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Total Health Management: The Future of Health Care Cost Management?

By Chris Mathews



Rising health care costs were cited as the greatest cost pressure on U.S. businesses by the largest percentage of CEOs in Business Roundtable's December 2005 CEO Economic Outlook Survey — 43 percent — a finding consistent with the association's two previous annual CEO surveys¹. Headlines routinely confirm that spending on health care for both active and retired employees is so high that it is endangering the survival of organizations large and small. Nevertheless, most employers continue to address rising health care costs by doing little more than increasing employee contributions and/or reducing benefits — but there are limits to this approach in an era of persistent double-digit increases in health plan costs.

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Employers that are approaching health care cost management as a business problem are dramatically containing increases in health care costs. For example, in 2004 and 2005, a major airline was able to limit the increase in its overall medical costs to less than 5 percent (without benefit reductions), and a publishing conglomerate achieved a less than 4 percent increase in its medical and prescription drug costs at a time when many health plans experienced 15 percent increases. Recognizing that the strategies used to manage the cost of health care in the managed care era — plan design, employee contributions, traditional medical management, network discounts and streamlining administration — are losing their effectiveness, these employers are in the forefront of what may prove to be a new era in health care cost management: total health management.

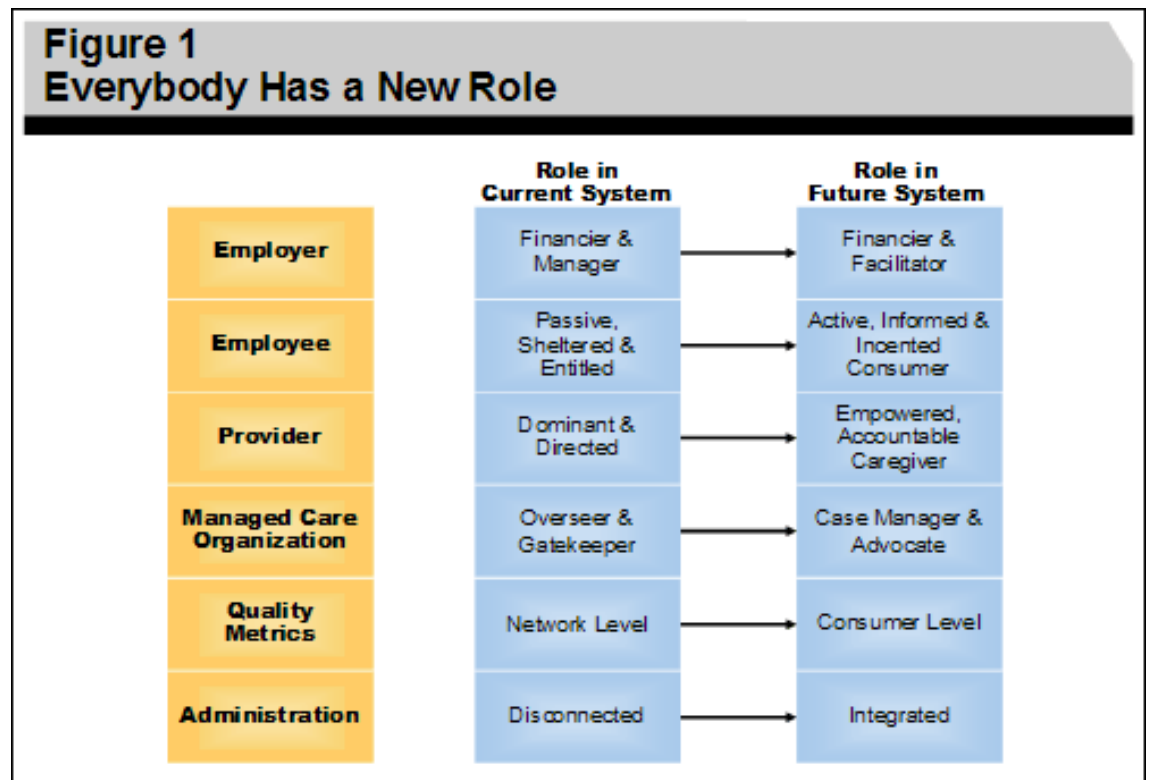
What is Total Health Management?

The new cost management tools for emerging total health management are designed to address the real causes of medical cost escalation: consumer health habits, waste in the health care system, poor quality care and poor preventive care. The tools include providing participant with and information about high-quality/high-performance providers and access to appropriate care that follows evidence-based guidelines, matching the proper provider expertise to the medical activities they are performing, changing participants' health habits and behaviors, and supporting participant compliance with medical treatment. Without the proper support, plan participants are at significant risk as they navigate their way through the health care system. They are like little children who have been given a highway safety manual and asked to practice crossing the street without any parental guidance.

The total health management process integrates not only an approach to identifying and reducing health risks, it provides a process that informs and guides plan participants to timely and appropriate high-quality care. It also represents a major shift from participant passivity to participant engagement.

Where do employers that want to introduce total health management start? The fuel that drives the total health management engine is ongoing analysis of medical claims data to identify individual health risks within the plan population. That information is then provided to medical professionals to support the identified medical needs on a real-time basis through medical intervention and better patient management.

Total health management requires thinking beyond the status quo. In fact, everybody involved in health care delivery has a new role. (See Figure 1 below.) In order to effectively gain control of rapidly rising medical utilization, total health management requires employers sponsoring medical plans to become facilitators of employee behavioral change rather than merely to act as financiers and managers of health care plans. This approach requires employers to communicate effectively with plan participants to engage them and encourage them to be active and informed health care consumers. Some employers have introduced consumer-driven health plans using high deductibles and health reimbursement accounts to change employee behavior. While the economics of such plans may offer some initial relief, employers will need to be more proactive in guiding and educating plan participants about medical decisions in order to achieve significant reductions in cost escalation.



Like any major business problem, addressing the cost of health care may seem overwhelming and impossible to solve. Fortunately, there is a way to address the challenge of escalating health care costs that reduces the dependence on cost shifting and benefit cutbacks. However, the strategy going forward requires a strong partnership between employees and management. Total health management not only addresses the financial pressures that put stress on operating budgets, but also affects the way health care services are delivered, how employees are engaged to be better consumers of health care and how they take better care of their health.

To develop a strategy that will reign in health care costs, employers must begin to aggressively focus on the cost drivers of the health care cost spiral. The cost-escalation drivers are easy to identify but are complex to counteract because they are multi-faceted. With the advent of more sophisticated analytical tools, plan sponsors must address:

- The **cost of medical care** in a market that lacks competitive forces,
- The **quality of care** in a market that tolerates something less than evidenced-based medical solutions and in which practice patterns vary widely,
- **Patient care** in a market where safety is not given the priority it deserves,
- The **delivery of medical services** in a market where much of health care provided to employees is avoidable, not up to recommended levels or totally unnecessary, and
- **Changing employee behaviors** that lead to poor health.

Finally, it is critical to understand that the average medical plan participant is very disconnected from the health care system and believes in myths about the health care system. (See Figure 2 below.) Consumers generally believe that medical professionals are infallible, not prone to error and that there is little variation in quality from one medical provider to

another. The truth is that there are wide differences in cost and quality among providers. Studies show that, on average, 50 percent of the time patients receive care that falls short of accepted professional standards. In addition, high rates of preventable medical errors persist. (See Figure 3 below.) Those errors add to medical plans' costs.

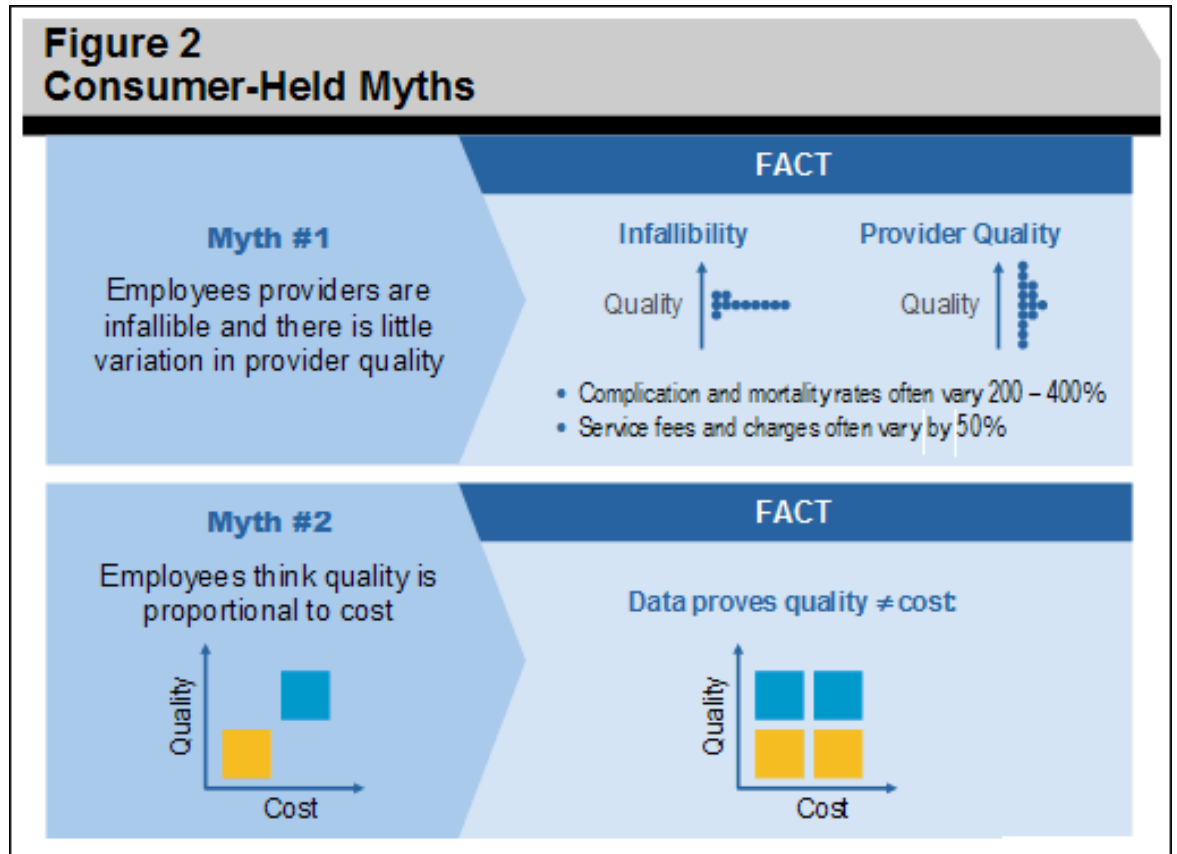


Figure 3
Treatment Gaps by Condition

Condition	Percentage of Recommended Care Received
Low back pain	68.5%
Coronary artery disease	68.0%
Hypertension	64.7%
Depression	57.7%
Orthopedic conditions	57.2%
Colorectal cancer	53.9%
Asthma	53.5%
Benign prostatic hyperplasia	53.0%
Hyperlipidemia	48.6%
Diabetes mellitus	45.4%
Headaches	45.2%
Urinary tract infection	40.7%
Hip fracture	22.8%
Alcohol dependence	10.5%

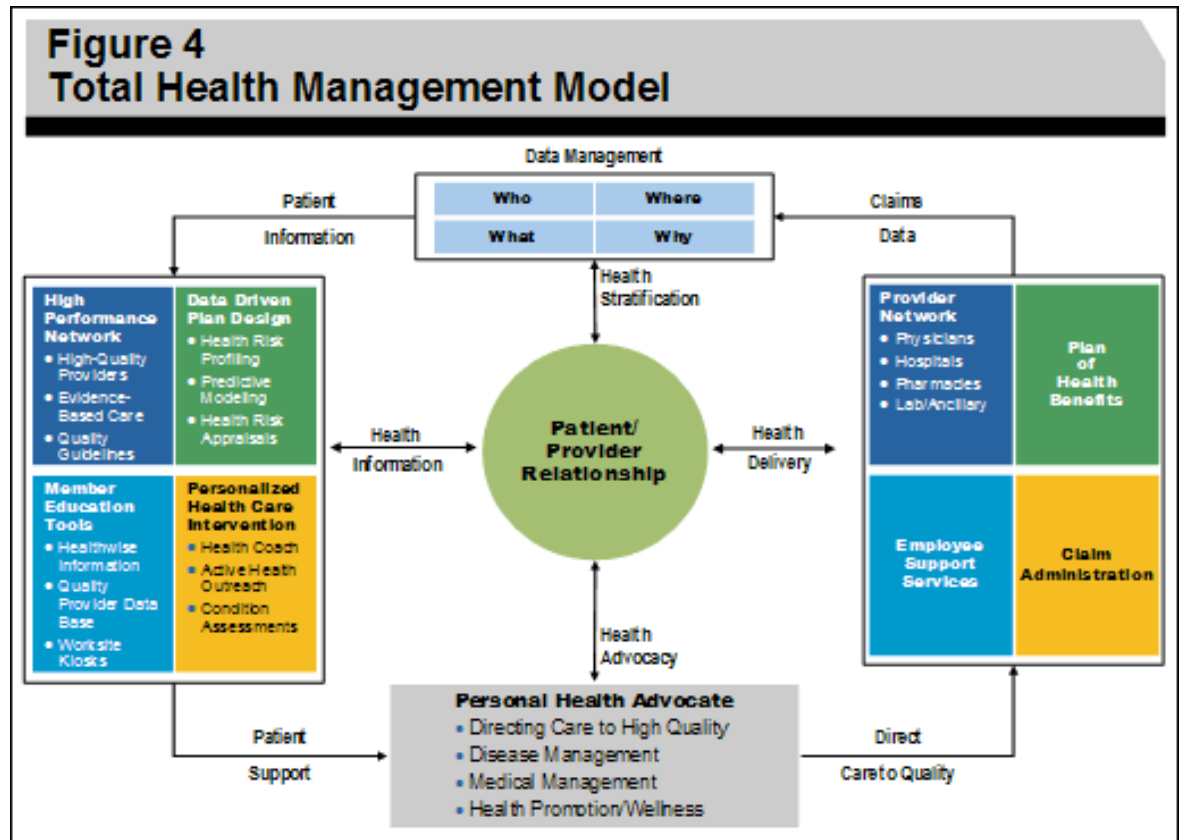
Source: Elizabeth M. Glynn, et al. RAND. "The Quality of Health Care Delivered to Adults in the United States." *NEJM*, Vol. 348:2636-2645, June 26, 2003 (No. 26).

A New Strategy that Focuses on What Managed Care Has Not Addressed: Quality

Advocates of total health management argue that the delivery of health care to employees can no longer be limited to a plan of benefits funneled through a discounted provider network. They believe that, in the future, plan management will require employers to (1) understand the health risks of their employee populations; (2) analyze claim and health information to predict future costs; (3) provide this information to medical professionals to support patient care; and (4) deliver care to the patient at the highest quality available. All four of these mechanisms are part of a total health management strategy.

It has long been recognized that medical treatment has the potential to cause harm. For example, in 2000, the Institute of Medicine (IOM) released *To Err is Human: Building a Safer Health System*, a report that focused on patient safety and medical provider quality variations². A 2004 IOM publication on medical errors, *Patient Safety: Achieving a New Standard for Care*, reported that an estimated 1 million hospitalized patients are injured each year in the United States and 98,000 hospitalized patients die as a result of preventable medical errors³. As many as 137,000 additional hospital deaths annually have been attributed to drug-related errors, according to a widely cited study⁴. To put the total error-related hospital deaths — 225,000 annually due to infections, medication errors and treatment errors, according to a Johns Hopkins study⁵ — in perspective, it is exactly half the number of people who die annually from *all* cancer-related causes and about one-third of the number of people who die from heart-related conditions. It is the equivalent of 25 people dying *every hour* of *every day* of the year. While the issue of patient safety is shocking when put into context, it has only recently gained considerable public attention. Various studies have shown that poor medical quality and medical errors add 15 percent to 30 percent to plan sponsors' medical costs.

The early adopters of total health management are achieving striking results in cost savings and in the reduction of medical trend. These employers have embraced the role facilitating change through which they guide plan participants to high-quality, high-performing medical providers who are motivated to improve personal health of plan participants. Total health management uses programs that have been around for some time, such as case management, health promotion and wellness, disease management and medical management. Armed with clinical information, plans can use real-time medical claims data to support delivering evidence-based health care that is performed by high-quality medical providers — in the right treatment setting at the right time. (See Figure 4 below.)



Moving from Concept to Action

Getting started is sometimes the hardest thing to do. However, once begun, results follow quickly. To move from talking about the problem to action, these initial five steps are necessary:

1. Assess current capabilities of vendors to support a total health management strategy.
2. Analyze medical and prescription drug claims data to develop a health risk profile of participant population and target cost savings opportunities.
3. Design and prioritize the elements of total health management strategy to the health risks identified in the population.
4. Select service vendors that are best suited to support the total health management design and hold them accountable by implementing achievable performance goals (*i.e.*, audit those results).

5. Develop a communication strategy for working with employees to improve the medical care they receive, and to promote healthy living.

Conclusion

The rapidly evolving nature of technology, information and medical management provides opportunities for employers to contain escalating costs and help manage the quality of care and the total health of employees. Plan designs can be modified to support desired behaviors, guide participants to high-quality facilities and lower barriers to appropriate care. A crucial issue will be to partner with organizations that can support the company culture as it implements its strategy.

¹ After rising health care costs, the next most frequently cited cost pressures were energy (27 percent) and litigation costs (9 percent). Information about the Business Roundtable's December 2005 CEO Economic Outlook Survey is available [here](#).

(To return to the *Perspectives* text, click [here](#).)

² See *To Err Is Human: Building a Safer Health System* ed. Linda T. Kohn, Janet M. Corrigan and Molla S. Donaldson, Committee on Quality of Health Care in America, Institute of Medicine, (Washington, D.C.: National Academies Press, 2000), which can be accessed [here](#).

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³ See *Patient Safety: Achieving a New Standard for Care* ed. Philip Aspden, Janet M. Corrigan, Julie Wolcott and Shari M. Erickson, Committee on Data Standards for Patient Safety, Board on Health Care Services, Institute of Medicine (Washington, D.C.: National Academies Press, 2004), which can be accessed [here](#).

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⁴ See "Incidence of Adverse Drug Reactions in Hospitalized Patients: A Meta-analysis of Prospective Studies" by Jason Lazarou, Bruce H. Pomeranz and Paul N. Corey, *Journal of the American Medical Association* 279 (1998):1200-1205, which can be ordered [here](#).

(To return to the *Perspectives* text, click [here](#).)

⁵ See "Is US Health Really the Best in the World?" by Barbara Starfield, MD, MPH, *Journal of the American Medical Association* 284 (2000): 483-485, which can be ordered from the Web site provided in the preceding endnote.

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