



Health Management:
Taking Charge in the Era of Reform

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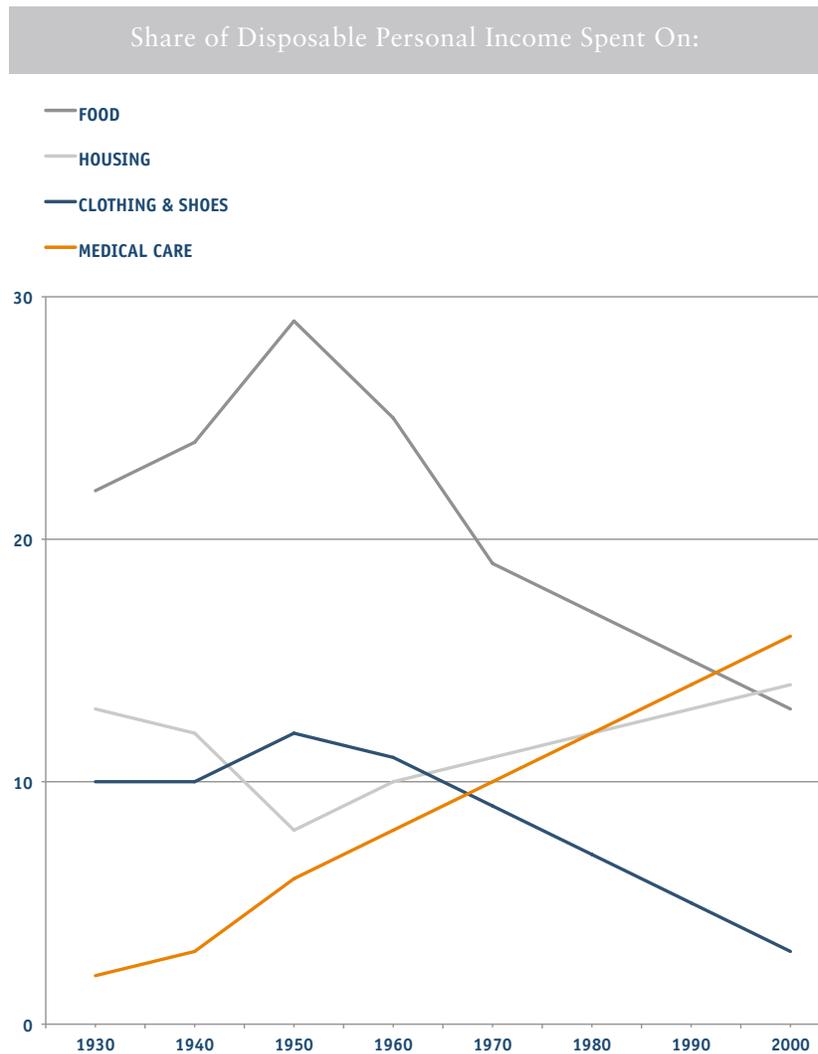
THOUGHT PAPER SERIES



TAKING THE BULL BY THE HORNS SOMETIMES MEANS THROWING YOUR HAT IN THE RING

The perfect storm of healthcare reform has hit America like a cyclone. No other issue has come close to wreaking the same divisive effects as the debate on overhauling the nation's health-care system.

Healthcare is the fastest-growing expense in U.S. households, the government and corporate America. Spending on healthcare takes up more of the average American's paycheck (16.6 percent) than does housing (14 percent) or food (13 percent). And while the U.S. is the world leader in healthcare spending, it trails most westernized systems in patient satisfaction, preventive healthcare and population-based mortality results. Performance measures also show that more care does not necessarily correlate to better outcomes, with an estimated 100,000 deaths occurring annually due to errors. An added irony is that adults receive recommended care only 55 percent of the time.¹ The message is clear: We are spending but not getting the results we expect to or should be receiving.



¹Deloitte Center for Health Solutions, "The Catalyst for Healthcare Reform," "Disruptive Innovation in the U.S. Health System: Implications for Hospitals" Graph originally published in *The New York Times*, May 4, 2008. Sources: Bureau of Economic Analysis; Deloitte Center for Health Solutions Analysis.

Statistics compiled by Harris Interactive in September 2009², following President Barack Obama’s speech to Congress on healthcare reform, reveal that Americans are ready for a change – to a point. While the majority of respondents felt the healthcare system needs to change, 48 percent want improvements but not a major overhaul. Sixty-one percent of respondents believe that Congress is likely to make the healthcare situation worse rather than better, and 55 percent thought government solutions to healthcare will ultimately cost more and deliver less compared to private sector solutions. In fact, respondents said they trust physicians and healthcare providers (37 percent) the most when it comes to reforming the healthcare system.

Despite the 47 million Americans who are currently uninsured, research conducted by the Deloitte Center for Health Solutions, under the direction of Executive Director Paul Keckley, Ph.D., revealed that 90 percent of those surveyed consider themselves “adequately” or “well insured,” with the highest ratings attributed to those in the military (97 percent) and enrollees in employer-based plans (95 percent)³.

Regardless of what reform initiative ultimately survives the rigors of our legislative process, any meaningful changes to healthcare delivery will be years in the making. And Americans clearly want to continue having choice and access without going through a bureaucratic process.

The latest reform initiatives indicate that our current employer-based system is likely to remain in place for some time. And if past trends are any predictor of the future, employers will continue to face escalating healthcare costs until any long-term benefits of reform are actualized. The likely result is that the rising expenses employers face will be cost-shifted to individual employees just as has been the case over recent years. That, in turn, will spawn an even stronger movement toward consumerism as patients pay higher out-of-pocket costs and look for better value in their healthcare expenditures. Some employers may also incentivize individuals to adopt healthy behaviors in order to receive “breaks” on the cost of their plan, while those who adopt less healthy behaviors will face premiums that are higher.

²Harris Interactive conducted a nationally representative telephone survey of 1,010 U.S. adults 18 years old and older Sept. 10-13, 2009

³The Deloitte 2009 Survey of Healthcare Consumers - A nationally representative sample of 4,001 American adults, ages 18 and older, was surveyed between October 2 and 10, 2008, using a Web-based questionnaire. The results were weighted to assure proper proportional representation to the nation’s population, as reflected in the U.S. Census, with respect to age, gender, income, race/ethnicity and geography. The margin of error around the U.S. point estimates is +/- 1.6% at the .95 confidence level.

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The Deloitte 2009 Survey of Healthcare Consumers documents the affect that such cost-shifting is already having on consumer behavior, including heightened interest in wellness programs. One-fifth (20 percent) of survey respondents said they participated in a wellness program in the last 12 months, up from 17 percent in 2008. Seven in 10 respondents stated they would participate in wellness programs if they were given a financial incentive such as a reduced insurance premium or monetary reward. And 76 percent of those with a chronic condition said that they would participate in a disease management program; three in five say financial penalties, such as higher premiums, would increase their adherence to treatment regimens.

Deloitte 2009 *Survey of Healthcare Consumers* shows considerable interest in health-management initiatives:

LEVEL OF INTEREST

Would participate in a wellness program if given a financial incentive	70%
Interested in programs & tools to help monitor or improve health	44%
Interested in health support based on risk profiles	39%

RESPONDENTS WITH CHRONIC CONDITIONS

Currently participate in a program	32%
Would increase their adherence to treatment regimens if there were financial penalties	60%
Would participate in a disease management program if a financial incentive was offered	76%



HOSPITALS AS CATALYSTS OF CHANGE

Clearly, consumers are ready to change their behavior and begin to adapt healthier lifestyles. If current studies are to be believed, hospitals and physicians are the most trusted agents of change to lead this evolution. Yet history has shown that hospitals are slow to move and have largely taken a wait-and-see approach to proposed reform. That strategy has effectively caused healthcare organizations to cede decision-making to others. This was true at the onset of the managed care era when hospitals gave control over their pricing to the insurance community. This was a painful lesson but one that is in danger of repeating itself. Continued lethargy in the face of healthcare reform is tantamount to accepting whatever bad medicine Congress and others prescribe and then having to live with the consequences.

As this new world takes shape, hospitals have a golden opportunity to become masters of their own destiny by actively promoting wellness and seizing that issue as their own. They can take the bull by the horns by assuming the mantle of the preferred community and regional healthcare resource whose primary purpose is to keep people healthy, rather than treating only those who are sick or injured. This positions the hospital as part of the solution, not part of the problem (of rising healthcare costs) and puts them in partnership with local employers (and insured workforces) more than ever before. By taking this approach and proactively establishing relationships with employers now – before the competition beats them to it – smart hospitals can effectively lock in access to future patients. For as statistics attest, never before have employees been more motivated to take charge of their health. Through a smart program, employers, employees and hospitals all end up winners ... and wouldn't that be nice for a change!

Employer-based health management programs are an ideal way to establish these relationships. Such programs have been proven to deliver on a triumvirate of cherished goals, including lowering overall healthcare costs, increasing productivity and enhancing the health of employees. Most medical centers have been offering screening and wellness services for years, including testing for diabetes, high cholesterol, hypertension and cancer. They provide weight management programs and lifestyle modification classes, such as smoking cessation, to help people develop healthier habits and manage their health risks. And they routinely monitor patients with chronic conditions to minimize complications and co-morbidity factors. In short, all of the necessary ingredients for success are already there ... many underway. Add to this the fact that most hospitals also possess the clinical knowledge, staffing and business expertise to set up such programs on-site for employers.

Healthcare organizations that have proactively partnered with local employers on worksite wellness programs are reaping real benefits daily.

A MODEL THAT WORKS

Loma Linda University Medical Center (LLUMC) has been one of the nation's leaders in providing employer-based health management programs for more than ten years. LLUMC partnered with Aegis Health Group to implement its model of worksite wellness in Southern California's Inland Empire.

The program began by identifying the largest and most desirably insured employers in the hospital's catchment area. The hospital, utilizing proprietary Aegis tools, started each employer partnership by administering individual personal health surveys to employees. The survey collects demographics and data on each employee's health plan participation and physician relationship as well as selected biometric data such as blood pressure and glucose readings. The survey also queries each employee on any identified risk factors, such as being diabetic, hypertensive or a smoker. The information provided by employees is kept strictly confidential in keeping with HIPAA regulations. Using this data, a personal health report is prepared for each respondent along with specific recommendations for health maintenance or improvement.

Using special proprietary software designed for this purpose, the collected data is then aggregated into an overall workforce profile that provides a snapshot of the health issues existing within a specific workforce. For instance, some employers may see a high incidence of back problems within their employee population, while for others the potential problems may be tied to smoking or obesity. Any trends identified through the report become an opportunity for LLUMC to provide early detection, prevention and education initiatives to the employee at the worksite. Early detection of such health “time bombs” as cardiovascular disease, cancer and diabetes help keep costs lower by preventing more expensive interventions later, when the disease has progressed to a life-threatening level. Smoking cessation classes, stress management, weight reduction and nutrition education have all been proven to help people develop healthier lifestyles. Back mechanics and ergonomic worksite assessments can ward off problems before they occur. All these programs have a very real affect on an employer’s healthcare cost outlay ... and Loma Linda has the data to prove it.

By bringing proactive measures to the worksite aimed at linking at-risk employees with appropriate wellness programs and interventional services, LLUMC’s employer-partners are saving meaningful dollars in employee health costs, lowered absenteeism, healthcare premiums, worker’s compensation and other healthcare-related expenditures. Because these programs have proven to mitigate potential health-related claims, LLUMC and its affiliated employers have become true financial partners in healthcare.

And the Results are in...

Over the last decade, LLUMC has established relationships with nearly 400 local businesses. Employers who participate in the program include Pepsi-Cola, Wal-Mart, Frito-Lay, Marriott Hotels, Costco, Nestle, and a variety of local colleges and school districts. Together, these organizations employ a total of 150,000 commercially insured employees. Over 30,000 health profiles have been completed by these workers, offering one of the most comprehensive databases of employee health in the Inland Empire. What has been the impact of these initiatives on LLUMC’s bottom line? For the most recent year calculated, 2008, net revenue generated by employees of employer partners was over \$2.7 million. They accounted for 20 percent of inpatient net revenue and 33 percent of emergency room net revenue. The program has made real inroads in wellness as well, with 58 preventive screenings conducted at worksites in 2008.

NO TIME TO WAIT

Whatever happens in the future, whatever shape healthcare reform takes, hospitals have the opportunity now to secure and cement employer relationships that can deliver on the goals currently being debated in the national arena. Lower healthcare expenses, healthier citizens and access to providers of choice all can be achieved when hospitals galvanize their resources and partner with employers, who will likely continue to be the primary funding source of healthcare in this country. Despite all the commentary and debate on healthcare reform, hospitals can effectively choose to have the final word when it comes to maintaining the health of our society.

Website references:

Reducing Costs While Improving the U.S. Healthcare System: The Healthcare Reform Pyramid

http://www.deloitte.com/view/en_US/us/Industries/us-state-government/Center-for-Health-Solutions-State-Government/article/25091ec6f6001210VgnVCM100000ba42f00aRCRD.htm

2009 Survey of Healthcare Consumers

http://www.deloitte.com/assets/Dcom-United-States/Local%20Assets/Documents/us_chs_2009SurveyHealthConsumers_March2009.pdf

54% Do Not Believe Healthcare Reform Will Pass this Year

http://www.deloitte.com/view/en_US/us/press/Press-Releases/press-release/f85ddf6ae77c3210VgnVCM100000ba42f00aRCRD.htm

Leading a Paradigm Shift

The healthcare community is perfectly positioned to lead America in a cultural paradigm shift that can help make us a healthier country while having a positive impact on the cost of care and the allocation of our precious healthcare resources.

The prevalence of fast food, sedentary lifestyles and super-sized portions has led many Americans down the path toward health failure. Compounding this problem is the fallacious belief that modern medicine will be able to “fix” whatever damage Americans are inflicting upon themselves as easily as a mechanic can change a water pump in a car. Those in healthcare know better, meaning that it is up to local healthcare leaders – not the government – to create a sea change in their own communities regarding the way people think about health and healthcare. The best way to do this is by focusing on personal ownership and smart decision-making. But many people lack the tools to know how to make this shift. They need guidance and a roadmap to better health. That’s a role custom-made for hospitals.

According to the Centers for Disease Control, chronic disease accounts for three-quarters of the more than \$2 trillion Americans spend on healthcare each year. It also contributes to 70 percent of all deaths. The encouraging news is that many of these conditions are preventable not by medical advancements or new legislation but through health-improvement interventions and an intelligent change in lifestyle.

Consider that:

- 1 Some 44 percent of Americans have at least one chronic medical condition.
- 2 A one percent reduction in the 43 million people who smoke could decrease the incidents of heart attacks by 30,000 and strokes by 16,000 annually.
- 3 Two out of three American adults are labeled overweight or obese, and healthcare costs for obese workers can be as much as 21 percent greater than for their healthy-weight counterparts.
- 4 Obesity is a contributing risk factor for more than 20 different chronic diseases, including type 2 diabetes, heart disease and certain cancers.
- 5 In the last ten years, the rate of new cases of diabetes has grown by 90 percent.

Hospitals must begin a crusade toward healthier lives by reaching out to people where they live and work. Programs in such areas as smoking cessation, weight management and nutritional counseling – coupled with educational interventions that address other top chronic conditions (i.e. diabetes, hypertension, heart disease) – can not only further position your hospital as the community health leader but can play the vital role needed to help reduce this epidemic. The time to begin is now.

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PERSONALIZED MARKET ANALYSIS:**
www.aegisgroup.com/contact-us or (800) 833-0090

For 20 years Aegis has helped hospitals across the country form lasting and profitable relationships with area employers by pioneering the concept of employer-directed health-management partnerships. Today, Aegis' program can be found in many of the most progressive-thinking for-profit, nonprofit and academic medical centers across the country. No other company has been able to match the breadth of services, track record and bottom-line proven performance of Aegis' reimbursement-sensitive business-development strategies.

To create a win-win-win relationship for hospitals, employers and employees, Aegis utilizes proprietary software, Internet applications, educational initiatives and the skills of a talented team of associates. Hospitals win by driving profitable marketshare into their facility and enhancing their standing in the community. Employers win by reducing their health-related costs. Employees win through increased health improvement and access to hospital services and programs geared specifically to them. No wonder Aegis has been chronicled in many of the nation's leading healthcare publications, is a member of the Nashville Chamber of Commerce "Hall of Fame" and is frequently turned to when revenue growth is fundamental to success.

The Power of Relationships.™

