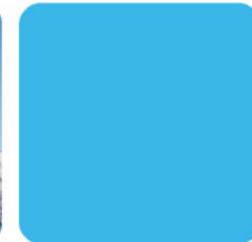




Consumer-Driven Health Care: Implications for Health Information Technology & Personal Health Records

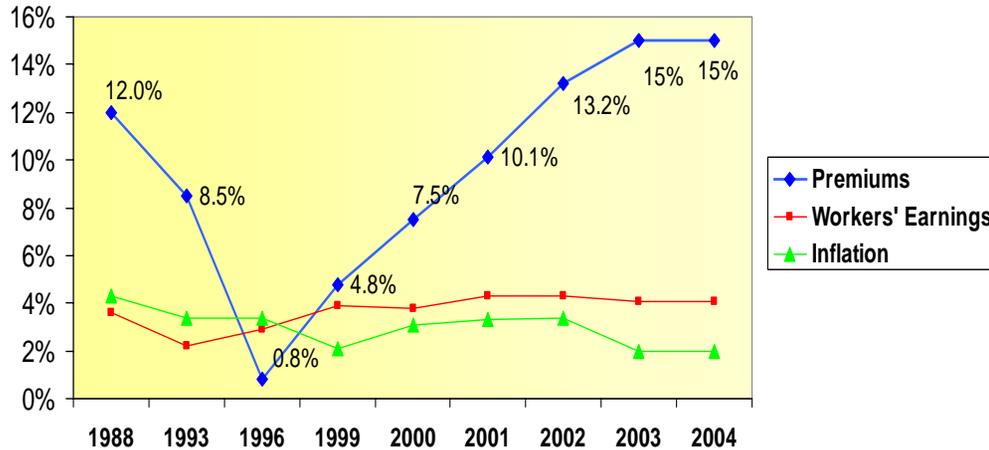
Michael D Parkinson, MD, MPH
EVP, Chief Health and Medical Officer



Cost Increases Not Sustainable For Employers or Nation



Increases in Premiums vs. Other Indicators



Kaiser/HRET and KPMG, 2001
Hewitt 2004 projections
2004 earnings and inflation estimated

Employers are Tweaking Benefits and Increasing Employee Costs

- Increasing & adding deductibles (hospital)
- Increasing copays (office visit, Rx)
- Moving away from copays
- Increasing contributions
- Decreasing benefits

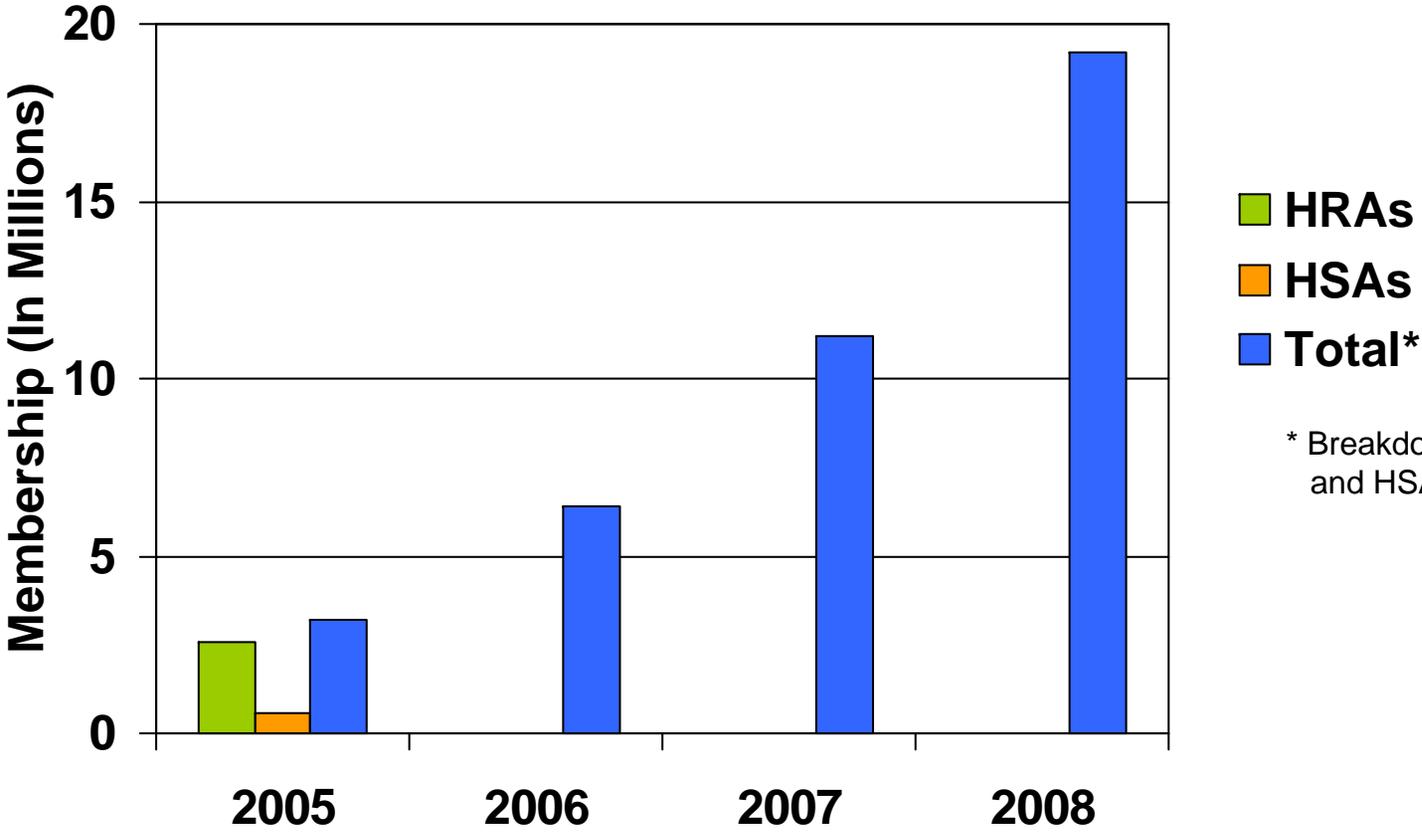
Growing realization that a fundamental change is needed...

Legislative/policy changes will help transform the market...



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CDHC Market Forecast: Growth in Membership



* Breakdown of total between HRAs and HSAs is only available for 2005.

Source: Forrester Research, 2003
Inside Consumer-Directed Care, December 17, 2004



Selected Clients



STANFORD UNIVERSITY »

BANTA
CORPORATION

 **NOVARTIS**

Staples
National Office Supply
Company


Abbott Laboratories



 **PACIFICORP**

FUJITSU

TRW



URS



**Rockwell
Automation**

NCI
Information Systems, Inc.

RADNOR
HOLDINGS CORPORATION

DTE Energy

**EnPro
Industries**



Gerber

 **Frost Bank**

WERNER

JJMA

 **Quest
Diagnostics**

**Fortune 100:
Global Technology
Company**

 **bizjournals**
strictly business, strictly local

 **CompuCom.**


DELUXE

PIVOTAL

 **BAYLOR HEALTH CARE SYSTEM**

BELO

Nokia
KOMATSU

Federated
DEPARTMENT STORES, INC.

 **UNIVERSITIES SPACE RESEARCH ASSOCIATION**

Cadbury Schweppes

hap

Foth & Van Dyke

macy's

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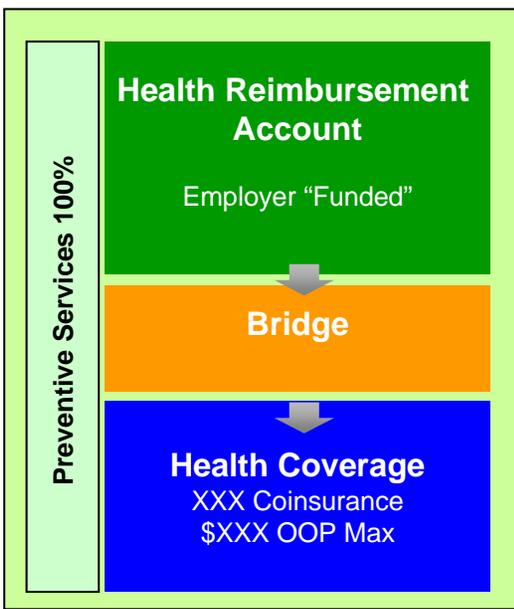
Selected Healthcare Clients



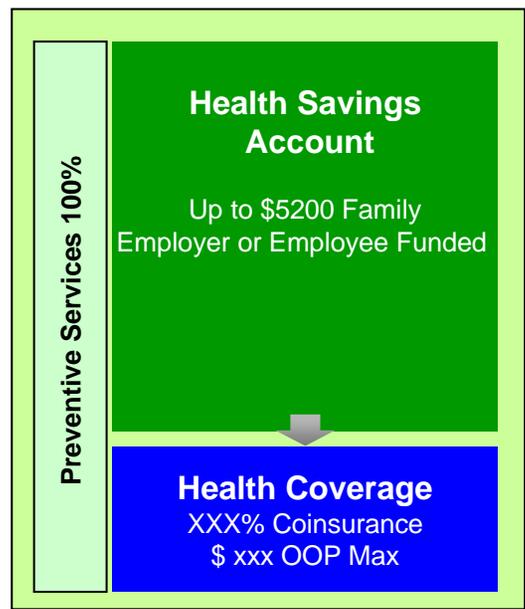
Account-Based Products



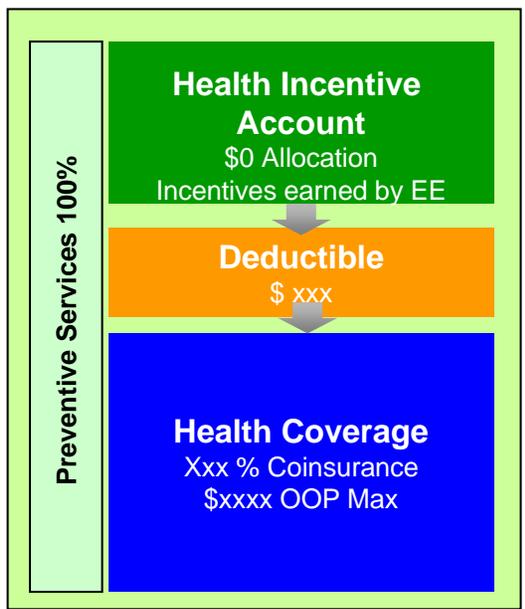
HRA Product



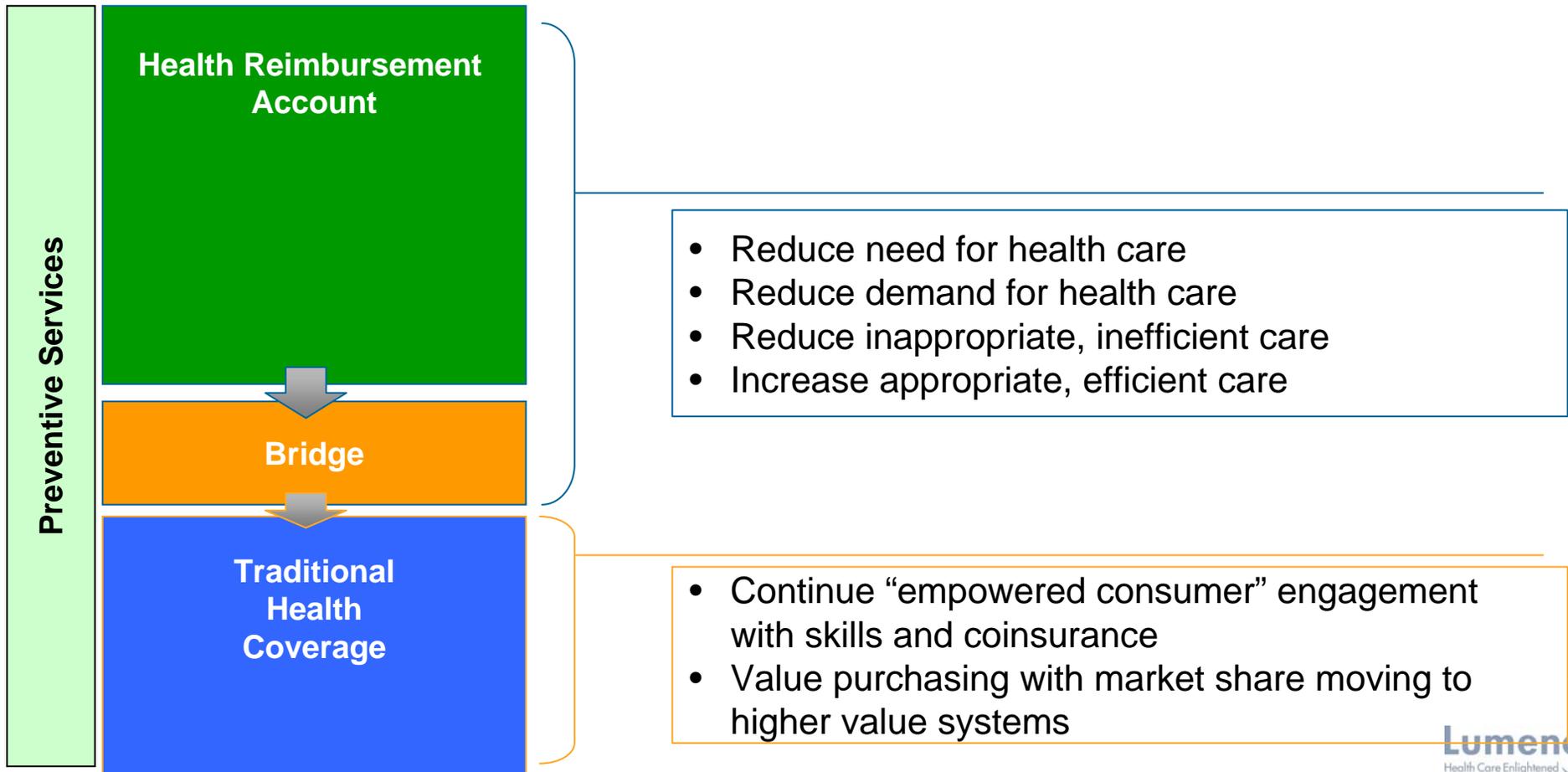
HSA Product



HIA Product



Trend Mitigation: Value Health Care Imperatives



Imagine If . . .



- Individuals saw the money spent from their paychecks and in their taxes for healthcare . . . As their own (it is)
- Individuals knew that 50% or more of health and costs came from choices THEY made in how they lived their lives (they do)
- Individuals were incentivized to know and improve those behaviors (they never have been)
- Individuals knew that 35% of all care was wasteful . . . And came ultimately from their pocket (it is and does)
- They had a health plan that made the right thing to do . . . The easy thing to do (they can, even with imperfect information . . . And they will drive better info faster)



The Cost: \$1,700-\$2,000 Per Employee Per Year



- Overuse
 - Antibiotics
 - Tranquilizers
 - Lifestyle drugs
 - Antiinflammatory drugs
 - Hysterectomies
 - Cardiac caths
 - GI endoscopy
- Misuse
 - Multiple uncoordinated visits
 - Duplicate tests, procedures
 - Medical and hospital error
- Underuse
 - Vaccination
 - Chronic care management e.g., diabetes, asthma, heart failure, cancer

*Midwest Business Group on Health, Juran Institute study, 2002

“Engaged Consumer” Vision, Strategy, Tactics and Integration



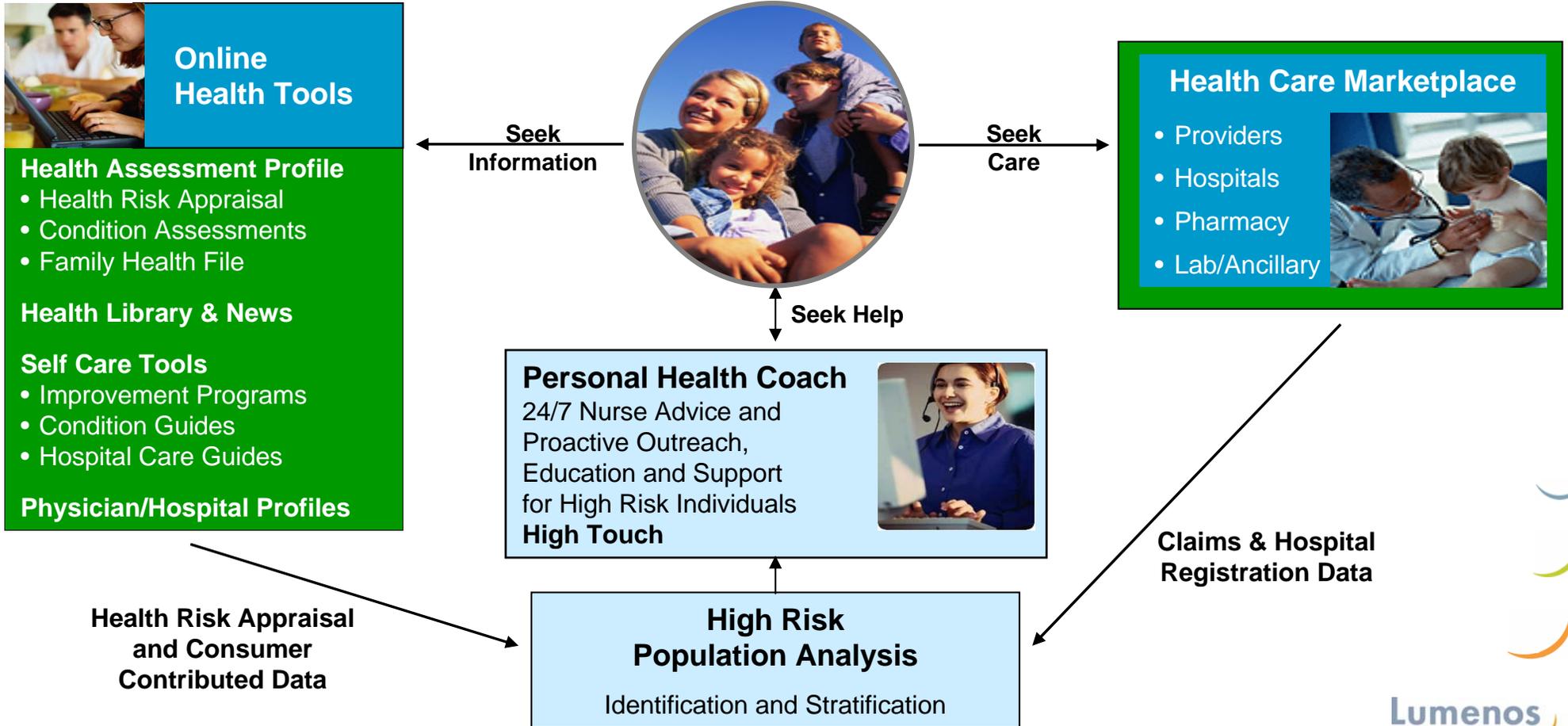
- Vision: Create engaged consumers vs. passive patients
- Strategy: 5 elements of integrated health improvement
 - Assess and enroll high risk (3 or more, chronics, “poor”)
 - Reduce demand for demand
 - Optimize evidence-based practice
 - Link to non-medical health producing resources
 - Measure and improve consumer-centric performance
- Tactics: 3 “engaged consumer competencies”
 - Seek info, seek care, seek help
- Integration: “high tech” and “high touch”



Consumer-Centric Health Improvement Model



Lumenos Consumer



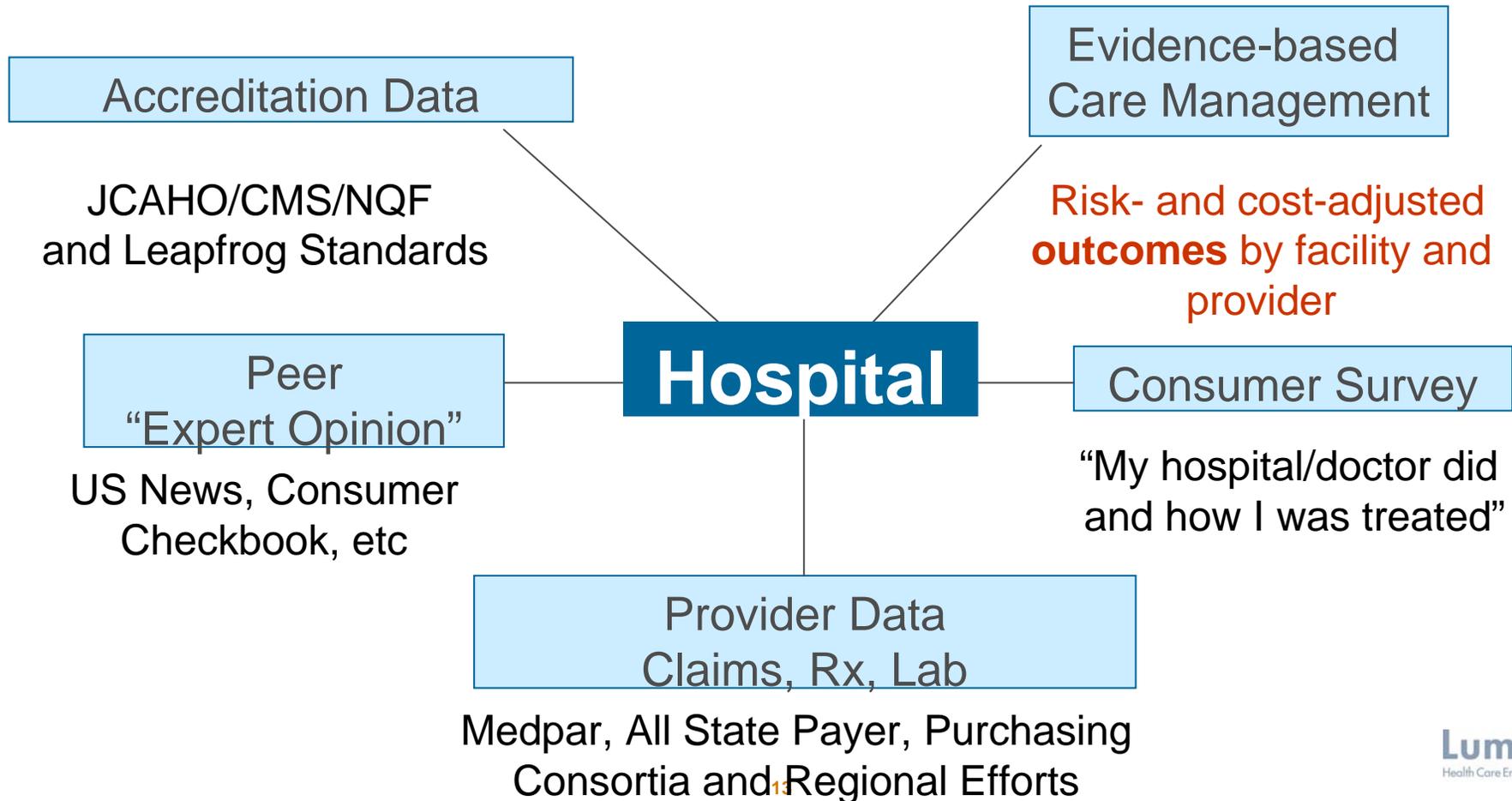
HIT/PHR Considerations In Consumer-Driven Health Care I



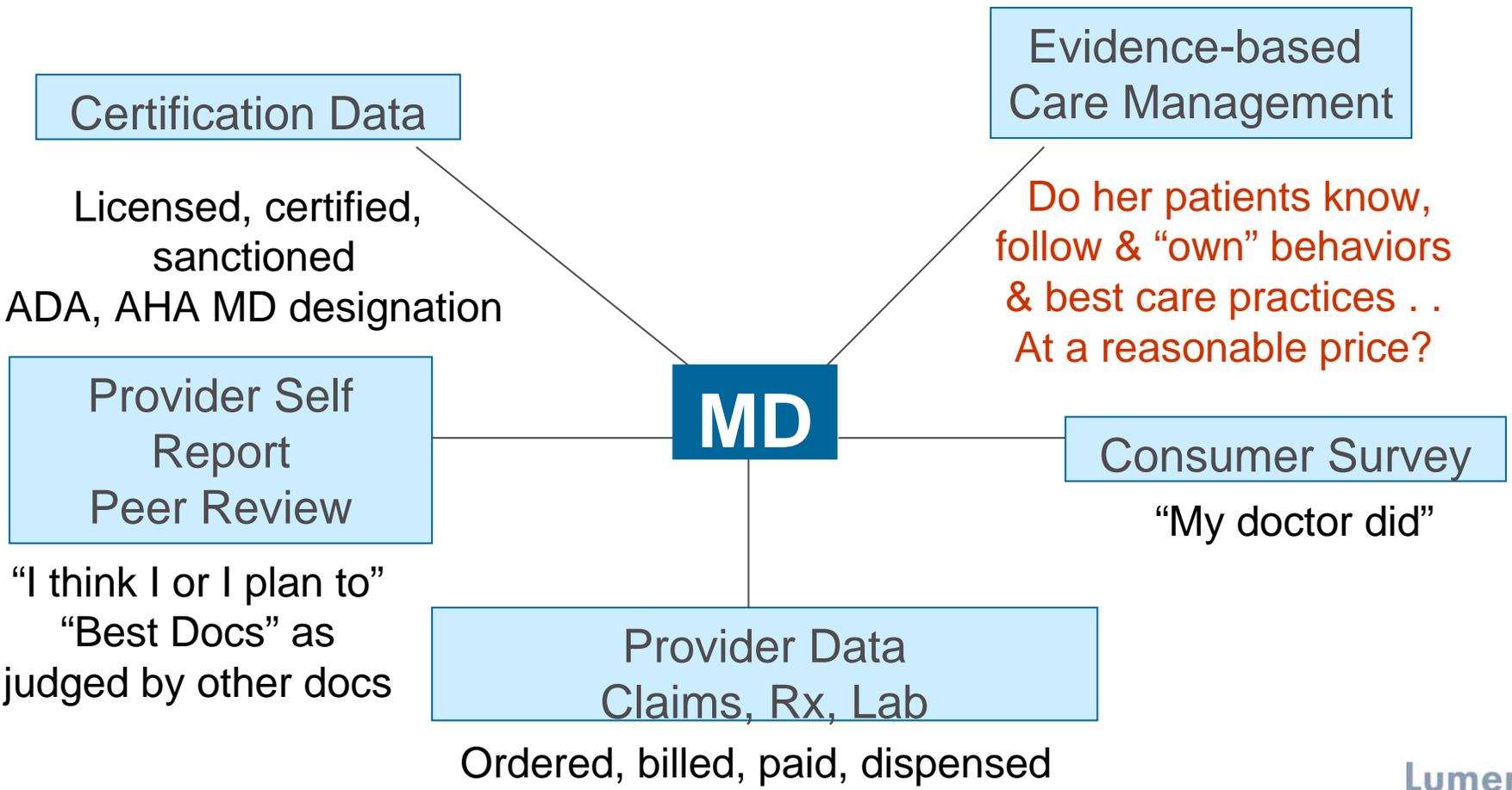
- Provider-centric data requirements do not capture critical consumer/patient outcomes
 - “Disease-specific patient competencies” for 15 IOM conditions not defined (but could be) and hence cannot be measured as “outcome” of care or quality of provider
 - Functional status and satisfaction with care
- Multiple vendors, proprietary systems make data integration even in rudimentary PHR, impossible
 - Health risk appraisals at worksite vice “integrated” Lumenos IT platform with WebMD and other tools
 - Onsite clinic occ med interactions with other physicians
 - Outpatient, inpatient, rehab (disability) transitions



Consumer-Focused “360 degree” Hospital Quality Vision



Consumer-Focused "360 degree" MD Quality Vision



“Pay for Performance” Perspectives



- WHO has to perform?
 - Lumenos pays consumers and believes that the market will then reward the best providers with volume and pricing
 - Consumer incentives should reflect provider incentives
- HOW should it be paid?
 - “Cash is King” and prompt rewards reinforce behaviors
- WHAT measures?
 - Consumer “mastery” of disease competency = “graduation”
 - Provider level metrics currently not uniform
 - Lumenos posting NCQA provider level recognitions for heart disease, diabetes and office-based quality tools/practices



Pay for Performance and Tiering Rollout

“Feedback on Version 1.0”



- Employees and consumers*
 - 70% don't believe such programs result in better quality
 - 51% believe it's a good idea to offer “bonus pay” to docs (vs 84% for teachers and 87% for sales clerks”
 - “I wouldn't BE with my doctor, if she was poor quality” (patient who's doc didn't make UHC's “top tier”)**
- Physicians and providers**
 - No prior notice, 40% eliminated from process for “not enough data”, proprietary claims methodology not shared, disrupting trusted specialty referral patterns

*Managed Healthcare Executive, December 2004

** “Health insurance program aimed at efficiency brings confusion, outrage”, St Louis Post Dispatch, 2/13/05



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HIT/PHR Considerations In Consumer-Driven Health Care II



- CDHC will drive quality movement and HIT/PHR faster than other benefit designs
 - “My money: I don’t want to pay again when I don’t have to”
 - Disease competency, outcome and satisfaction measures sought as “quality”
- Connectivity and transparency ARE valued and will make consumers “vote with their feet”
- “Pay for Performance” will only work if consumers know and understand outcomes they are differentially paying for “matter” to them: health, fewer mistakes, lower cost, greater “value”



Impact on Health Care Stakeholders?



- “Medical-industrial complex” disruptions with “my own money”
 - Is the convenience worth 10X the cost? – Generally “no”
 - New emphasis on “breakthrough” vice “copycat” R & D
 - All “middlemen” redefining value
 - Surgical hospitals and “Centers of excellence”: lower (and transparent) unit costs and better outcomes?
- Hidden, shifted costs (& value questions) become explicit faster
 - How much are you willing (or should you) pay for GME?
 - Societal questions accelerated: end of life care, evidence-based vice usual care, “total cost of illness” vice “med loss ratio”
- Consensus on best of breed private, market-based functions vice public, “safety net” functions of government



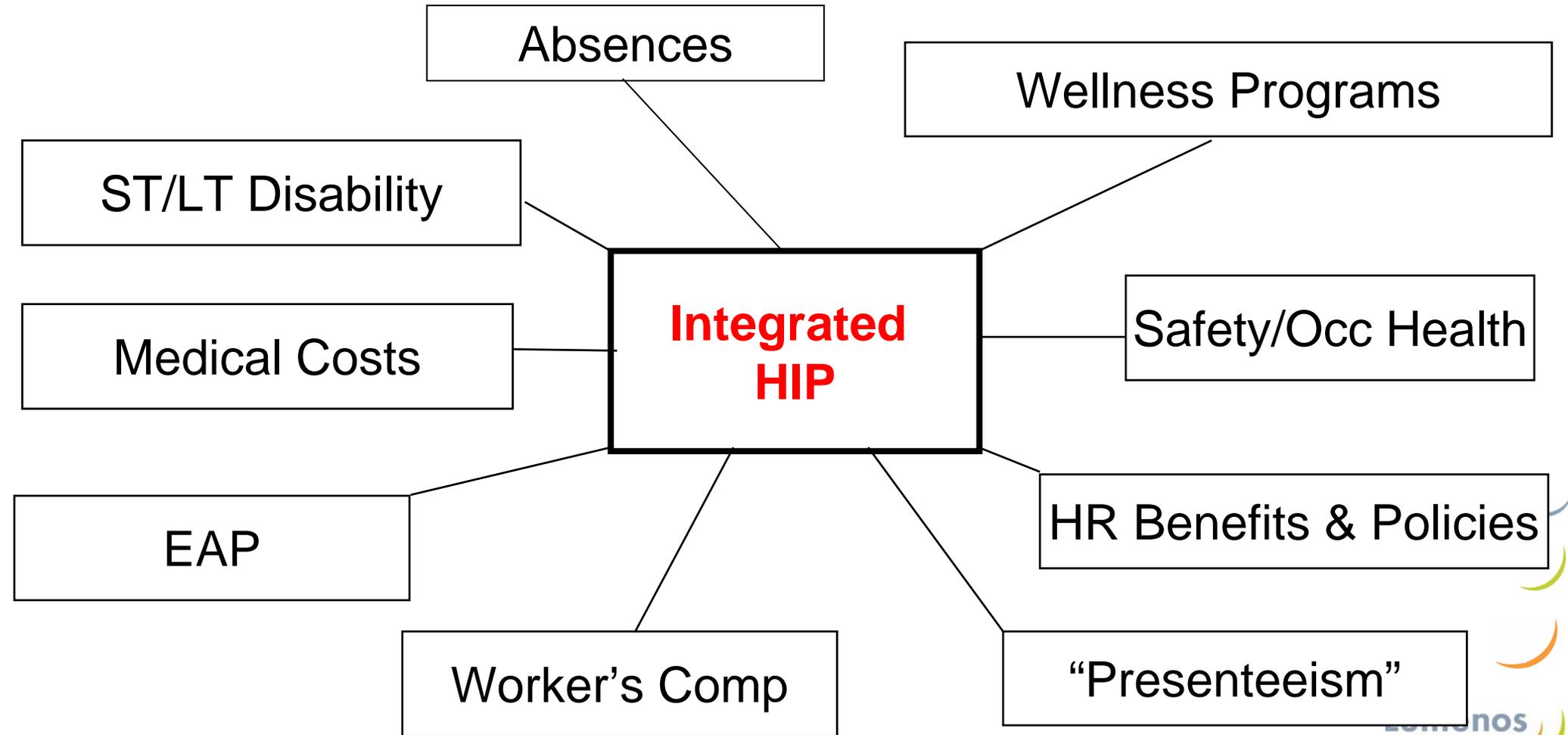
National Lab Test Provider: Strategic Consumer-Driven Thoughts



- More testing may not be better particularly when I “see” and “pay” for each
 - Prescription drug use as “canaries in the mine”?
- Genetic and “biotech” revolution will be tempered by more sophisticated decision support tools
- Connectivity, technology, patient & provider joint visibility and ease of testing may be more valued
 - These products and support services well-positioned
- Consumers will become forces to remove legislative, regulatory, and “usual practice” barriers to greater convenience and lower costs



Integrated Health Improvement and Productivity (HIP) Components



HIT/PHR Considerations In Consumer-Driven Health Care III



- Next generation integrated health and performance models will require integration beyond “medical care”
- Uniform federal or “public sector” data standards are necessary for widespread PHR adoption portability & connectivity
 - Lumenos employers urged to become proactive
- Consumers can drive PHR adoption once they understand value to them personally . . . Not “system”
- HIT/PHR infrastructure a public good – not proprietary competitive advantage
 - Plaque in Union Station!





Thank You!

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