

National
Business
Group
on Health



Private Sector Initiatives: Controlling Costs and Empowering Consumers

Health Policy Synergy Workshop

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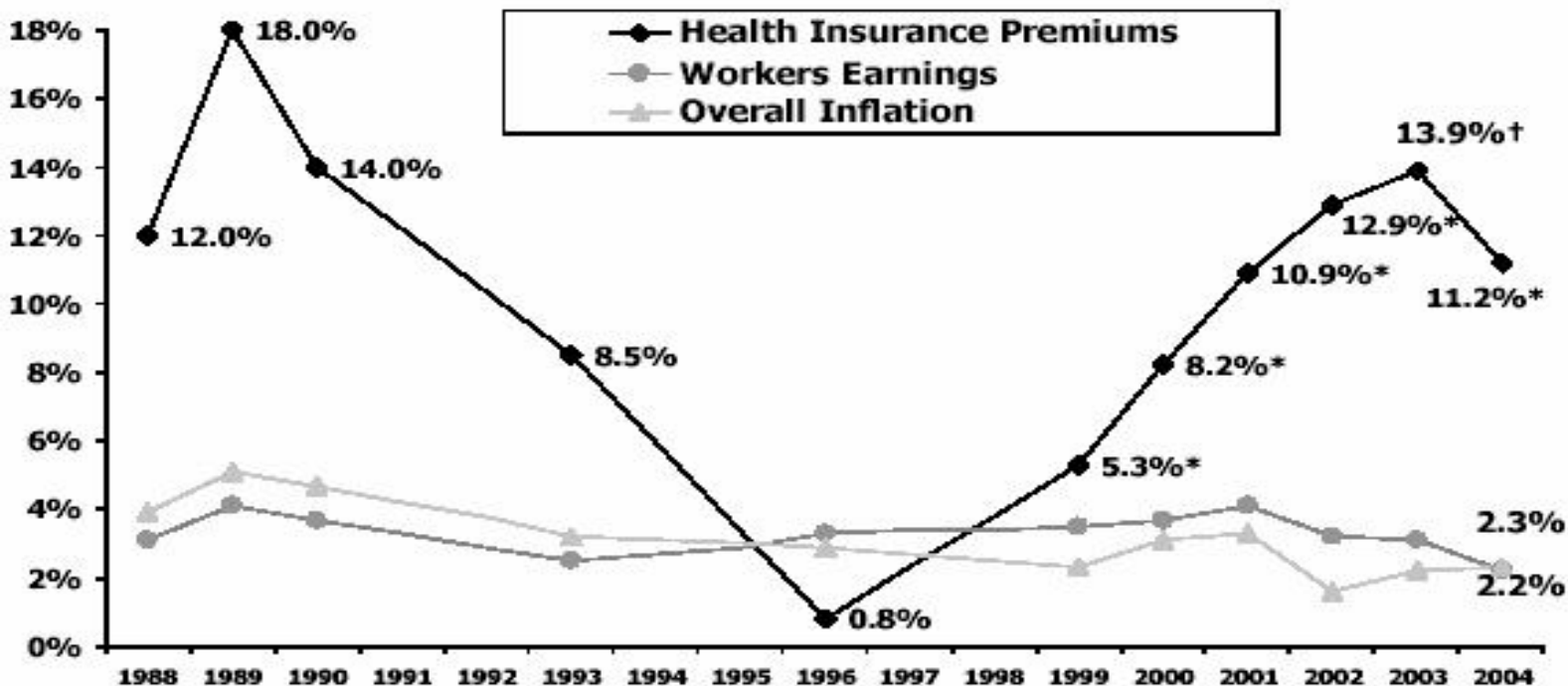
The Problem

Employers', who provide health care coverage for over 60% of adults under 65 and children, most serious benefits problems continue to be rising health care costs and uneven quality

- **Costs up 50% in the past five years; 14% in 2003; 10%-14% in 2004; 8%-10% in 2005.**
- **In the US, growing problem of affordability – affects job growth and leads to more uninsured**
- **Other social needs neglected**
- **No end in sight**

High Costs and Low Economic Growth Hurt U.S. Competitiveness

Increases in Health Insurance Premiums vs. Other Indicators, 1988–2004



* Estimate is statistically different from the previous year shown at $p < 0.05$.

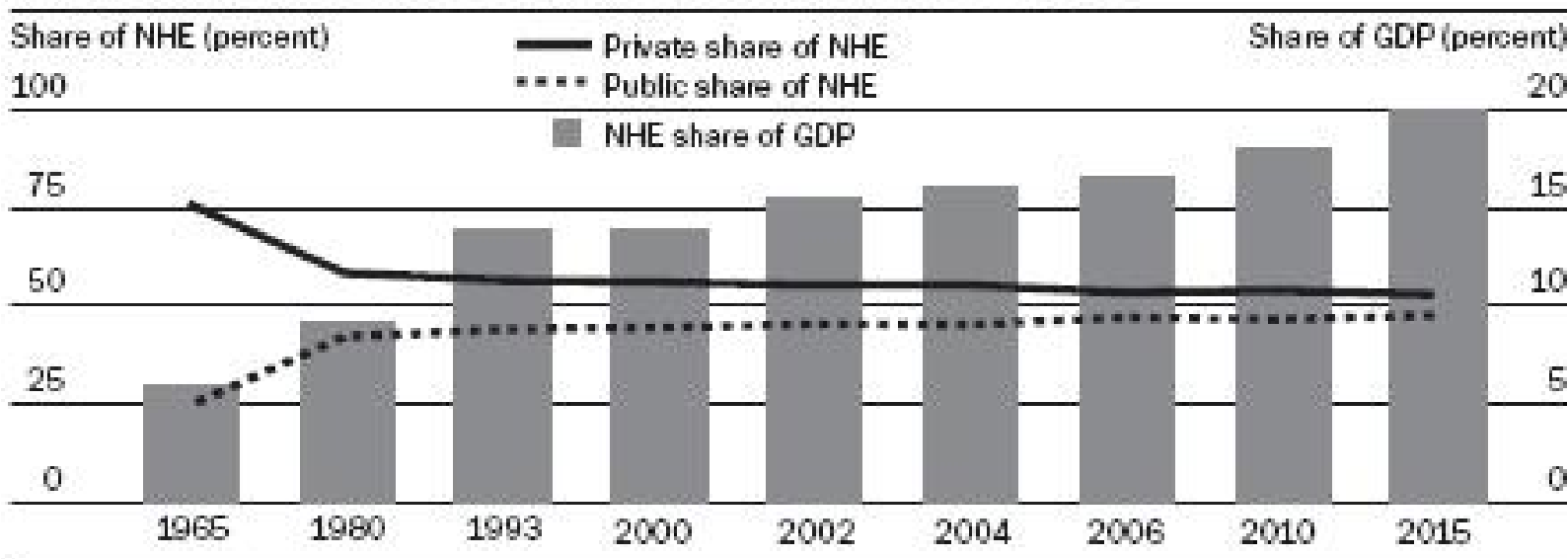
† Estimate is statistically different from the previous year shown at $p < 0.1$.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: Kaiser/HRET Annual Survey of Employer-Sponsored Health Benefits, 2003 Summary of Findings. The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), and Medical Inflation: 1988-2002; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey: 1988-2002. Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

National Health Expenditures: % Change and Share of Gross Domestic Product, 1965-2015

National Health Expenditures (NHE) Share Of Gross Domestic Product (GDP) And Private And Public Shares Of NHE, Selected Years 1965-2015



SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

NOTES: The left axis (public and private spending's share of NHE) relates to the two line graphs. The right axis (NHE share of GDP) relates to the gray-shaded bars. Data for 2006, 2010, and 2015 are projections.

All are worried about costs but even more worried about future costs

Health Care Spending Per Capita

Total health spending per capita			GDP per capita	
	PPP\$	As percent of U.S. Spending	PPS\$	Health spending as percent of GDP
United States	4,887	100	35,182	13.9
Switzerland	3,322	68	29,876	11.1
Norway	2,920	60	36,462	8
Germany	2,808	57	29,199	10.7
Canada	2,792	57	28,811	9.7
Netherlands	2,626	54	29,391	8.9
France	2,561	52	26,879	9.5
Australia	2,513	51	27,408	9.2
Japan	2,131	44	26,652	8
United Kingdom	1,992	41	26,315	7.6
New Zealand	1,710	35	21,077	8.1
Spain	1,600	33	21,294	7.5
Korea	893	18	15,905	5.9
OECD Median	2,161	44	26,392	8.1

Source: Organization for Economic Cooperation and Development (OECD) data, 2002.

Note: Growth rates are calculated from national currency units, not U.S. dollar purchasing power parties (PPPs).

Problems in Health Care Quality

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 McGlynn, et al, "The Quality of Health Care Delivered to Adults in the United States," *NEJM*, Vol. 348:2635-2645 June 26, 2003 (No. 26).

Unsustainable Business Model

- **Corporate America cannot make or sell enough in this economy to keep absorbing these increases.**
- **Percentage of people employed is below where it was more than 3-4 years ago – “jobless recovery”.**
- **Must find new ways and new resolve to tackle these problems head-on with leverage from combined purchasing power of large employers.**

Strategic and Tactical Changes Needed by Employers and Health Plans

- **Track One**: Pragmatic solutions based on best practices and new ideas, implementable in the near term.
 - all incentives must be aligned
 - employers have to help prepare employees
- **Track Two**: Strategic and structural changes in delivery system that will change health care costs/value equation in long term by improving product significantly (mortality, morbidity, productivity) and reducing cost increases.

Cost Sharing Is Only Part of Strategy

- **There must be incentives to help drive system toward efficiency/medically appropriate utilization/ high-performing hospitals.**
- **Purchasers and consumers must reward/select quality, efficiency and innovation.**
 - **consumers and providers need useful information**
 - **transparency is essential**
 - **urgency is needed**



Empowerment Through Knowledge

Employers and Employees Need:

- ✘ Decision Support Tools**
 - Informed patients have better outcomes
- ✘ Data on Costs and Quality**
- ✘ How to Control as Individuals**
- ✘ Evidence-Based Practices**
- ✘ Efficiency/Effectiveness of Diagnostics, Treatment, Devices and Prescription Drugs**

Technology Assessment Needed

- Solutions have to take into account U.S. appetite for new technology.
- Solutions have to include source for objective, authoritative technology assessment; fast tracked to avoid inappropriate delays.
- Physicians need to take a very hard look at new technology and help patients understand fully the benefits and harms or risks of new and old technology.
- Consumers need to understand benefits and risks or harms of all technology.

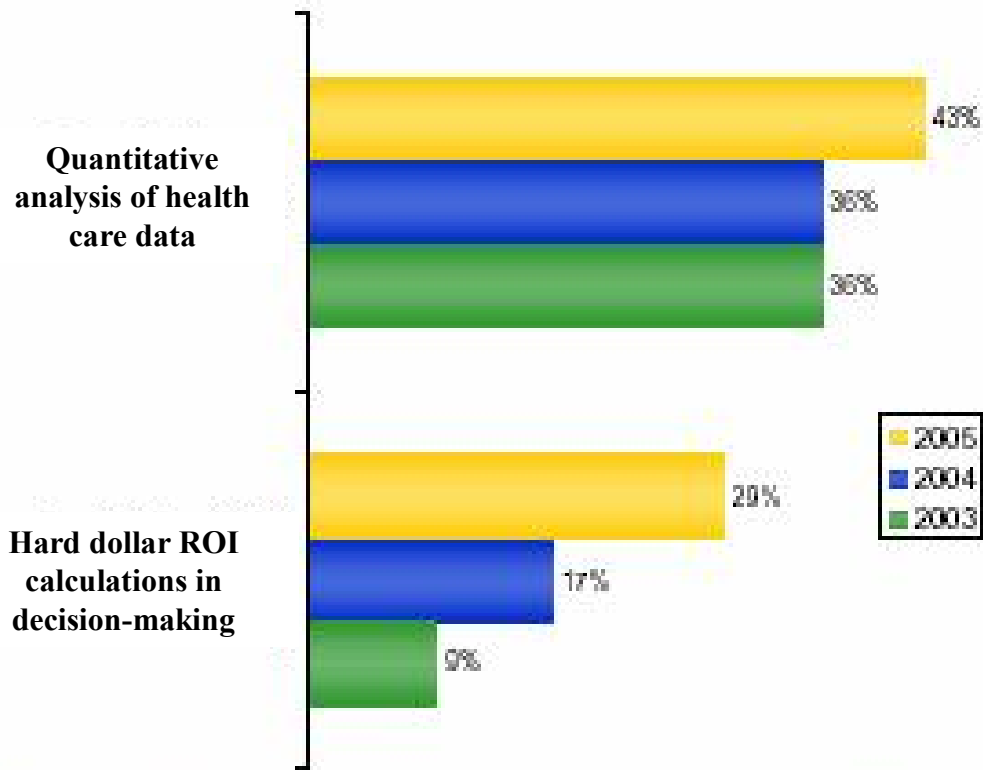
Chronic Disease and Complex Case Management Can Work

- **Solutions must recognize important aspects of health status under individual's control – national obesity epidemic: a tragic example.**
- **Attack 70% of costs for 10% of covered lives in any given year.**
- **Physicians can have a significant effect on patient behavior (e.g. smoking cessation) but often do not address important risk factors.**

Quality/ Patient Safety Important

- **Hospitals with better safety/quality records, forthcoming with data on procedures volumes, are better for employees and will save overall costs (e.g., infection rates affect length of stay and morbidity, mortality, are costly).**
- **Quality performance data will be increasingly tied to financial incentives (Pay for Performance).**
- **Employees need to learn: *more costly services/providers are not necessarily better.***

Quantitative Analysis Is a Growing Factor in Shaping Employers' Strategies



Best-performing companies are more likely to use quantitative analysis to guide strategy and planning

Source: 10th Annual National Business Group on Health/Watson Wyatt Trends Survey

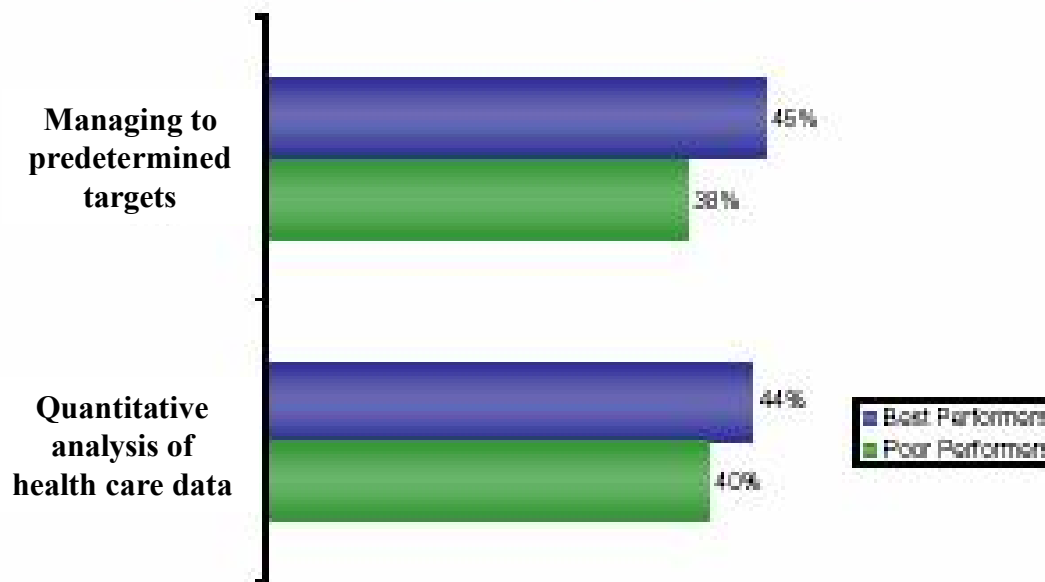
Note: Survey data is based on responses from 555 companies covering 10 million lives, surveyed between November 2005 and January 2006

Best Performers Use Quantitative Analysis

Best Performers approach strategy and planning as a way to build a firm foundation for their program

→ A need for quantitative evidence underlies their decisions

Factors That Most Influence Strategy

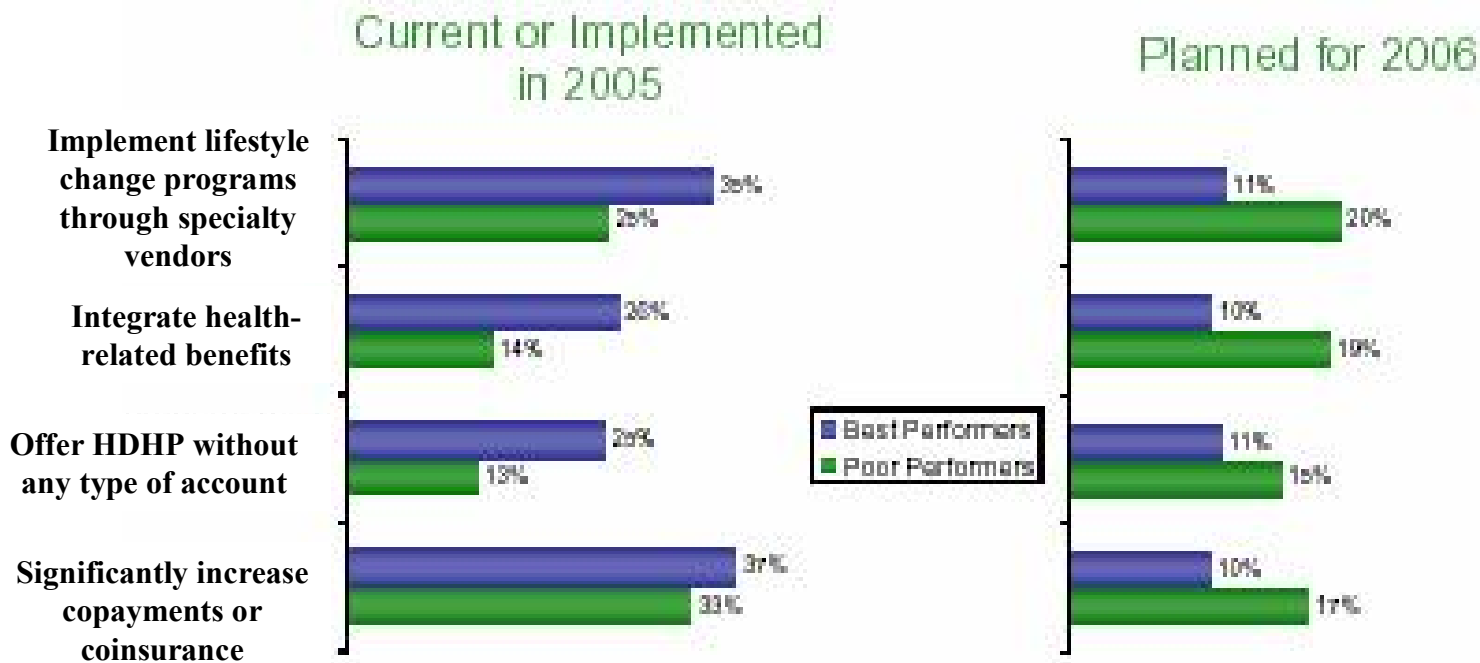


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Best Performers Deploy Strategy More Quickly

The Best Performing companies execute their strategies with **speed**. There are numerous examples throughout the survey, these are just four:



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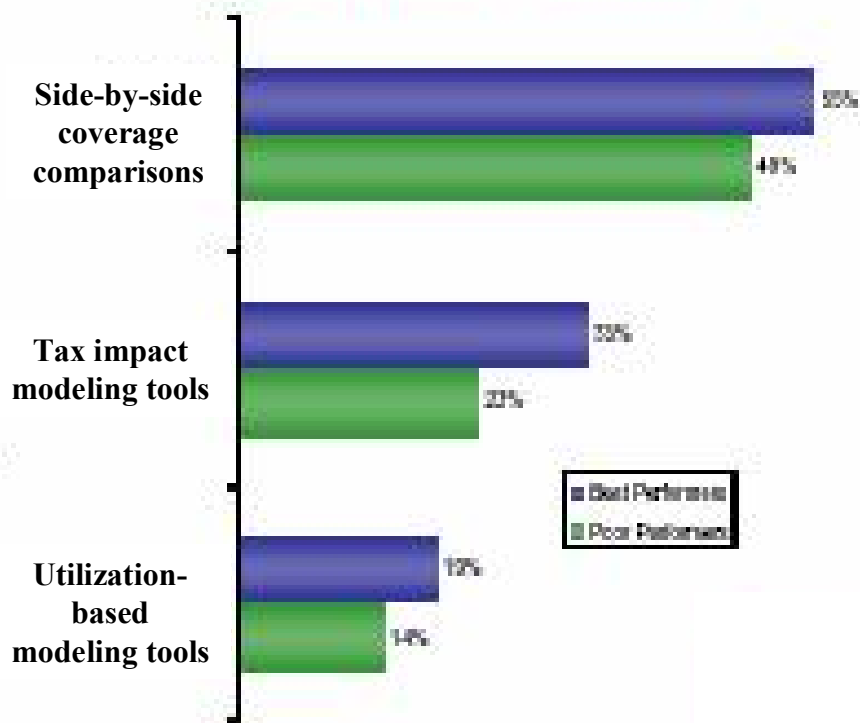
Best Performers Have a Different Perspective on What Influences Key Outcomes

→ More likely to believe that employees can become **better health care consumers** through changes in plan design that increase cost sharing at point-of-care

→ Much more likely to **push information out** to employees specifically:

- Specific health conditions
- Health care unit price information
- Provider quality information

→ Much more likely to provide employees with tools to **support health plan choices**

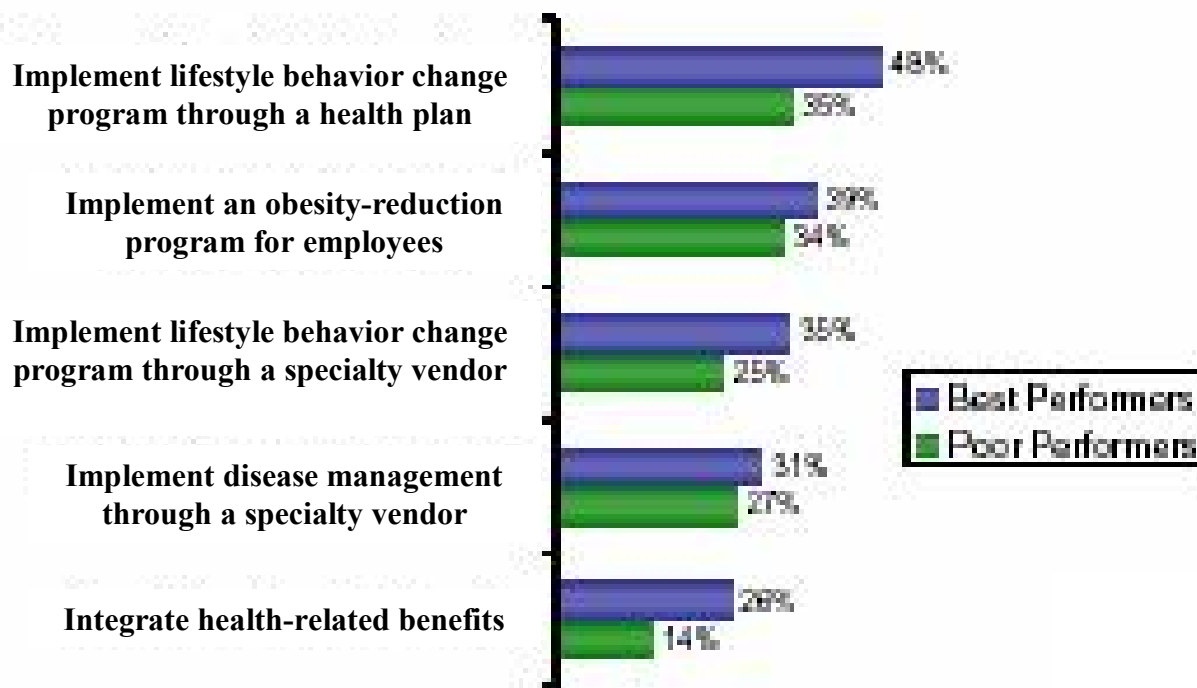


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Note: Survey data is based on responses from 555 companies covering 10 million lives, surveyed between November 2005 and January 2006

Best Performers Rely on Health Management

Start at the beginning by **focusing on the “health”** in health care benefits – with lifestyle behavior change as a particular focus for Best Performers



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Note: Survey data is based on responses from 555 companies covering 10 million lives, surveyed between November 2005 and January 2005

Conclusions

- **Providers, purchasers, payers, consumers, and governments have to work together to create a system that is efficient, safe, effective, based on scientific evidence, timely and patient-centered.**
- **Many global corporations have used breakthrough thinking, innovation and exceptional execution to be successful. That same strategy and drive will enable employers to provide quality care and benefits to employees and their families and moderate medical spending.**
- **Through public-private collaborations, we can make a positive difference.**