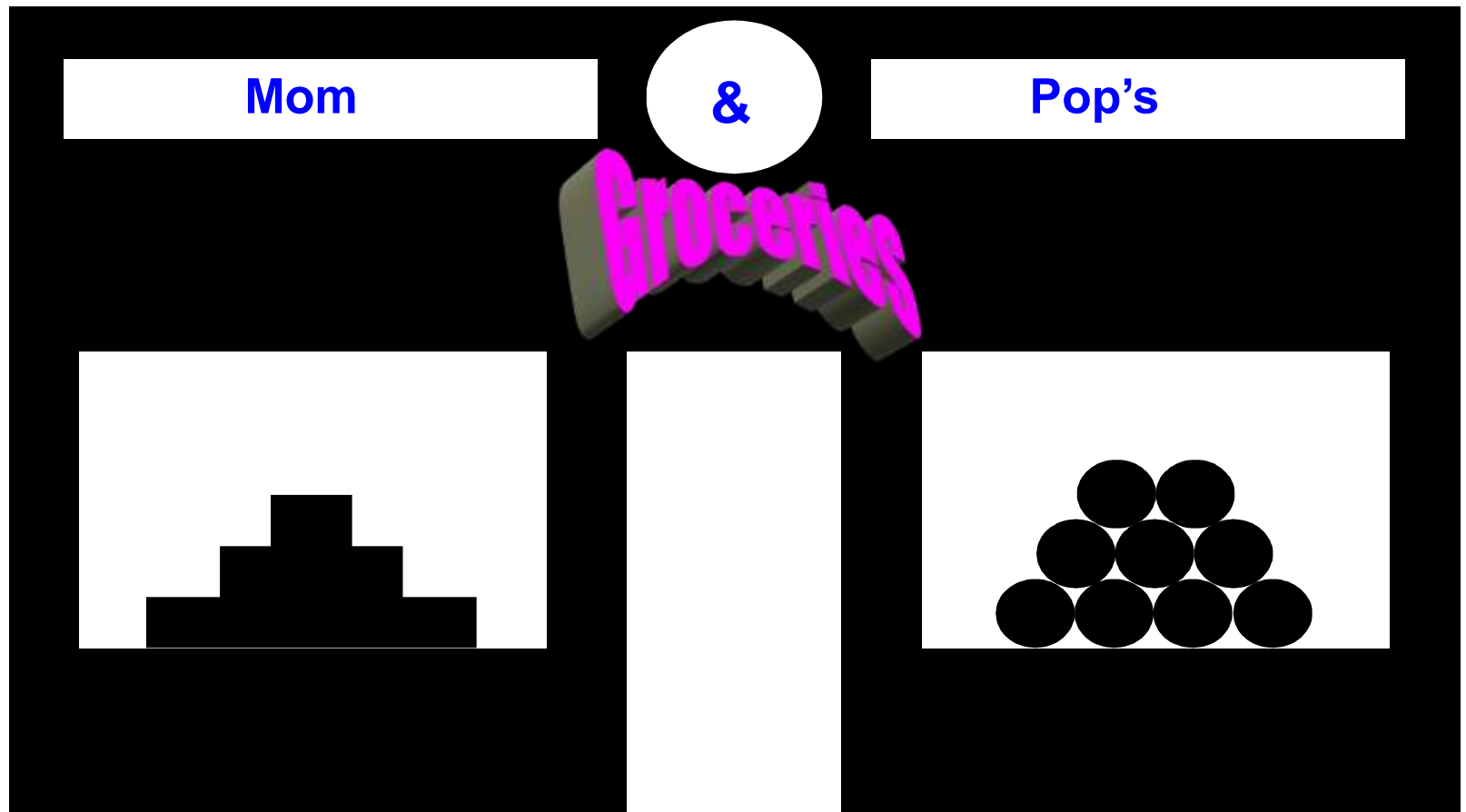
# Good Old Days



“ Doc Hollywood ”

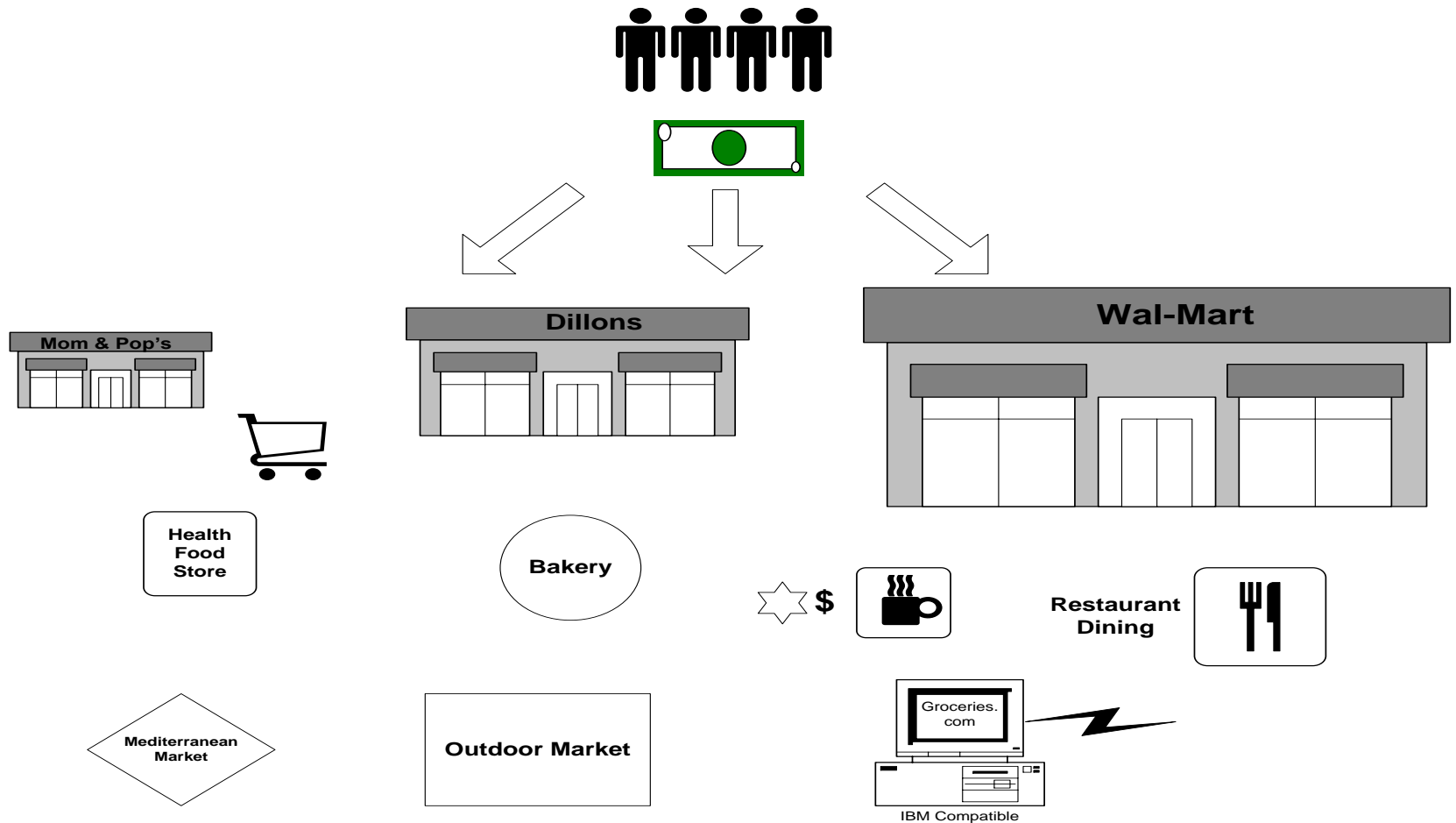


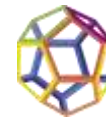
# Customers





# Customers



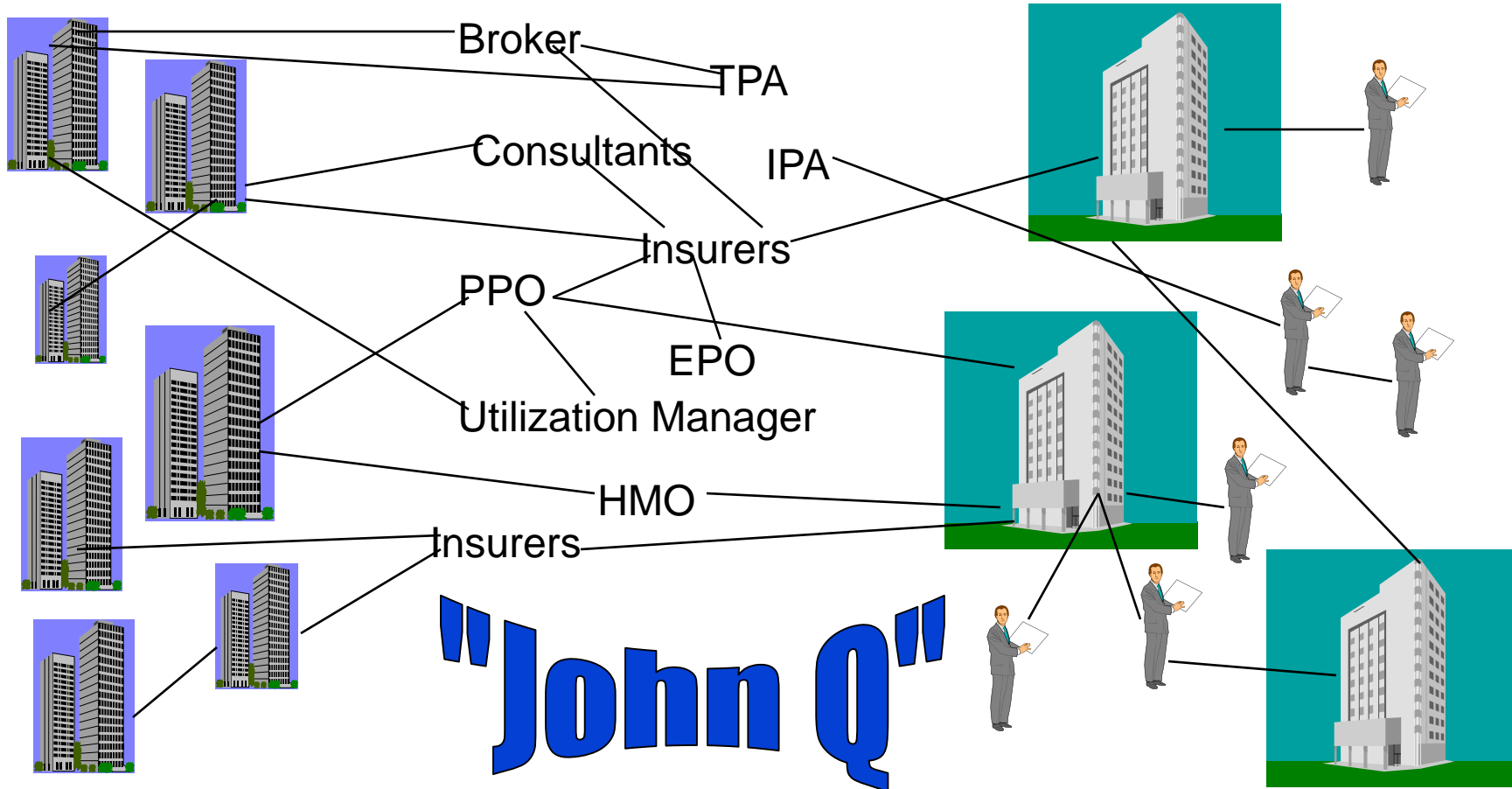


# Today's Health Care System

Buyers

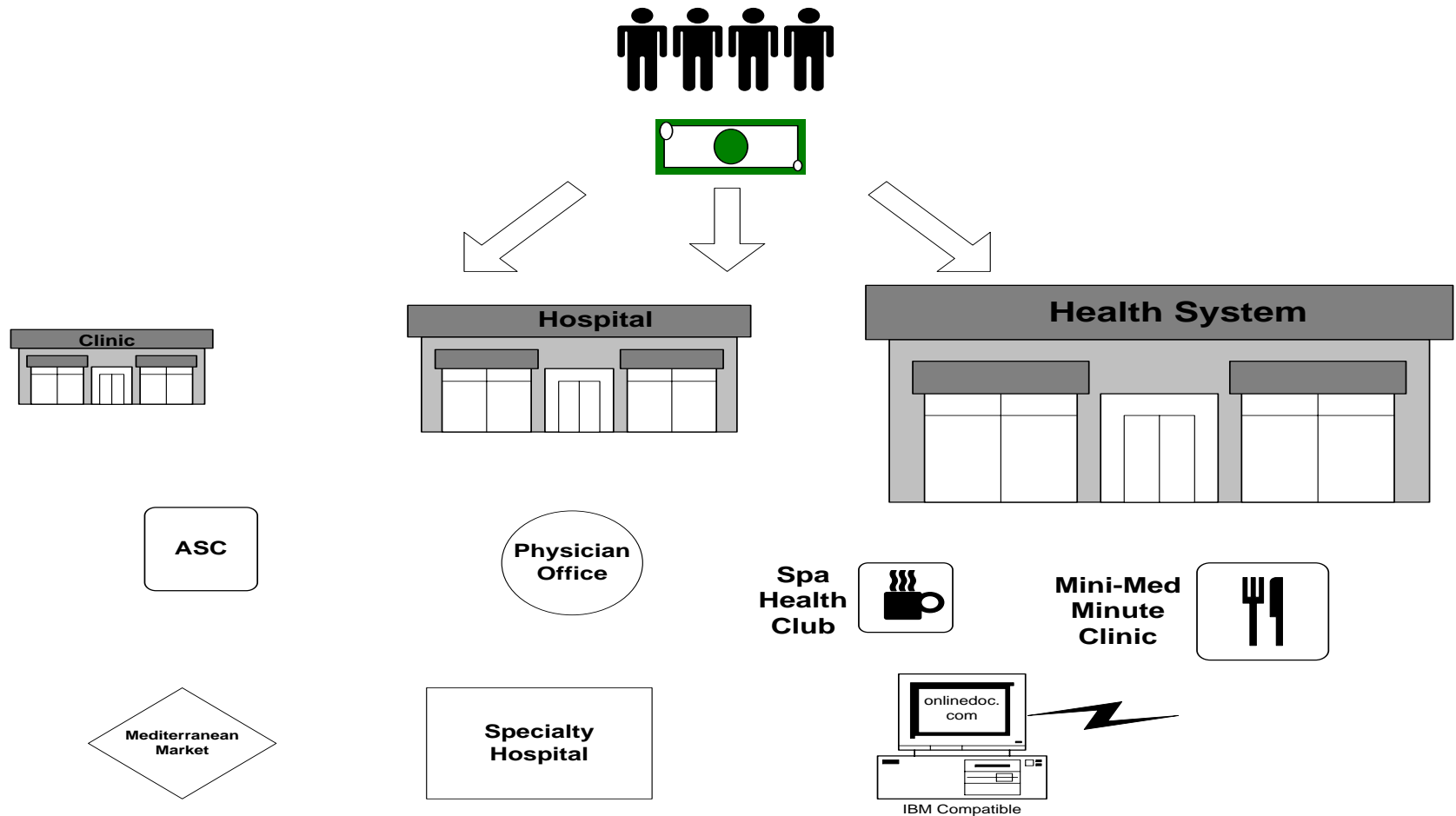
Intermediaries

Providers

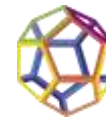




# Customers

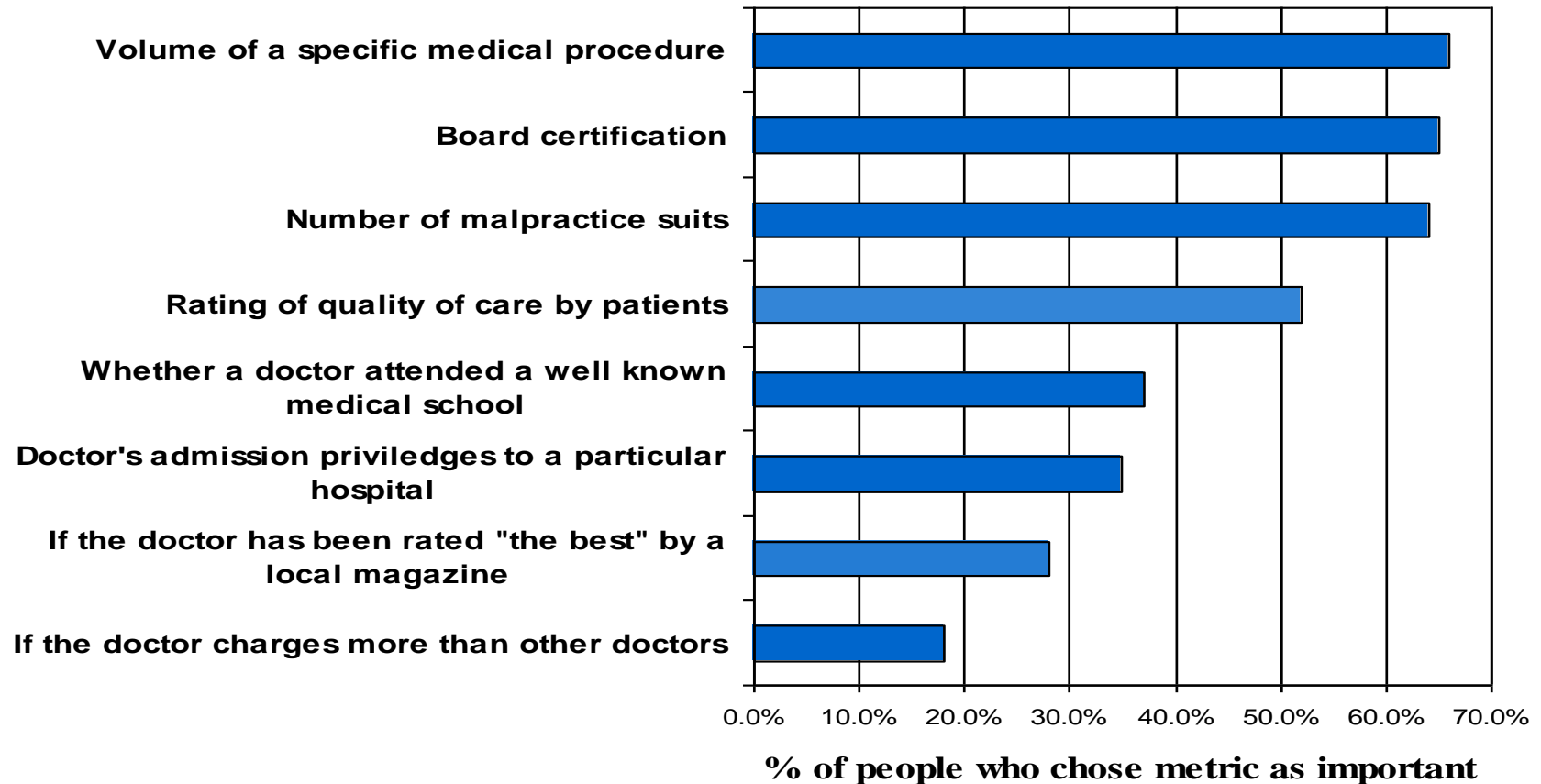






# Study of customers

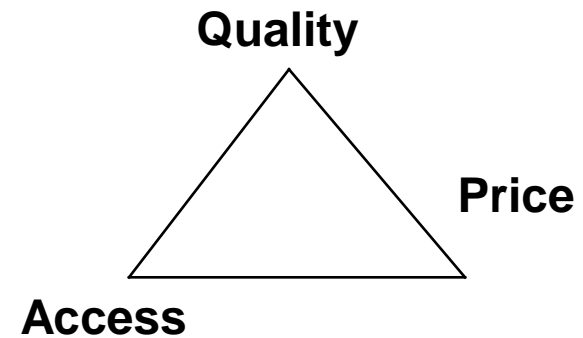
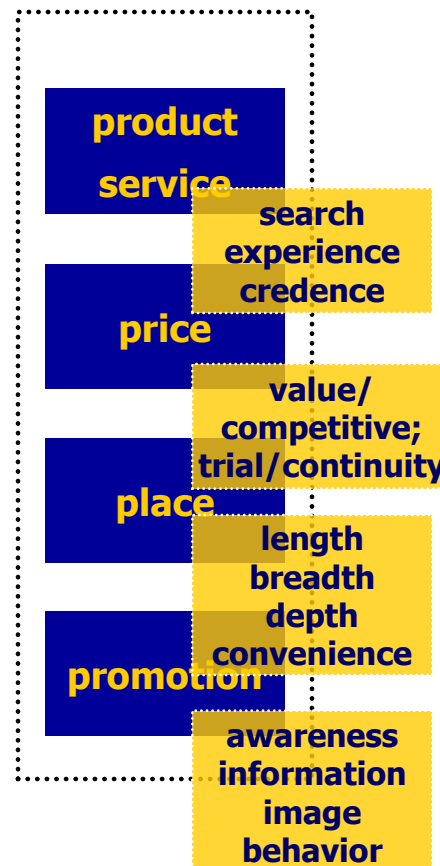
## Top customer metrics when looking for a physician



AHRQ: National Survey on Consumer Experiences with patient safety and quality information



# Customer Processing





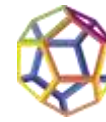
# Linking Metrics to Benefits

## Time Convenience

- check-in lines/ease
- on time departure
- on time arrival
- flight frequency
- in-flight experience
- baggage timeliness

## Service Quality

- reservations
- staff friendliness
- on-board amenities
- in-flight service

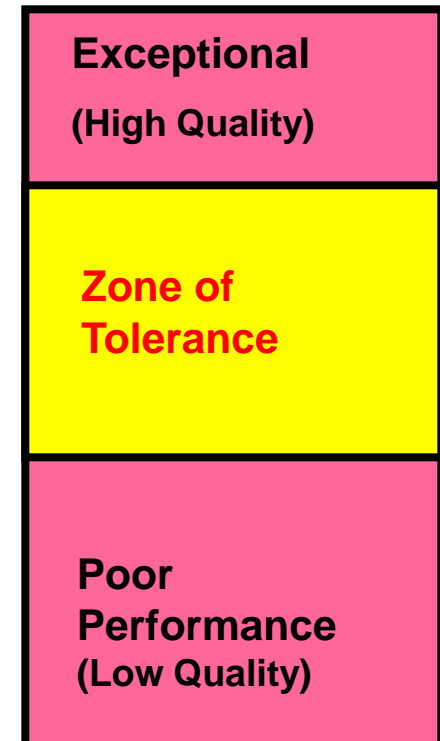
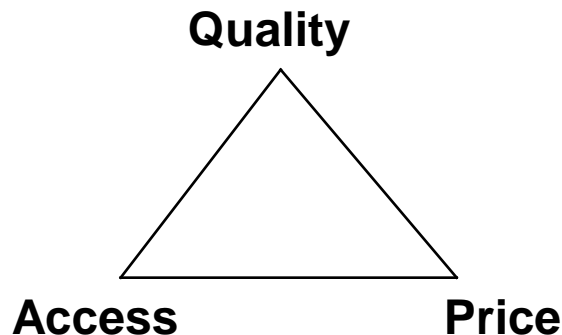


# Customer Knowledge Base

- **Customers and quality**  
Consistency before splash

Make only promises you  
can keep

- **Universal access**





# What if customers...

**...prior to receiving care, could accomplish the following objectives through one web or “concierge” experience:**

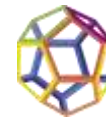
- Learn about the disease or procedure**
- Identify a physician based upon quality and price measures**
- Know the quality and price of alternative facilities**



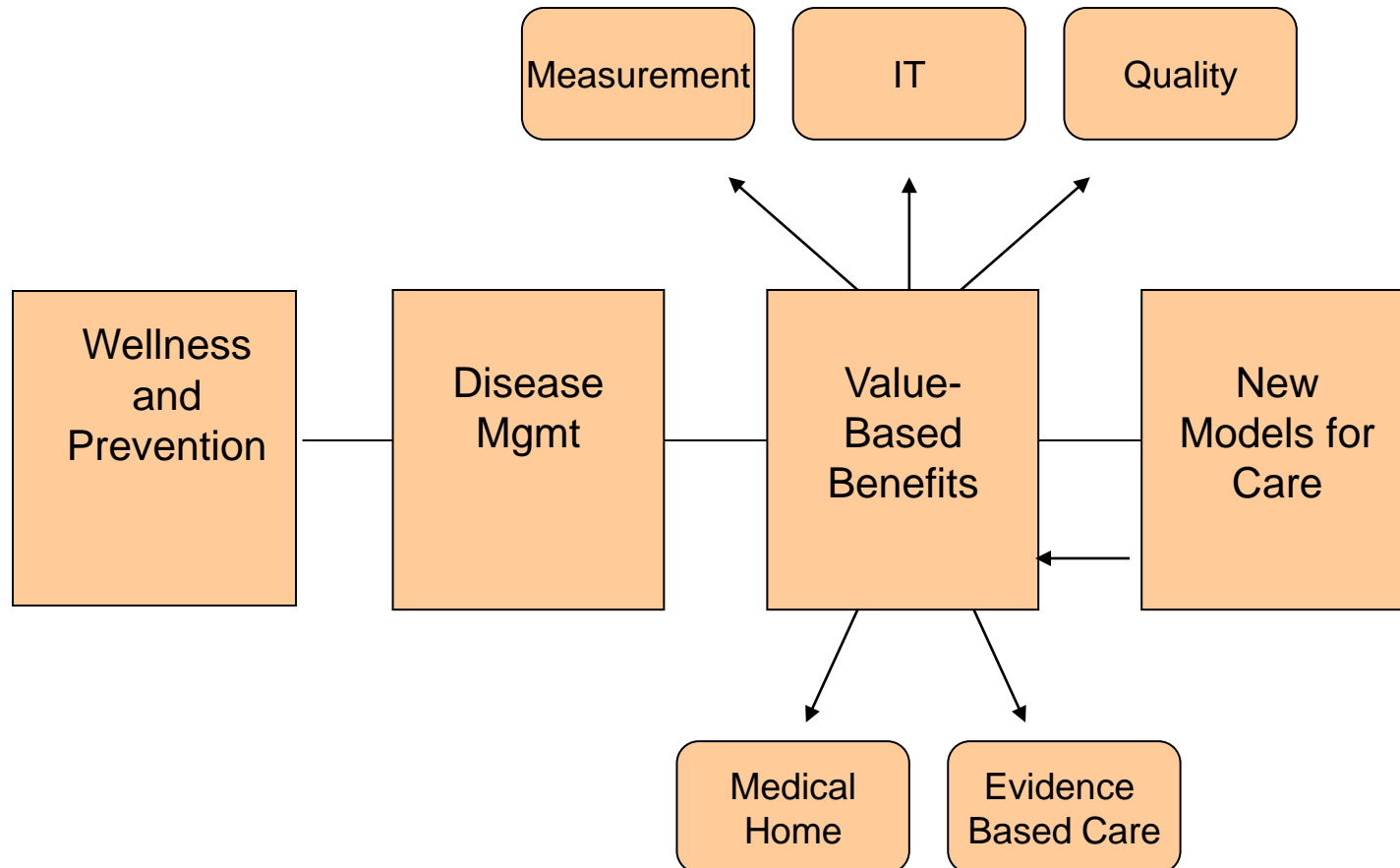
# What if customers...

**...as they receive care, could accomplish the following objectives through their health care delivery experience:**

- Know that all of the providers involved in their care are informed and following the same treatment protocol**
- Know they receive rewards and referrals that benefit them**
- Know their providers are rewarded for attending to their health status and “customer assistance”**



# Employer Alternative Benefit Model

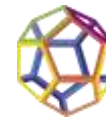




# How?

- **Accountable Care Network**
- **RFP Structure**





# Accountable Care Network

## → Who

- Physicians, professionals, hospitals/facilities

## → Criteria

- Cost effectiveness
- Quality and outcomes data driven
- Access and Cooperativeness
- Patient care coordination/communication



# Accountable Care Network

- **Network Structure**
  - Protocols
  - Measurement (HEDIS, etc.)
- **Information Exchange**
- **Multimedia Communication Network**
- **Rewards Based**



# *Shifting from Health Services to Health Management*

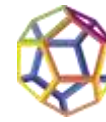
## Changing the Cost and Quality of Care Equation

### **New Clinical Business Models**

- Shifting the physicians' role from Health Services to Health Management
- Building distributed care and disease management models to more effectively manage acute/chronic conditions

### **Enabling Infrastructure**

- Enabling new business/clinical networks and distributed disease management models through IT architecture
- Rewarding physicians for improved health management through new reimbursement models



# Improvement Focus

- **Increased practice of informed consent—providing patients with a complete understanding of treatment options, implications and expected outcomes**
- **Reduced practice variation with aligned reimbursement**
  - Adoption of Evidence Based Medicine and Electronic Health Records
  - Adoption of acuity adjusted clinical outcomes measures
- **Focus on wellness, prevention and education**
  - Diet, exercise, smoking cessation
  - Aligned benefit plan and employer programs
- **Focus on treatment plan management to improve patient follow through on the prescribed treatment plan**
- **Focus on care coordination particularly with complex cases where delivery system fragmentation and care delivery focus sub-optimizes care continuity**



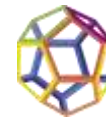
# Capabilities for Health Management

- **Medical Home, HRA, Education**
- **Predictive Modeling, Profiling, Data, Plan**
- **Customer Engagement and Experience**
- **Wellness/Management Advocacy**
- **EHR**
- **EBM, Protocols**
- **HIE, Clinical Quality Performance**
- **Disease Management, Care Coordination**
- **VBBD**



# Restructuring...RFP

- **Benefit structures/wellness**
- **“Bid pricing” non-emergent, high end services**
- **IT based information exchange/communications**
- **Drive elimination of fragmentation**
- **New physician payment policies**
- **Focus on health of workforce/productivity**
- **Chronic care/disease management**
- **Decrease supply induced utilization**



# Restructuring...RFP

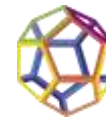
- **Medical Home development/Pay eVisits**
- **Concierge and navigation through system**
- **Eliminate variation in care**
- **Reduce resources for growth (vendors)**
- **Determine supply: lab, radiology, IP, professionals**
- **Direct basic services away from hospitals**
- **Redesign high cost services reinsurance**
- **Help providers manage transition, VBBD**



# RFP Elements

- **Bidder Qualifications**
- **Return of Profit**
- **Transparency: pricing, rating, quality**
- **Electronic Referral/Communications**
- **Delivery Model/Medical Home**
- **Quality, Innovation Incentives**
- **Data/Claims Information**
- **Performance Guarantees: CS, Claims, Data**
- **Provider accountable care network/prices**





# Political Environment

- **State legislature**
- **KHPA**
- **KID – Association Risk Pools**
- **Health Care Reform**



# Model

