

Challenges of Health Cost Management

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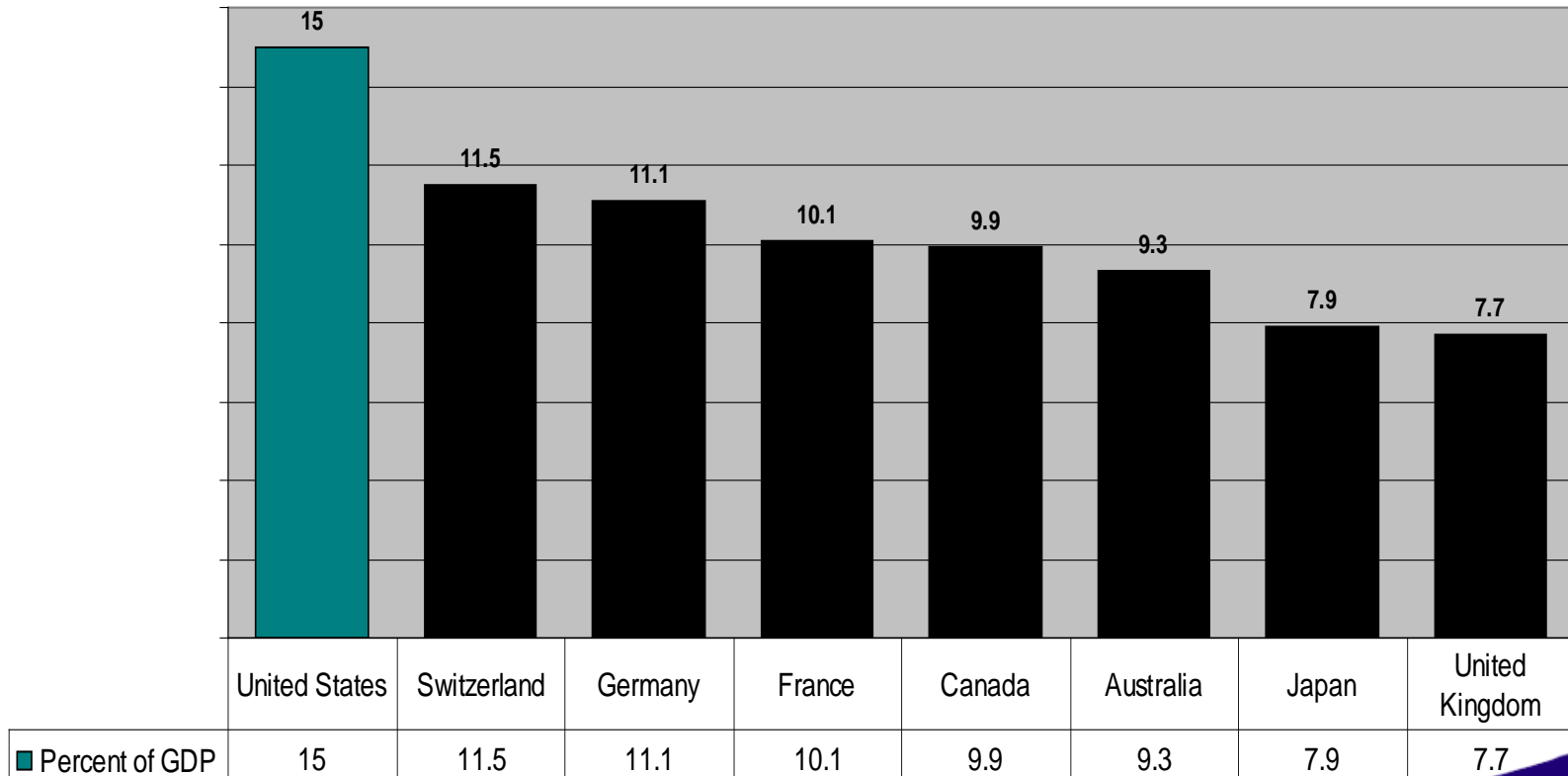
March 12, 2010

Health Care Costs

- Health Care Costs are exploding
 - In 2008 healthcare represented 17% of GDP
 - Expected to reach 20% in 2017
- Employers are looking for fast and effective cost-reduction alternatives relative to health care premiums.
- Chronic care costs
 - The numbers of people with diabetes is up by 50 percent since 1990.
- New technologies are expanding the scope and reach of care.
- Heroic medicine is commonplace ... and very expensive.
 - Miracles happen routinely.

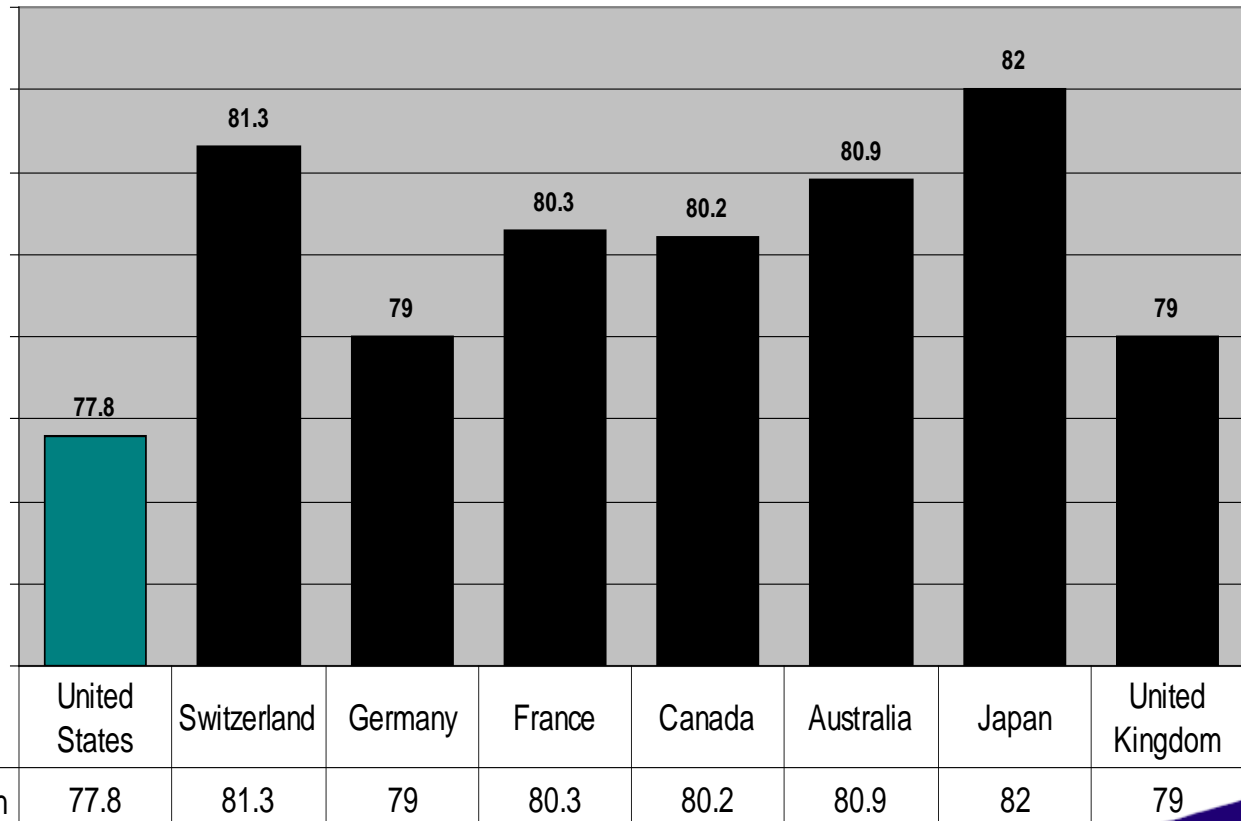
International perspective

Health Care Spending per Capita, 2005



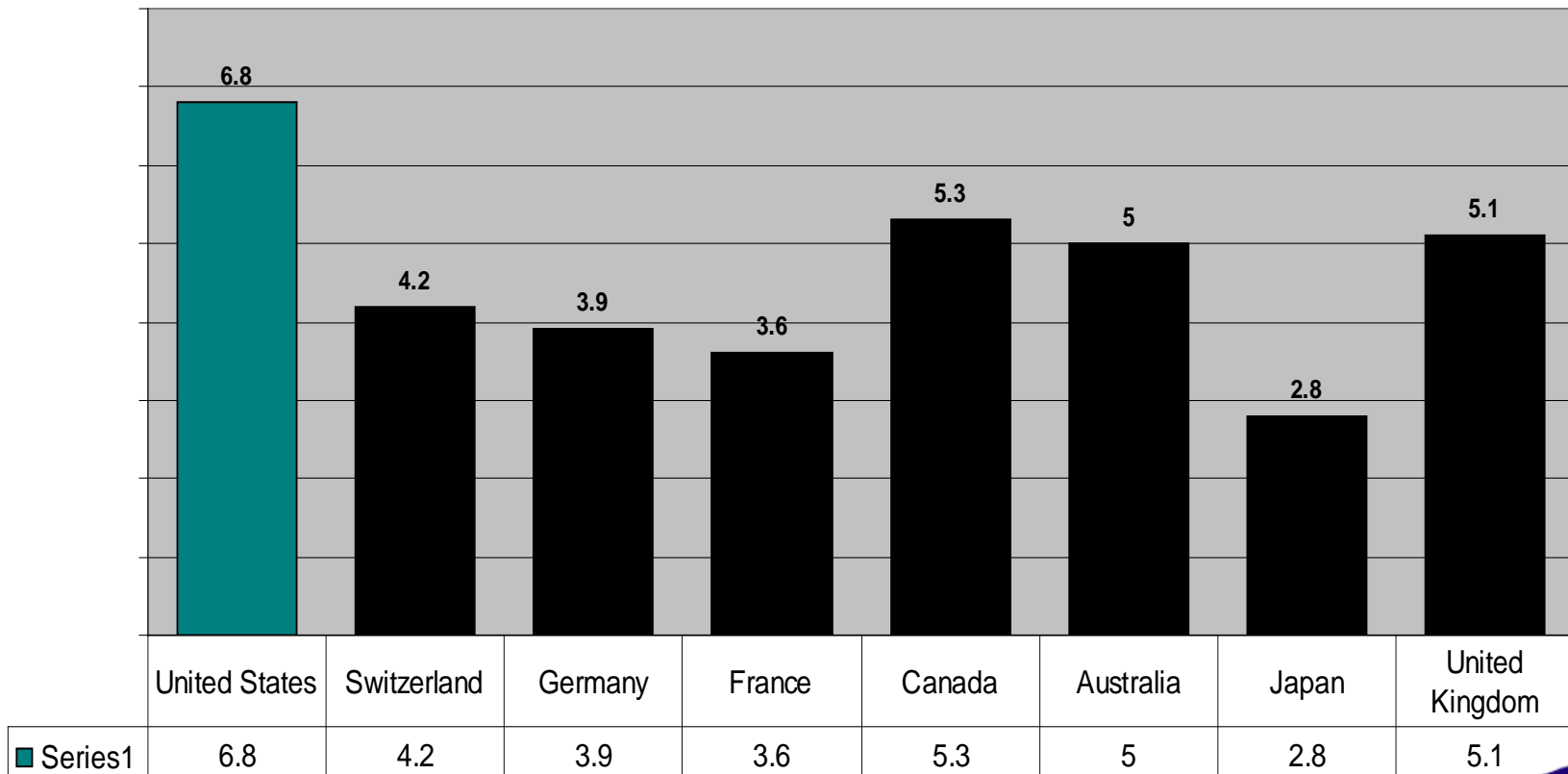
Health status and outcomes

Life Expectancy at Birth, 2004-5



Health status and outcomes

Infant Mortality, 2004-5



***American health care
"gets it right"
54.9%
of the time.***

McGlynn EA, Asch SM, Adams J, *et al.* The quality of health care delivered to adults in the United States. *N Engl J Med* 2003; 348(26):2635-45 (June 26).

Variations in Medicare Spending

- Dartmouth Atlas Report
- Dramatic variations in spending between 1992 and 2006
- Miami 5% annually
- San Francisco 2.4% annually
- Medicare savings of \$1.42 Trillion if all regions grew at SF rate
- Technology as the culprit?
- Evidence from regions based on fee-for-service
- Differences in organizational and local physician decision-making are key

End of Life Spending

- Miami, last six months of life
 - You will see doctors (mostly specialists) 46 times
 - You will spend > 6 days in ICU, and have a 27% chance of dying in the ICU
 - Your tab will run about \$23,000
- Portland, last six months of life
 - You will see doctors (mostly primary care) 18 times
 - You will spend 1 day in ICU, and have a 13% chance of dying in the ICU
 - You will likely die at home with hospice support
 - Your tab will run about \$14,000
- 27% of Medicare annual \$327 M budget is for last year of life

Dartmouth Atlas Project, 2009

Total Health: How Long, How Well We Live



Behavior: tobacco use, nutrition, Weight, MDD (movement deficit disorder)

Genetics

Environment/public health

Health Care Delivery

Four Types of Spending

Spent on Whom?

Spend on you

Spend on someone else

Your money

Spend less and
get more

Spend less

Whose Money?

Someone else's
money

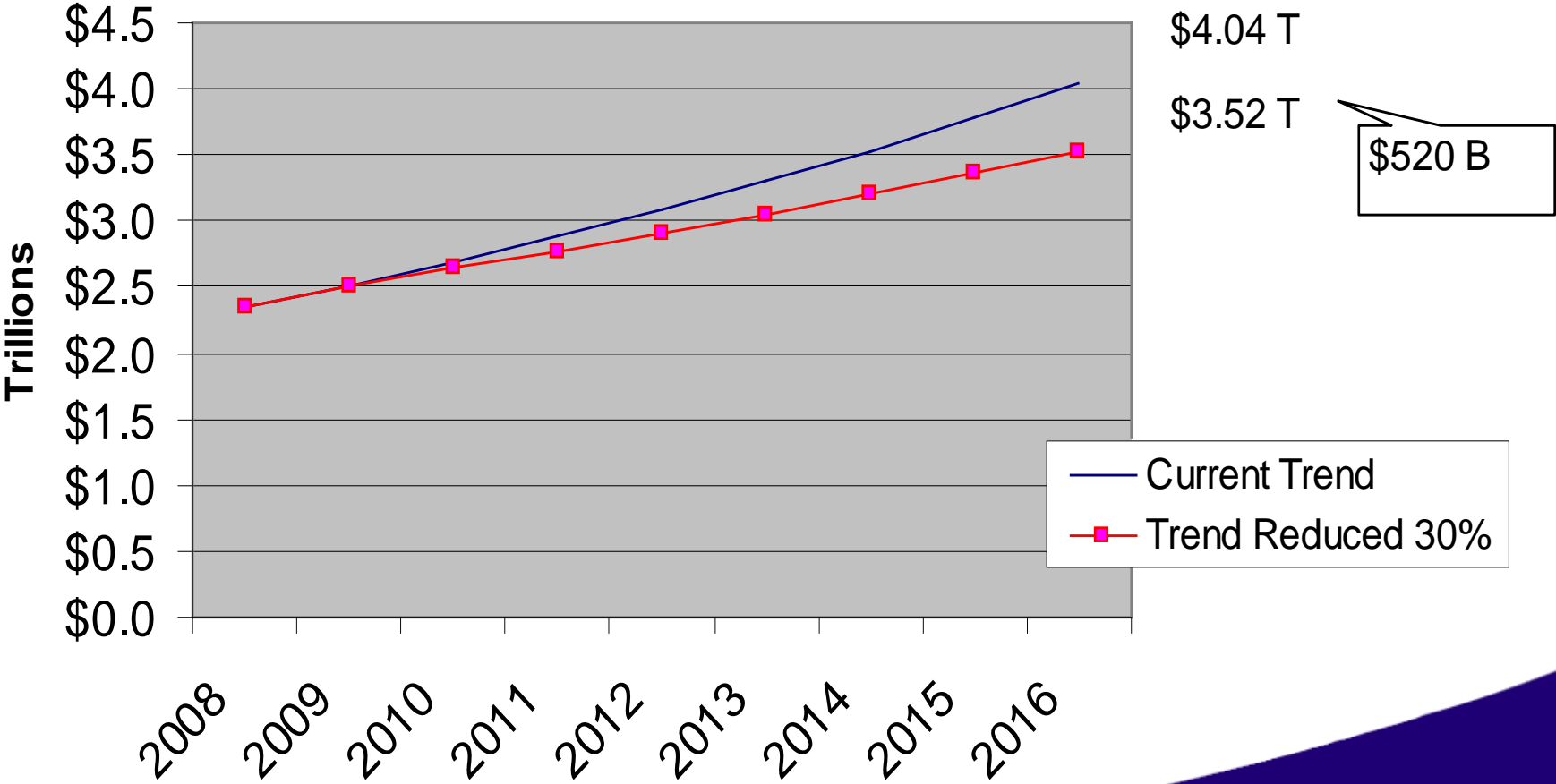
Get more

Neither.
Depends on
other motives

**So What Are We to
Do???**

National Health Care Costs

'Bend the Trend'



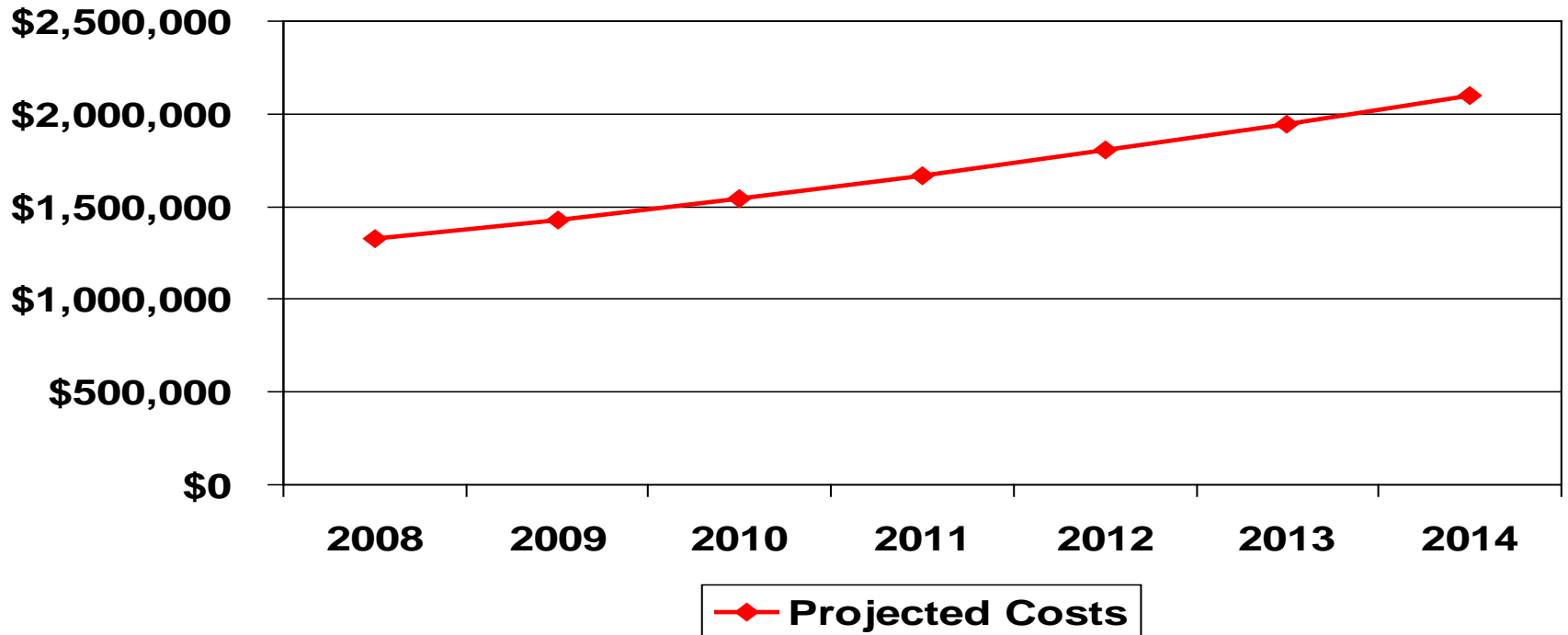
Challenges to 'Bend the Trend'?

1. Paper Medical Record
2. Rapid Changes in Medical Science
3. Patient Adherence to Treatment Plan
4. Follow Up on Chronic Illness
5. Difficulty in Outcomes Tracking

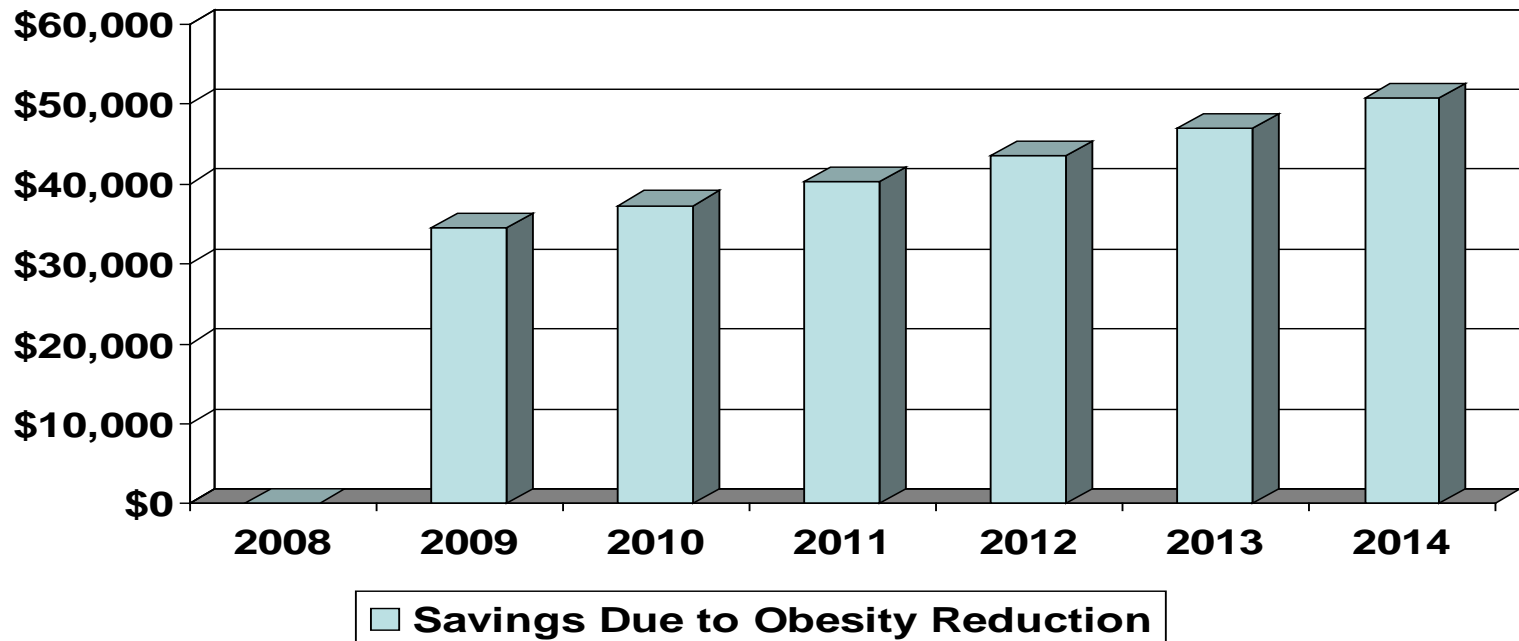
The Cost of Doing Nothing

- **Assumptions**
 - **Annual Employee Health Care Costs of \$1,325,000**
 - **480 Employees**
 - **8% Annual Cost Increase**
 - **33% of employees are obese**
 - **20% of employees smoke**

The Cost of Doing Nothing

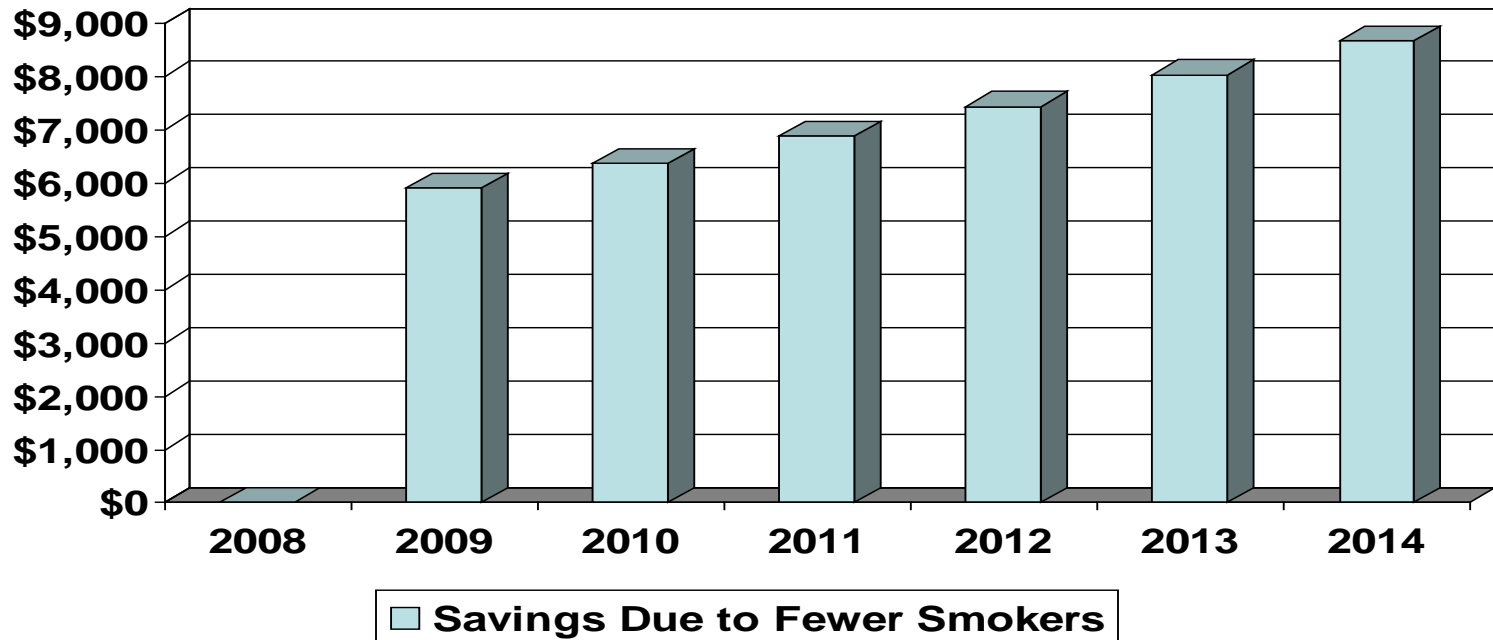


Reduce Obesity from 33% to 25%



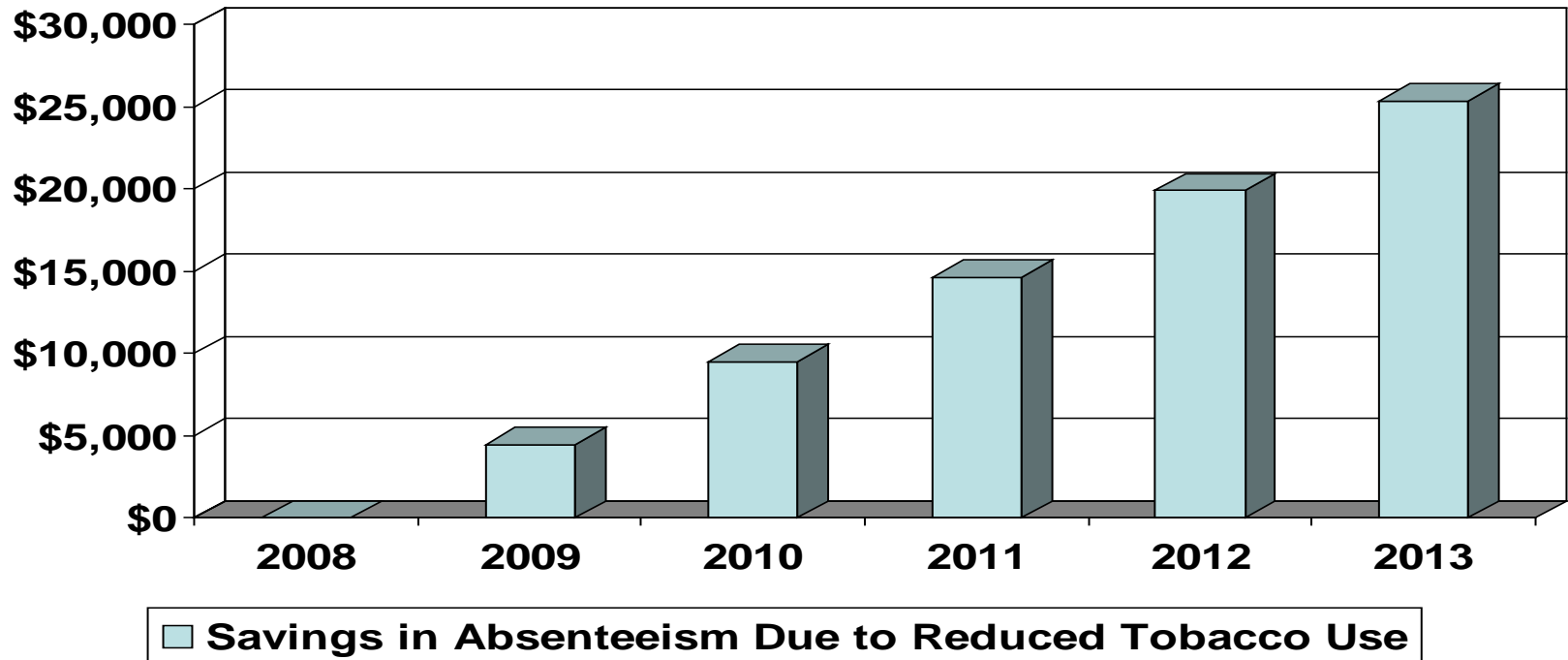
In an employee group of 480, obesity decreases from 158 employees to 120

Reduce Tobacco Use from 20% to 15%

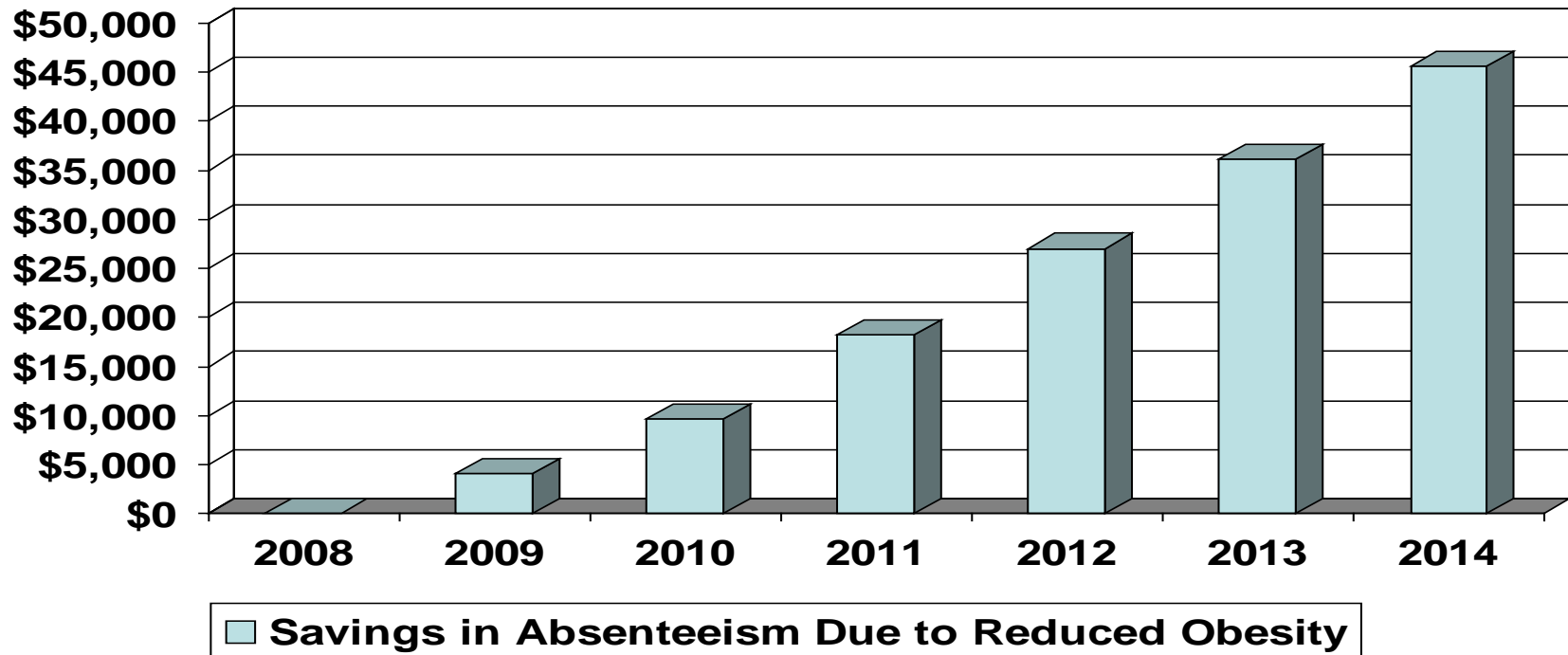


In an employee group of 480, tobacco use decreases from 96 to 72

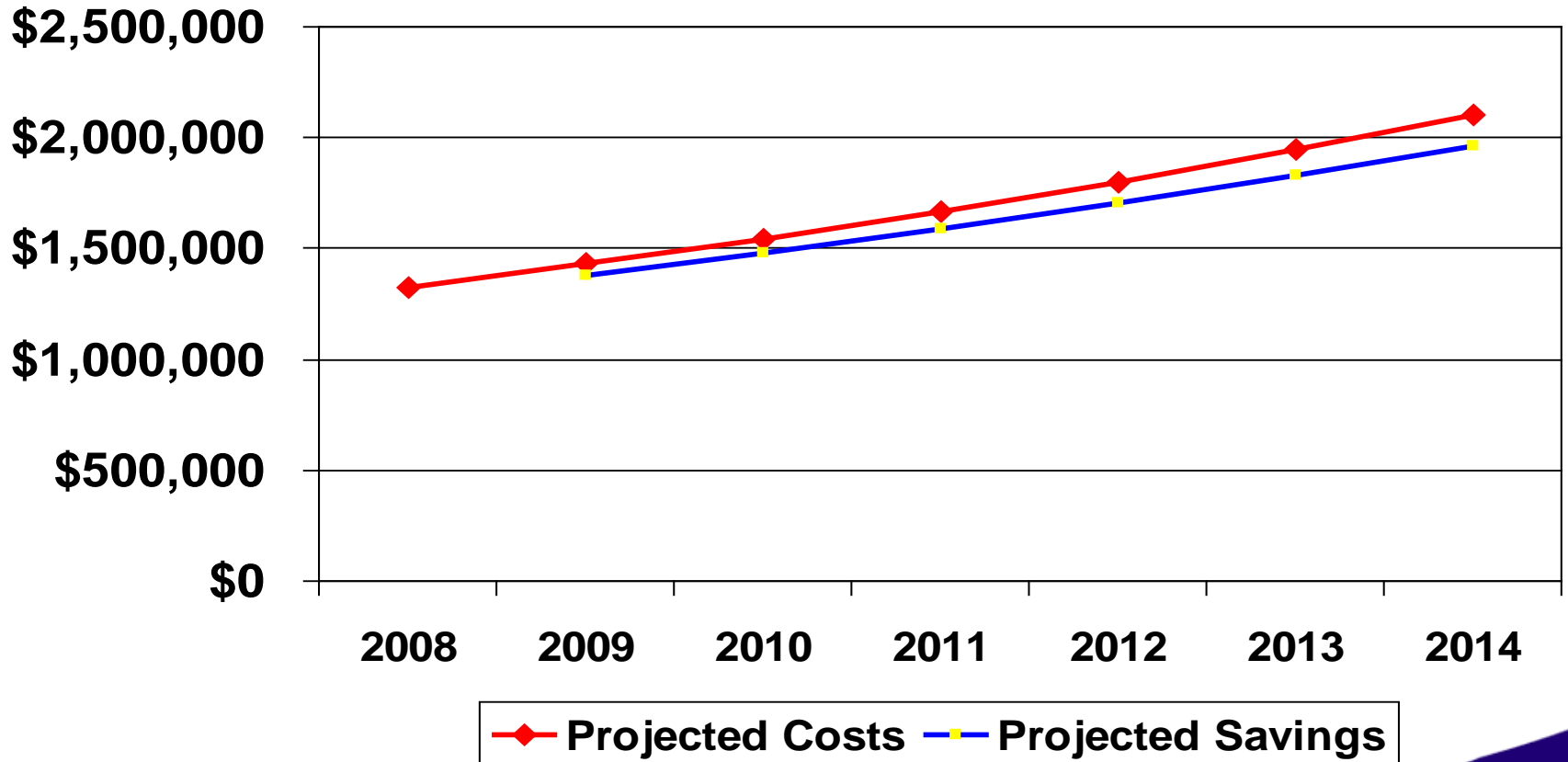
Smoking and Absenteeism



Obesity and Absenteeism



The Cost of Doing Nothing



Conclusions

- Healthcare Costs require immediate action by thoughtful, committed people
- While overwhelming, there are things we can do
 - Work for affordable coverage for all
 - Align incentives and effective cost control
 - Redesign the care delivery model to support commitment to good health rather than commitment to more intervention
 - Invest in infrastructure and rational public health policy
 - Develop collaborative models and coordinated efforts to improve the system

Optima Health



Better Health



Easy to Use



A Great Value