Healthcare, 2014

...Where we are
...How we got here
...What we need to do about it

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...Where we are

...How we got here

...What we need to do about it
“Everything is in play...”
Total Healthcare Spending in U.S.

- 1970: $75 million
- 2010: $2.6 trillion (20% of GDP)
- 2021: $4.8 trillion
As a Result:

- 49 million Americans lacked health insurance in 2011
- Those covered experienced a 7.2% increase in their share of costs between 2011 and 2012
- Health care costs for the average American family exceeded $20,000 in 2012
- 58% of Americans reported foregoing or delaying medical care in 2012

Note: Rate of increase in 2002: 9.5%
2010: 3.9%
Per Capita Healthcare Spending

Source: OECD, OECD Health Statistics 2013, November 2013. Compiled by PGPF.

Note: Per capita health expenditures are for the year 2011, except Japan and Australia, for which 2010 data are the latest available. Data adjusts exchange rates to account for cost of living differences between countries.
The Result...

- Of 17 high-income countries looked at by a committee of experts sponsored by the NIH, the U.S. is at or near the bottom in many indicators:
  - Infant mortality
  - Heart disease
  - Lung disease
  - STDs
  - Adolescent pregnancy
  - Injuries
  - Homicides

- A male in the U.S. can expect to live four years less than a male in the top ranked country, Switzerland.
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An Underlying Issue:

➢ The “healthcare system” has not historically acted as a system
The dynamics and incentives among and between the key players have not been in alignment.
Health Care System “Dynamics”

- **Providers:** Focus on volume as the major driver (more service = more revenue)

- **Payers:** Focus on reduction in volume (reduced volume = decreased cost = decreased premiums)

- **Consumers:** “Carte blanche” to use the system
Provider Dynamics

- Volume as major driver
- Hospital-centric health care systems
- Competition leading to excess capacity, duplication
- Lack of a rational pricing methodology
- Lack of true performance indicators
- Impact of cost-shifting
Consumer Dynamics

- Lack of accountability for using the system appropriately
  - Impact of “HMO’s”; first-dollar coverage

- Lack of information/tools necessary to be able to use the system wisely

- Lack of accountability/responsibility for health–related choices
The Original Dynamic…

Provider

Insurer

Purchaser (Employer)

Patient / Consumer
Then We Effectively Took the Patient Out of the Middle...
The Patient/Consumer Needs To Go Back Into the Middle...
“Payer” Dynamics

- “Middle person” role between providers and consumers
- Attempting to manage the risk associated with these competing dynamics
Employer (as Purchaser) Dynamics

- “Middle person” role
- Competing for employees
- Ever-increasing cost of providing coverage
- Employee fear of “big brother” approach
The Role of the Insurance Industry

- The industry was originally born to aggregate and manage risk
The Role of the Insurance Industry

- “Balancing” role of industry often forgotten
- Assumption of risk must equal ability to manage risk
- Entitlement mentality clouds perceived role of industry
- Confusion exists regarding role of “payer’ and role of “provider”
- “Misunderstanding” regarding purpose of insurance...
Ever-Increasing Cost of Health Care

- Advancements in technology
Ever-Increasing Cost of Health Care

● Inefficiency/waste
Ever-Increasing Cost of Health Care

- Aging Population
Number of Persons 65+ 1900–2060 (numbers in millions)
End of life/beginning of life costs
Ever-Increasing Cost of Health Care

- Lack of a rational system of guidelines and support
Ever-Increasing Cost of Health Care

- Competition
Ever-Increasing Cost of Health Care

- Lack of individual accountability/unhealthy lifestyles
Ever-Increasing Cost of Health Care

Cost-shifting
What about the “Affordable Care Act?”

- Massive redistribution of risk and cost
  - Provider ↔ Payer
  - Healthy ↔ Less Healthy
  - Older ↔ Younger
  - Etc., etc.
“I haven’t been to the hospital in 20 years,” said Standal, a 28 year-old carpenter. “I don’t get sick. Personally, I don’t need health insurance.”
What about the “Affordable Care Act?”

- Too early to assess impact
Emerging Dynamics

1. Alignment of Incentives between Payers & Providers

- Redefinition of roles/responsibilities
- Shared definition of “success”
- Renewed focus on the patient/consumer
- Let (long-term) relationship drive contract; (as opposed to contract driving the relationship).
A 2011 RAND study¹ identified 90 payer/provider payment models in practice today, classified into 11 types, but with wide variation and blending of program types.
Emerging Dynamics

2. Increasing Patient/Consumer Accountability

- Share in financial impact of decisions regarding care
  - At point of enrollment
  - At point of care
  - At point of decision regarding lifestyle

- Reward “healthy behaviors” and “wise choices”
Employee contribution determined by “success” in six categories:

- Blood pressure <130 and <80
- LDL Cholesterol <130
- BMI ≤28 or improvement since last test
- Tobacco Screening Negative
- Health Assessment Completion
- Physical Activity Completion

Success in all six categories = 0 monthly employee contribution

Result: Direct impact on health and healthcare costs
Expansion...

- Program expanded to include spouses
- Distribution of 1,000 “Fitbits” to team members
  Goal: Increased activity
Emerging Dynamics

3. Movement to greater Transparency
Look, Book & Save

Want a more streamlined and convenient health care shopping experience? We’ve created a way for you to save money, time, and find the best health care options available.
Emerging Dynamics

4. Re-engineering of the Delivery System

- Taking care to the patient
- Less hospital-centric
- Focus on primary care relationships
- Use of “physician extenders”
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What We Need to Do About It...

1. Continued integration/alignment of the healthcare system
2. Continued focus on the care-giver/patient relationship
What We Need to Do About It...

3. Continued re-engineering of delivery system
What We Need to Do About It...

4. More collaboration, less competition
What We Need to Do About It...

5. Greater definition of “quality”
What We Need to Do About It...

6. Increased transparency regarding cost and quality
What We Need to Do About It...

7. Greater consumer engagement
What We Need to Do About It...

8. Creation of a system for determining appropriateness
What We Need to Do About It...

9. Greater production/use of data
What We Need to Do About It...

10. Awareness and ownership!
Putting it all together...

Type 2 Diabetes

- Early identification of those at risk
- Education and support for the individuals identified
- Community wide agreement on treatment guidelines
- Benefit design that rewards healthy behaviors
- Care system incentive to identify, screen, treat, etc.
- Collaborative industry-wide approach to tackling type 2 diabetes

...Everyone has a role to play
There is reason to be hopeful...
Thank you

NEXT: BREAK OUT SESSIONS
Name tags are color coded to indicate your starting point. Please proceed to the rooms below.

- Green – Medica, Elm Creek
- Blue – Blue Cross Blue Shield, Arbor Lakes
- Red – Preferred One, Hennepin Salon 3
- Yellow – HealthPartners, Hennepin Salon 1