

EMPLOYEES, PATIENTS, FAMILIES AND COMMUNITIES DESERVE MEANINGFUL PREVENTION & TREATMENT STRATEGIES THAT WORK. THE OVERARCHING GOAL IS TO FOSTER THE VISION THAT KEEPING PEOPLE HEALTHY IS A GOOD BUSINESS STRATEGY FOR MINNESOTA GOVERNMENT AND TAXPAYERS ALIKE.

HEALTHY LIVING

HEALTHY WORKING SERIES

EMPLOYER LEADERSHIP SUMMIT



*EPS, LLC*

*E*mployer-based *P*harmaceutical *S*trategies

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**Chief Strategic Officer**

**BHCAG Summit**  
**June 21, 2007**



# **Value Based Health**

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Getting the Full Benefit



# Session Agenda

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- **Value Concepts and The Complexity of Health Care Market Stakeholders**
  - **Strategy towards Outcomes and Evidence**
- **World of Health Benefits are Under Drastic Change**
  - **Challenges Amongst Marketplace Trends**
- **Food for Thoughtful Discussion**
  - **Business Strategy**

# Value

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# What is Value?

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- “A principle, standard or quality considered worthwhile or desirable.”

*American Heritage Stedman’s Medical Dictionary*

- “A fair return or equivalent in goods, services or money for something exchanged.”

*Merriam-Webster’s Dictionary of Law*

- “Worth in usefulness or importance to the possessor; utility or merit.”

*American Heritage Dictionary*



# What is a Value-based Health Plan?

## COMPONENTS INCLUDE:

- Measure and provide feedback
- Reward valuable behaviors
- Visibility and environmental supports throughout the organization
- Engage employees and promote accountability
- Invest in the philosophy



# Value-based Benefit Design

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- Enhanced access by tactics such as
  - Reducing co-pay
  - Pay for Performance
- Enhanced access to Rx
  - Improves Health Outcomes
  - Lowers Healthcare Claims Cost



# Complexity and Technological Advances

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- George Marshall in 1946
  - The enormous complexity of postwar Europe made it difficult for people in the street to understand
  - Kept people from acting on an issue
- Bill Gates in 2007
  - Role of financial complexity in Enron—can't grasp it
  - Health care complexity like post-war Europe
    - "SICKO"



# The Employer View of Value

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- Want Cost effective offerings
  - Do no harm, but...
- Seek to Minimize (negative) impact to bottom line
  - Compound Annual Growth Rate
- Meet needs in competitive market environment
  - Human capital asset investment or management



# Employers...

## Do Seek New Approaches To Extract Value For Their Businesses

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- Understand what is their Value for their Business
- Seek help to identify, analyze and evaluate Population, Disease, Product-specific Employer-based Value Proposition
- Want Support to capitalize on the opportunities they have in the employer market to expand product sales



# Value of Adherence to Employers: Opportunity for evidence to the CFO

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- Improvement in employee health status and productivity
- Reduction in total cost of health; improved return on health investment (ROI) for workforce
- Reduction in hospital and emergency room use
- Reduced short-term disabilities/workers comp
- Employee accountability achievement
  - employee will learn to 'own' management of their condition (no longer feels 'entitled' to dependence on employer/health plan support) and self management behaviors



# Marketplace Value-based Examples

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- “Early Innovating” Employers
  - 70+ companies = 4+mm employees
  - Beyond PB, Asheville, Dow, etc.
- MCOs “deploying” Value Based Concepts
  - Western US health insurer with strong small-employer base uses diabetes mgt within own employee base
  - Midwestern HMO explores 1st tier pricing for diabetes
  - West Coast health plan creates springboard as “total employer engagement for health”



# Marketplace Value-based Examples

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- Communities/governments explore VBD for employees
  - States of Colorado and West Virginia: diabetes
  - State of New Jersey
  - Community coalition (Hawaii Business Health) uses VBD/diabetes in member companies and expands to State of Hawaii



# Key Messages From Pitney Bowes – Strategy !

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- 1) Most tools now give you a fine view - through your rear window
- 2) Identify key medical conditions using data
- 3) Data is valuable even if you have little of it
- 4) Benefits designs do drive consumer behavior
- 5) Redefine wellness/prevention to include care for chronic conditions and member engagement
- 6) Prescription drugs, routine office visits, and screenings have value in managing chronic care
- 7) Benefits planning can create a strategic advantage
- 8) Benefits decision makers can make a difference

# Challenges

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# Value-based Health Plan

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*Investment*

**Vs.**

*Cost-based Approach*



# Employers Talking Value Based Health or Health Designs

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- Pitney Bowes
- First Bank (JP Morgan)
- Gillette (P&G)
- SCANA
- Asheville, NC
- Caterpillar
- HEB
- Quad Graphics
- Great West Life/State of Colorado
- Marriott
- Cisco
- Cleveland Clinic Fdn
- Delphi
- Dow Chemical
- Florida Power & Light
- Mayo Health System
- Procter and Gamble
- SCANA
- UPS

Source: CHVI, 2007.

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# Who Else is Talking Value-based Health or Health Designs

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- U Michigan
- Harvard
- Thomas Jefferson
- Rand
- Tufts
- U Colorado
- UCSF
- MedStat, Ingenix
- Aetna, Cigna, Great West
- Express Scripts
- NBCH and members
- IBI
- NBGH

Source: CHVI, 2007.

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# “Disruption”, but is it a Market Trend?

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- Has it really changed how medications are utilized in plan design(s)?
- Have we moved beyond cost in using “value”?

# The Market View of Value

*Who Controls the Drug?*

Manufacturer

Distributor

McKesson

Cardinal

USBS

Administered by

MD Office / Infusion Center

HHC

Patient

Patient

Payer

Medicaid

Medicare

Third Part Admin

MCO

Dispenser

PBM w/Specialty Pharm (SPC):

APCS(Fed)/Caremark,

Express Scripts/Curascript

Medco/Accredo

Independent SPC: Accredo,  
Priority, Chronimed, etc.

MCO with internal PBM/SPC

Retail w/SPC &

PBM (Walgreens, CVS)



# Health Care Hyper Disruption— Just Like “IT” by 2010

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- Information explosion
  - 100 fold increase in data
  - **Consumerism and genome project increase applications**
- Device explosion
  - Mobile devices double
  - **Biotechnology utilization grows 4 fold**
- Transaction explosion
  - Platform stability for connection to interaction
  - **Claims adjudication to value based behavioral plan**



# Marketplace Disruption Trends

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- Reaching “Early Innovating” Employers
  - [70+ companies = 4.4mm employees]
  - Reclassifying as “Health Value Innovators” on a continuum
- MCOs deploying VBD concepts
  - Western US health insurer with strong small-employer base uses diabetes mgt within own employee base
  - Midwestern HMO explores 1<sup>st</sup> tier pricing for diabetes
  - West Coast health plan creates springboard as “total employer engagement for health”
- Communities/governments explore VBD for employees
  - State of Colorado: diabetes
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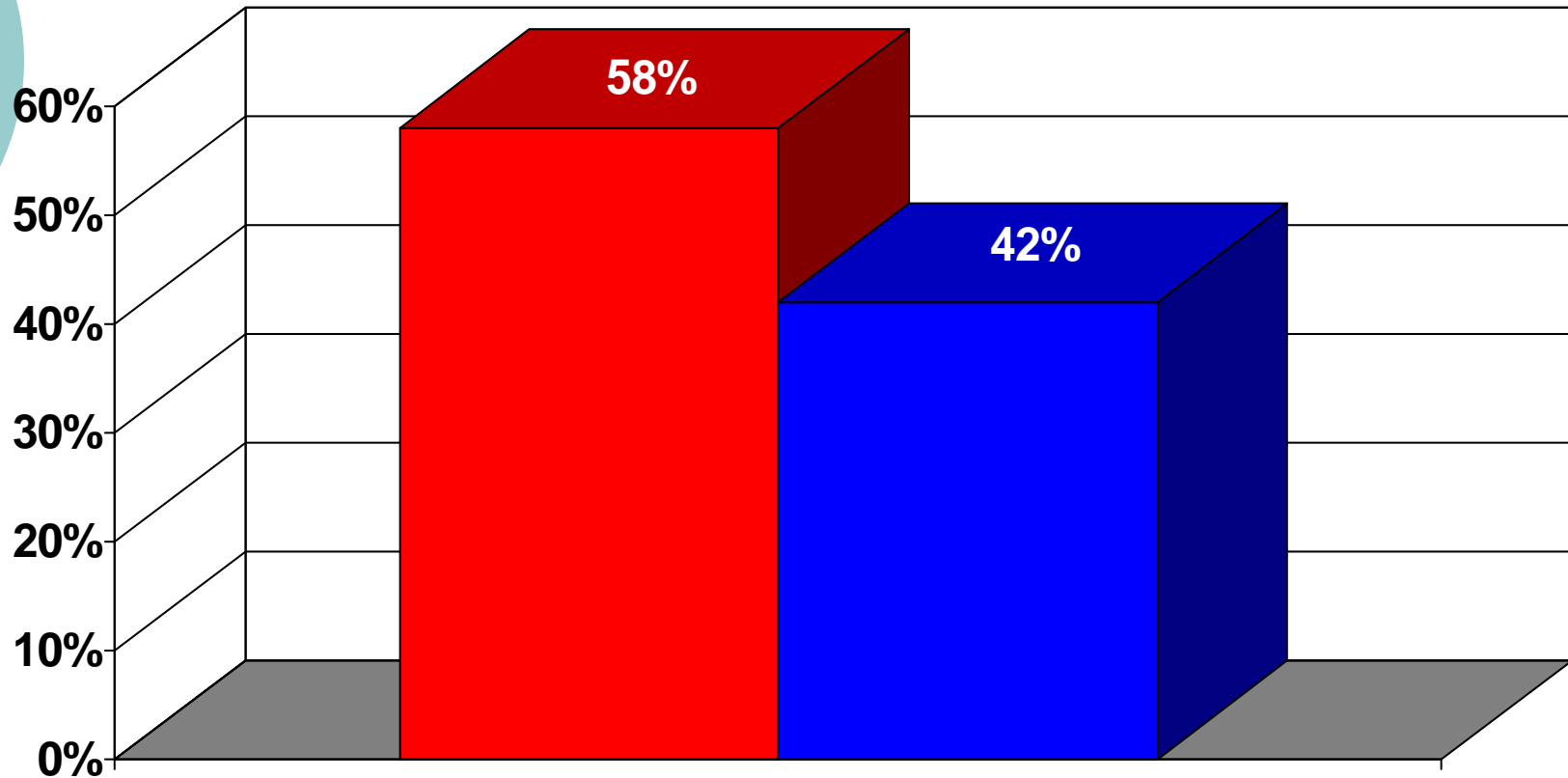
# SWBA Value Survey: Results Snapshot

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- n = 28, 71% employers; audience of 300
- Familiarity and Senior Management interest **high**
- Understanding and Access to data **low**
- Impacting medical & pharmacy utilization **not clear**
- Upper management interest and strategic objectives **do link**
- 2007 to 2008 trend reveals **little to no change**

# Do you know if your benefit design is impacting your medical and pharmacy utilization?

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■ Yes ■ No

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**The major objectives driving your company benefit strategy, rate importance today (2007) and next benefit year (2008). [low 1- high 5 scale]**

2007	Objectives	2008
2.2	Actively shifting more financial responsibility to employees through high deductible health plans, health savings accounts, etc.	2.8
2.7	Tailoring communications and enrollment data to meet the needs of various employee segments.	3.2
3.1	Applying/using internet technology to reduce benefit costs or to increase efficiency.	3.1
2.8	Cost-shifting – asking employees to bear a greater portion of the costs of benefits.	2.7
3.6	Increasing employee education and/or advice-helping employees understand how to make the best choices	4.0
3.7	Attempting to control benefit costs by addressing the health of the workforce by promoting wellness, prevention, and work/life balance.	4.1



# Medicare Part D: CMS and Employers — A Search for Value

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- *2006* was slow, rocky and controversial
  - **Doughnut Hole not a factor**
- *2007* changes minor but significant in reading the tea leaves into the next Presidential election with Democratic Congress trying to shift direction
  - **Doughnut Hole is a factor**
- *2008 to 2010*
  - Key timeframe for retiree health benefit strategy for employers as much as Federal government
  - **MA-PDPs evolving over PDP stand-alones**
    - Implications for commercial market



# 3<sup>rd</sup> Party *Population* Initiatives: Control Rx Utilization and Cost

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- Plan/PBM/Provider Stakeholder focused around plan design
  - Not Specialty
  - Some linked to HRA instruments
- Messaging on Generics
  - Especially generics through mail order
- Step therapy
  - Automated PA services





But...

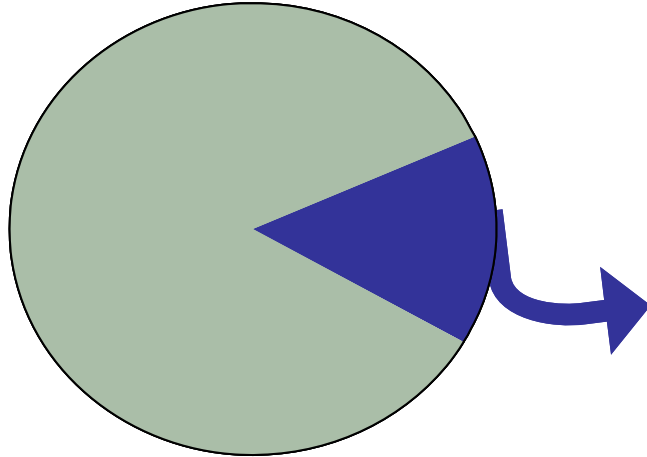
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***Health Care costs are largely driven by a small group of patients with chronic illness.***



# Follow the Dollar: Cross Impacts of Rising Cost Share on the Severely Ill

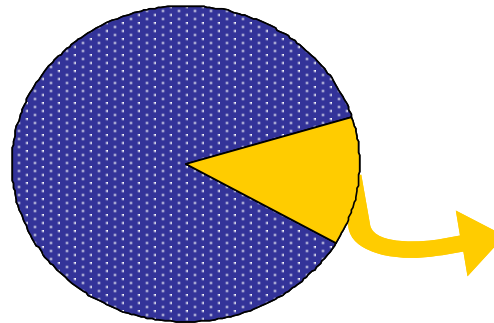
Total Health Care: \$1

-  Hospital, Diagnosis  
Medical Laboratory, Out  
Patient
-  Prescriptions





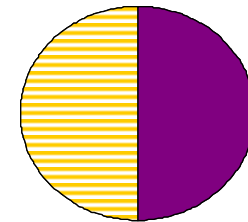
Total Rx : \$.12-.15

-  Typical Rx
-  Injectables & Biotech  
(\$0.02)



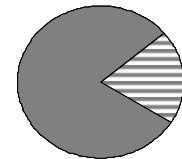
Total Spc Rx: \$.02

-  Injectables (\$0.01)
-  Biotech (\$0.01)



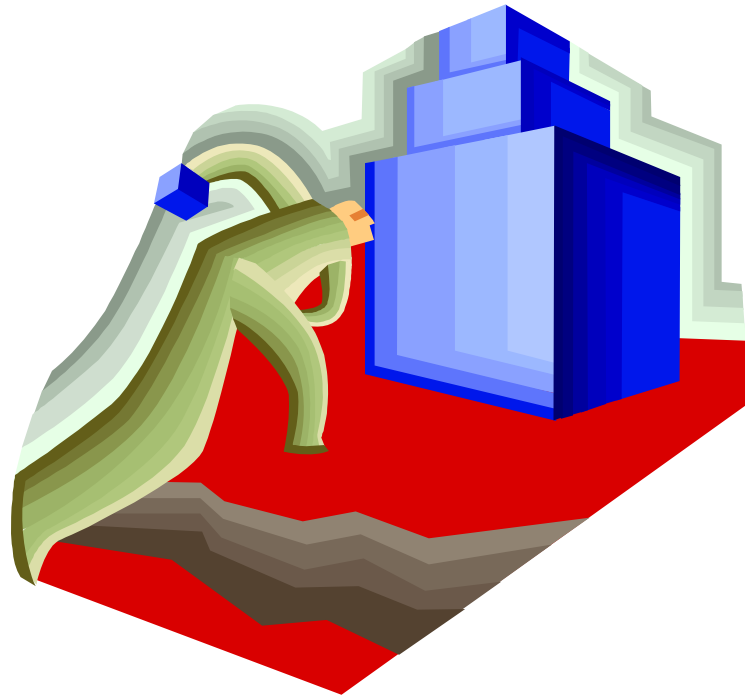
Copay: \$.002 or 2/10 of \$.01  
 Example: Minimal impact of a  
 20% Copay on the total health care premium

80% Covered  
 20% Out-of-Pocket



# Business Strategy Considerations

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# Food for Strategic Thought

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- Employee wellness and retiree health
  - Do they go together anymore?
- The impact of benefits tactics on human capital assets: is there or what is the value proposition?
  - Acute versus Chronic episodes of care require different strategies and how they link to recruitment/retention
- Role of Employee Benefit Manager/HR Department
  - In or Out of healthcare “management”?



# Final Thoughts

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- Technology advancements challenge employers
  - Medication and Medical technology advancing treatment as well as diagnostic costs
  - Cost sharing burdens from formulary management strategies not always employer friendly and lack behavioral component
- Rising importance of “outcome” studies
  - Evidence Based Medicine in the “real” world—application for results, not theory



# *Value Achievement*

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## ○ Examples discussed show that value

- Is a major part of your “business” strategy
- Data of itself is not enough – need to know how to aggregate data and interpret
- Goal is to change value proposition by *truly* tying benefit designs for enhanced outcomes performance to behavioral based health plan goals

**You get there by obtaining data and turning it into tools that clearly quantify process and measure the value of change / improvements.**



# Summary: A Call to Action

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- Underlying costs continue to increase while the issues remain the same, there is an employer opportunity to be proactive and “disrupt” the marketplace to its advantage
  - Understand your total cost: important for value
    - Silo cost management is shifting to holistic
  - Understand your members’ behaviors using data
    - Create a value proposition that can work
  - Do your health care advisor(s) provide innovative strategies and solutions
    - Positive alignment and direction required

# EMPLOYER LEADERSHIP SUMMIT

