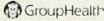


# Health Care Cost Control

Paul Sherman, MD, MHA, Medical Director for Strategy Deployment 



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# Agenda

- Coverage strategies
- Care management strategies
- The challenge
- A model for success
- Q&A

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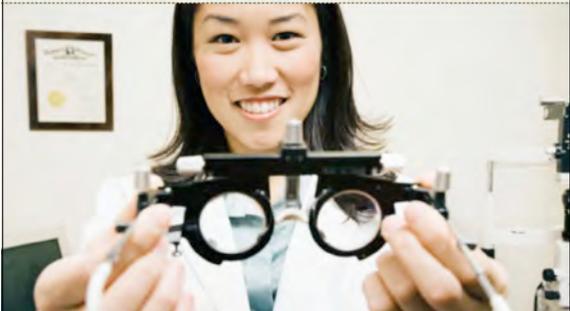
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# Coverage strategies





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## Coverage strategies

- Plan designs
- Cost share options
- Network tiering
- Value-based medical plan design

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## Value-based design

### What is it?

- Unlike traditional health care plan designs that only manage costs, value-based design focuses on covering treatments that provide improved health outcomes
- Employer-based, typically

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## Value-based design

### Employee benefits

Tools used to incent employees to engage in their health and improve outcomes:

- Wellness tools
- Reduced cost shares for Rx used to treat high-risk conditions
- Cost-share waivers for preventive care
- Copays that drive shorter inpatient stays

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## Health & wellness programs

### WA employers

- Safeway
- King County
- Group Health

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## Health & wellness programs

### Benefits

- Reduction in health risks\*
- Significantly fewer absences\*\*
- Reduced workers' compensation cost\*\*\*

\* Source: Gold et al. (2000) AJHP

\*\* Source: Schultz et al. (2001)

\*\*\* Source: Musich et al. (2001)

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## Care management strategies



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## Care management strategies

Group Health's model



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## The challenge

GroupHealth



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## The challenge

"We spend more on health care than any other country. But we allocate our resources inefficiently and wastefully, failing to provide universal access to care and failing to achieve value commensurate with the money spent.

In the U.S., many patients receive treatments and procedures known to be ineffective, while other effective treatments are vastly underused. Tens of thousands die annually from preventable errors."

- The Commission on a High Performance Health System (August 2006)

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## The challenge

### The state of American medicine

- Fragmented
- Expensive
- Unsafe
- Of insufficient quality
- Wasteful
- Exclusive
- Dissatisfying

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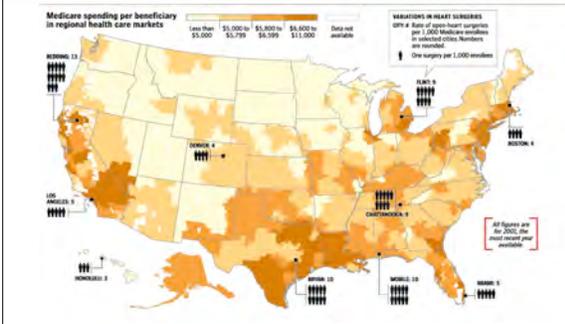
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## Spending variation




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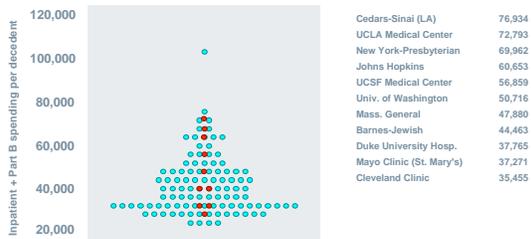
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## Spending variation

Spending per Medicare beneficiary with severe chronic disease (Last 2 years of life, 2000-2003)




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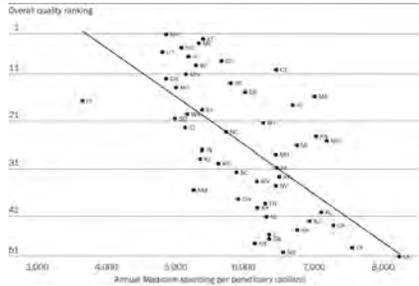
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## Spending variation



Source: Baicker and Chandra, Health Affairs, web exclusives

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## Spending more ≠ quality

With more money spent, we get...

### Quality of care

- Technical quality is worse
- No more elective surgery
- More hospital stays, visits, specialist use, tests

### Health outcomes

- Slightly higher mortality
- No better function

### Physician's perceptions

- Worse communication among physicians
- Greater difficulty ensuring continuity of care
- Greater difficulty providing high quality care
- Greater perception of scarcity

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## Spending more ≠ quality

With more money spent, we get...

### Patient-perceived quality

- Lower satisfaction with hospital care
- Worse access to primary care

### Trends over time

- Greater growth in per-capita resource use
- Lower gains in survival (following Acute Myocardial Infarction)

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## Spending variation

"Variation is the result of an unmanaged supply of resources, limited evidence about what kind of care really contributes to the health and longevity of the chronically ill, and falsely optimistic assumptions about the benefits of more aggressive treatment of people who are severely ill with medical conditions that must be managed but can't be cured."

- John E. Wennberg, MD, MPH  
Founder of the Dartmouth Atlas & Director Emeritus of The Dartmouth Institute  
for Health Policy and Clinical Practice

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## A model for success

Delivery systems



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## Delivery systems

The benefits of integrated care

The Institute of Medicine's 21<sup>st</sup> century goal?

Health care systems that are:

- Safe
- Effective
- Patient-centered
- Timely
- Efficient
- Equitable

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## Accountable physician practices

- Multispecialty Group Practice
  - Council of Accountable Physician Practices
- Independent Practice Associations
  - Intermountain Healthcare - IHC
  - Hill Physicians
- Clinical Integration
  - Advocate Physician Partners

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## Accountable physician practices

### Council of Accountable Physician Practices

- | National members:          | WA members:                       |
|----------------------------|-----------------------------------|
| • Mayo Clinic              | • Group Health                    |
| • Geisinger Clinic         | • Virginia Mason                  |
| • Harvard Vanguard         | • The Everett Clinic              |
| • Kaiser Permanente        | • Wenatchee Valley Medical Center |
| • Intermountain Healthcare |                                   |

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## Delivery systems

### The benefits of integrated care

- Early examples:
- Urology benign prostatic hypertrophy study (shared-decision making)
  - Geisinger cardiac surgery (cost-of-care accountability)
  - Virginia Mason back pain (evidence-based medicine)

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## Delivery systems

### Success at Group Health

- Urinary tract infection telephone consultations
- Cardiovascular secondary risk reduction

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## A model for success

### Approaching variation

#### Evidence-based medicine

- Effective care that all patients receive. No tradeoffs.

#### Preference-sensitive conditions

- Patients' values and preferences should determine treatment.

#### Supply-sensitive services

- Utilization is strongly associated with local supply of health care resources.

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## A model for success



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## Delivery systems

The idea of delivery systems as the solution to the problems of rising health care costs has been around for a long time.

"Group practice in one form or another seems essential if the mode in which medical service is rendered is to be consonant with the demands of modern medical science and technology."

- From a 1933 federal commission report calling for more group practices.  
Commission chair: Dr. Ray Lyman Wilbur, President of Stanford

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## Questions?

 GroupHealth



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