Health Care Consumerism Issues and Key Dynamics

Presented to AMGA Best Practices Collaborative

November 13, 2008
Patients as “Consumers”

- Confused → Empowered → Aggressive
- Dis-Informed → Mis-Informed → Informed
- Can’t Pay → Won’t Pay → Pay Some → Cash
- Not Worried → Engaged → Worried Well
- …
Today’s Discussion

- A Common-Ground Perspective on Consumerism
- Consumerism’s Environmental Context
- Views Inside the Black Box
  - Managed Care
  - Employers
- Understanding Dynamics in Your Market
U.S. Deaths

133 million people in the U.S. have at least one chronic disease.

Chronic diseases account for more than 70% of deaths in the U.S.

Chronic Diseases

Chronic diseases are responsible for over 75% of medical costs in the U.S.
Common Strategy

Reducing the Impact of Chronic Disease

- Prevention and Protection
- Early Diagnosis of Disease
- Compliance with Effective Treatment

Informed Decisions/Use of Resources
Examples of the Behavior Gap

<table>
<thead>
<tr>
<th>Actual Behavior</th>
<th><em>Gap</em></th>
<th>Recommended Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 50% of U.S. adults do not get enough physical activity to provide health benefits.¹</td>
<td>Prevention/Health Protection</td>
<td>To reduce the risk of developing chronic disease, the U.S. Centers for Disease Control and Prevention recommend that people exercise, maintain a healthy weight, not smoke and maintain a healthy blood pressure (among other things).</td>
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<tr>
<td>One-third of U.S. adults are obese.²</td>
<td>Preventive Exams for Early Diagnosis</td>
<td>The U.S. Preventive Services Task Force has established recommended guidelines to monitor health risks and detect serious diseases, such as colon or breast cancer.</td>
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<tr>
<td>One-fifth of U.S. adults smoke cigarettes.³</td>
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<td>In 2003, almost one-third of U.S. adults had not been screened for high cholesterol within five years.⁴</td>
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<tr>
<td>Less than half of U.S. adults age 50 or older have had a recent colorectal cancer screening.⁵</td>
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</tbody>
</table>
Examples of the Behavior Gap (cont.)

<table>
<thead>
<tr>
<th>Actual Behavior</th>
<th>Recommended Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>‣ Just half of those with coronary heart disease who are prescribed a lipid-lowering</td>
<td>People who are diagnosed with a disease should comply with the treatment recommended</td>
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<tr>
<td>drug are still taking it six months later; after 12 months the rate falls to 30 - 40%.(^6)</td>
<td>by their doctor, including lifestyle changes, taking prescribed medications and</td>
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<tr>
<td>‣ Of those diagnosed with high blood pressure, only 34% are on medication and have</td>
<td>receiving ongoing care.</td>
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<tr>
<td>the condition controlled.(^7)</td>
<td>People should make informed decisions about the insurance plan they choose and the</td>
</tr>
<tr>
<td>‣ 60% of employees report not seeing health care quality comparison information,</td>
<td>care they receive.</td>
</tr>
<tr>
<td>and of those who have, more than half did not use it to select a plan or provider.(^8)</td>
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Bridging the Gap

<table>
<thead>
<tr>
<th>Response to Consumerism Tactics</th>
<th>Policymakers</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDHPs</td>
<td>↑</td>
<td>⇔</td>
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<tr>
<td>Tiered Cost-Sharing</td>
<td>↑</td>
<td>⇔</td>
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<tr>
<td>Incentives</td>
<td>↑</td>
<td>⇔</td>
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<tr>
<td>Wellness Management</td>
<td>↑</td>
<td>⇔</td>
</tr>
<tr>
<td>Disease Management</td>
<td>↑</td>
<td>⇔</td>
</tr>
<tr>
<td>Decision Support</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>Health Education &amp; Literacy</td>
<td>⇔</td>
<td>⇔</td>
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</tbody>
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Policymakers are experimenting with a range of strategies and tactics. Under the surface, fundamental forces predict that Consumerism—in whatever form—is not a health care fad, but a sustained trend.
Employers are Managing the Health Benefit Supply Chain

**Tier 3**: Manufacturers and Marketers:
- Prescription Drugs
- Consumer Products

**Tier 2**: Providers:
- PCPs
- Specialists
- Retail Pharmacies

**Tier 1**: Intermediaries:
- Health Plans
- PBMs
- Specialty Drug Managers

**Demand**

**Rx Benefit**
- Employees
- Dependents
- Retirees

**Employers**
Managed Care’s Perspectives

- Survey Research
- Results from Responses Received 8/6/07 Through 8/18/07
- 169 Survey Invitations to Plans, Provider Groups and PBMs with Responsibility Areas Including:
  - Pharmacy
  - Medical
  - Contracting, Industry Relations, Quality, Performance, Case Management, Consumer Engagement
- 68 Respondents (39% Response Rate)
Consumerism is defined very broadly to include a variety of strategies and tactics to help consumers become more responsible and accountable for their own health, including, but not limited to: consumer-directed health plans (high deductible plans combined with health reimbursement accounts or health savings accounts), price and quality information transparency initiatives, health care decision support, compliance and persistency, and other programs to help consumers better manage their health and health care decisions.
Interest in Learning More About Health Care Consumerism

- High: 56%
- Mid-High: 34%
- Mid-Low: 6%
- Low: 4%

n = 68
Consumerism Trends

Trend of Health Care Consumerism Within Your Market

- 70% Increasing
- 28% Staying the same
- 2% Decreasing

n = 61
Perceived Consumerism Influencers Among Respondents Who Think Consumerism is Impacting the Market

Notes: Asked of respondents who ranked the impact on the overall market as 6 out of 10 or above, where 10 = extremely high impact.

* Other – small and mid size employers and providers of care
TOP TWO Reasons Your Organization is Interested in Health Care Consumerism

- Meet Demands of Customers: 41% (Rank 1), 29% (Rank 2)
- Capitalize on Perceived Opportunity: 22% (Rank 1), 23% (Rank 2)
- Keep Up With Key Competitors: 14% (Rank 1), 22% (Rank 2)
- Differentiate Our Organization: 16% (Rank 1), 18% (Rank 2)
- Mitigate Potential Risk: 6% (Rank 1), 7% (Rank 2)
- Other: 2% (Rank 1), 0% (Rank 2)

*Other – Improve health care quality, market convergence, and change required to keep health care moving forward

n = 56
Knowledge of Impact on Patients/Members

Knowledge of Consumerism’s Impact on Organizations’ Patients/Members

- High: 16%
- Medium: 72%
- Low: 12%

n = 61
Knowledge of Consumerism’s Impact on Organization

- High: 18%
- Medium: 75%
- Low: 7%

n = 61
How Employers Define Value

Employer Perspective: The Total Value Equation

\[
\text{Total Value} = \text{Reduction in direct medical costs and positive effects on efficacy, satisfaction, absence, presenteeism, disability and safety} / \text{Price}
\]
Employers’ Health Management Philosophy

Employers’ Health Management Philosophy

- Provision of catastrophic coverage only
- Provision of benefits for prevention and management of health conditions
- Proactive management to improve employee health and productivity

2006 (n=90)
- Provision of catastrophic coverage only: 17%
- Provision of benefits for prevention and management of health conditions: 52%
- Proactive management to improve employee health and productivity: 4%

2007 (n=138)
- Provision of catastrophic coverage only: 4%
- Provision of benefits for prevention and management of health conditions: 51%
- Proactive management to improve employee health and productivity: 3%

2008 (n=143)
- Provision of catastrophic coverage only: 3%
- Provision of benefits for prevention and management of health conditions: 49%
- Proactive management to improve employee health and productivity: 48%
For the third year, consumerism is identified as one of the three most influential trends.

Trends with Greatest Impact on Pharmacy Benefits in Next 12 to 18 months
(Percentage of employers ranking each as a top 3 trend)

- Consumerism: 39% (Most important), 15% (Second most important), 13% (Third most important)
- Transparency in prescription purchasing: 20% (Most important), 20% (Second most important), 10% (Third most important)
- Value-based pharmacy benefit design: 10% (Most important), 19% (Second most important), 15% (Third most important)
- CDHP growth: 10% (Most important), 17% (Second most important), 11% (Third most important)
- Total-value measurement for benefit decisions: 6% (Most important), 14% (Second most important), 15% (Third most important)
- Health IT adoption: 7% (Most important), 6% (Second most important), 13% (Third most important)
- Quality initiatives: 3% (Most important), 5% (Second most important), 8% (Third most important)
- Increasing role of government in private healthcare system: 3% (Most important), 10% (Second most important), 15% (Third most important)
- Medicare Part D implementation: 3% (Most important), 8% (Second most important), 2% (Third most important)

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Stages of Employer Consumerism Approaches

**Stage 1**
Pre-consumerism
- HMO/PPO/POS/indemnity
- Health education
- Health and wellness programs
- Disease management
- Provide education and support
  - Employees are not ready to assume responsibility, but education will increase their involvement
- Employer philosophy
  - Employees base healthcare decisions and purchasing on cost and quality data
- Percentage of jumbo employers: 55%

**Stage 2**
Consumer wake-up
- HMO/PPO/POS/indemnity and CDHP
- Health education
- Health and wellness programs
- Disease management
- Plan selection tools
- Limited cost and quality information
- Decision support tools
- Support all and provide choice
  - Employees take increased responsibility for health decisions and purchasing
- Employer philosophy
  - Employees are not ready to assume responsibility, but education will increase their involvement
- Percentage of jumbo employers: 39%

**Stage 3**
Consumer empowerment
- CDHP only
- Health education
- Health and wellness programs
- Disease management
- Cost and quality information
- Decision support tools
- Full speed ahead
  - Employees base healthcare decisions and purchasing on cost and quality data
- Employer philosophy
  - Employees take increased responsibility for health decisions and purchasing
- Percentage of jumbo employers: 6%

*Arrows indicate percentage movement of jumbo employers from one stage to the next within 2 years.*
Employers Currently Offering CDHPs

Employers Offering CDHPs
(Percentage of employers)

- 2007 (n=138)
- 2008 (n=143)

Currently: 34% (2007) vs. 45% (2008)
In two years: 58% (2007) vs. 62% (2008)

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Barriers to CDHP Growth

Barriers Preventing Employers from Offering CDHPs
(Percentage of employers with CDHP designs)

- Most important
- Second most important
- Third most important

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Most important</th>
<th>Second most important</th>
<th>Third most important</th>
</tr>
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<tbody>
<tr>
<td>Lack of evidence they will save money</td>
<td>50%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Lack of information employees need</td>
<td>38%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Lack of employee interest</td>
<td>37%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Concern about employee satisfaction</td>
<td>23%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Concern about effect on employee productivity</td>
<td>10%</td>
<td>8%</td>
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n=52

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Understanding Your Market

- Adoption/Readiness Segmentation

![Adoption/Readiness Segmentation Diagram]

- High Adoption of Consumerism Benefit Designs
- Low Adoption of Consumerism Benefit Designs

- Chaos/Need for Leadership
- Collaboration and Innovation

- Dormant
- Poised for Growth

Market Infrastructure Readiness for Consumerism

Ready

Not Ready
Determining Adoption

Observation—Mix of Own Patients/Plan Designs

Talk with Key Opinion Leaders about Status and Trends

• Talk to:
  – Coalition Leader
  – Major Benefit Consultants and Brokers
  – Major Employers (Benefits, Corporate Medical Departments)

• Ask about:
  – Benefit Design Trends
  – Other Program/Support Trends (to Bridge the Gap)
  – Opportunities for Collaboration
Understanding Your Market (cont.)

- Determining Readiness
  - Look for/Ask KOLs about Key “Cornerstones”
    - Information Technology Adoption
    - Quality Information Transparency
    - Price Information Transparency
  - Assess Competitive Market
    - Hospitals Competing on Quality?
    - Hospitals Competing on Price?
    - Employer Direct Contracting with Medical Groups or Hospitals?
  - Assess Overall Balance of Power and Power Shifts
    - Employers vs. Plans vs. Hospitals
References


