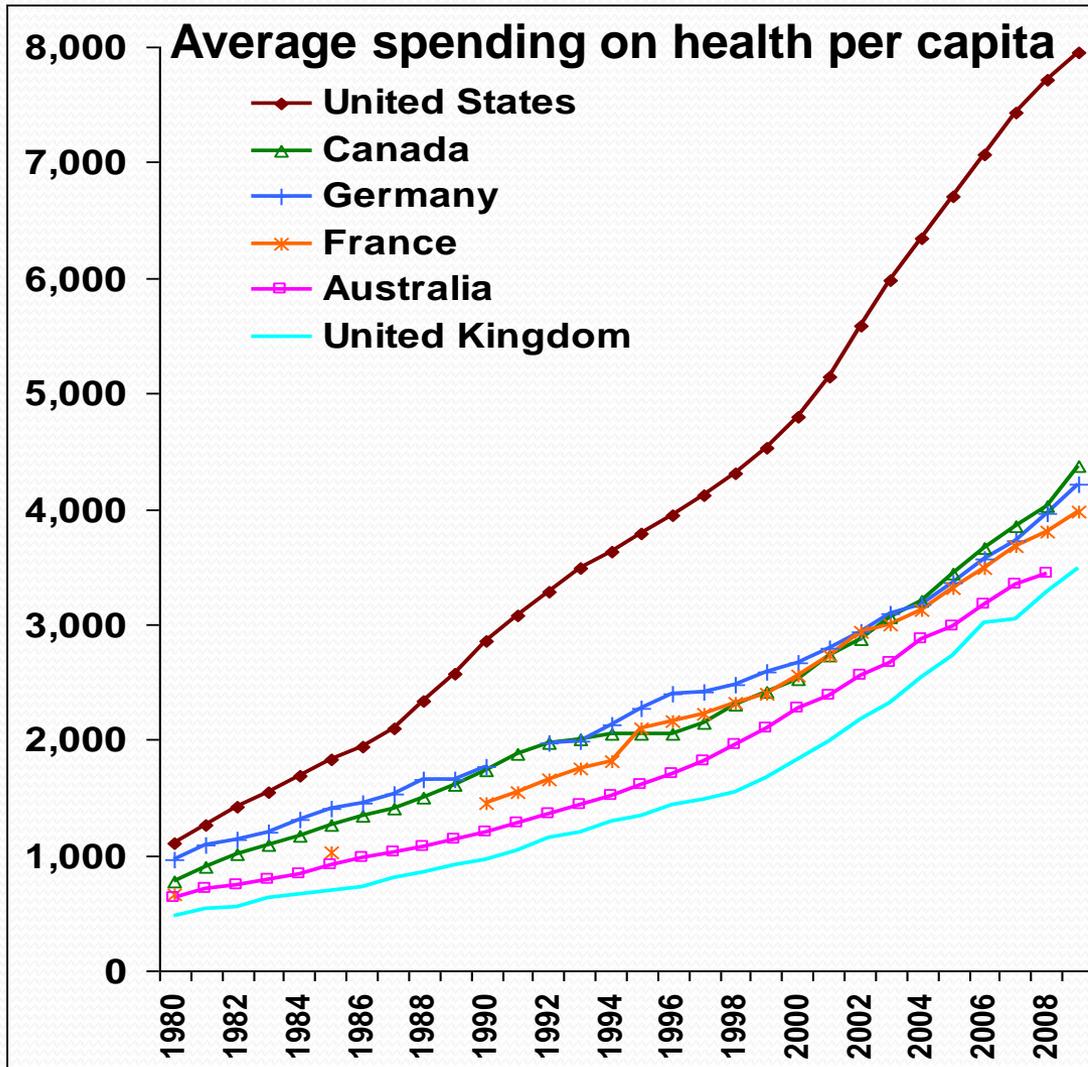# Partnering with State Employees to Improve Health & Reduce Cost

Presentation to the State Employees Health Plan
Task Force by the Delaware Hospitals
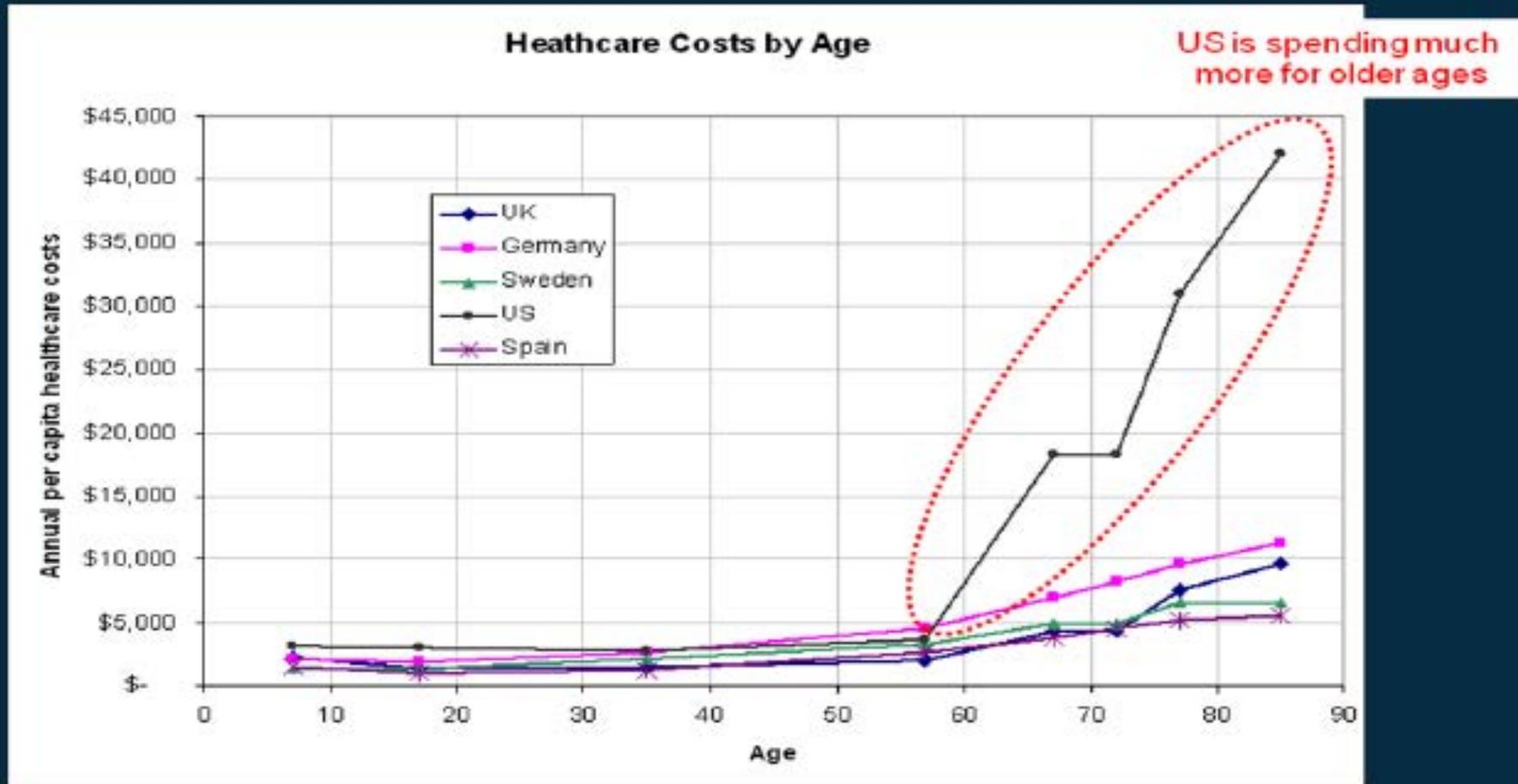November 17, 2015

Well Known U.S. Healthcare Crisis

Average spending on health per capita

- United States
- Canada
- Germany
- France
- Australia
- United Kingdom

(chart y-axis: 0 to 8,000; x-axis years 1980 to 2008)

- In 2010 we spent $2.6 trillion on health care, or $8,402 per person.
- The share of economic activity (GDP) devoted to health care has increased from 7.2% in 1970 to 17.9% in 2009 and 2010.
- Health care costs per capita have grown an average 2.4 % faster than the GDP since 1970.
- Half of health care spending is used to treat just 5% of the population.

HEALTH CARE COSTS
A PRIMER
THE HENRY J. KAISER FAMILY FOUNDATION
MAY 2012
KEY INFORMATION ON HEALTH CARE COSTS AND THEIR IMPACT

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2011.
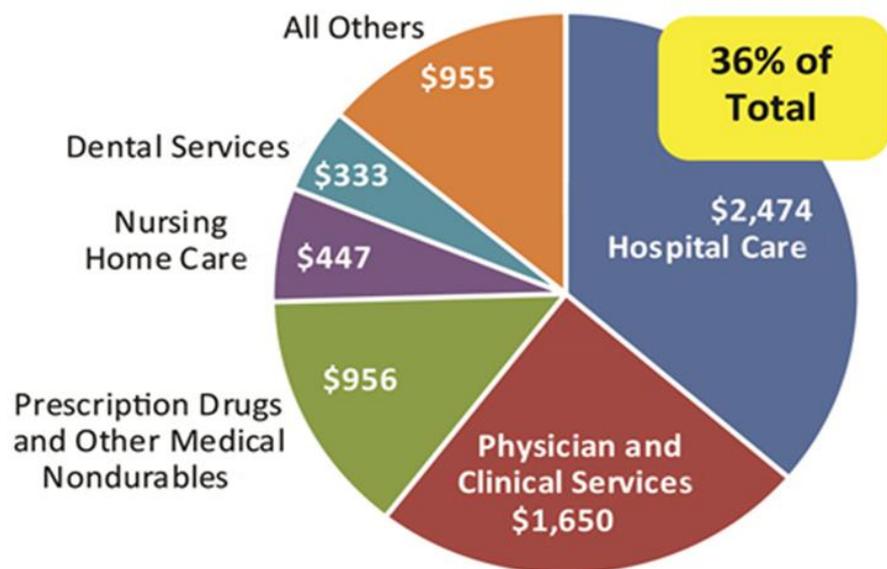
What Happens at Age 57

Source: Fischbeck, Paul. "US-Europe Comparisons of Health Risk for Specific Gender-Age Groups."
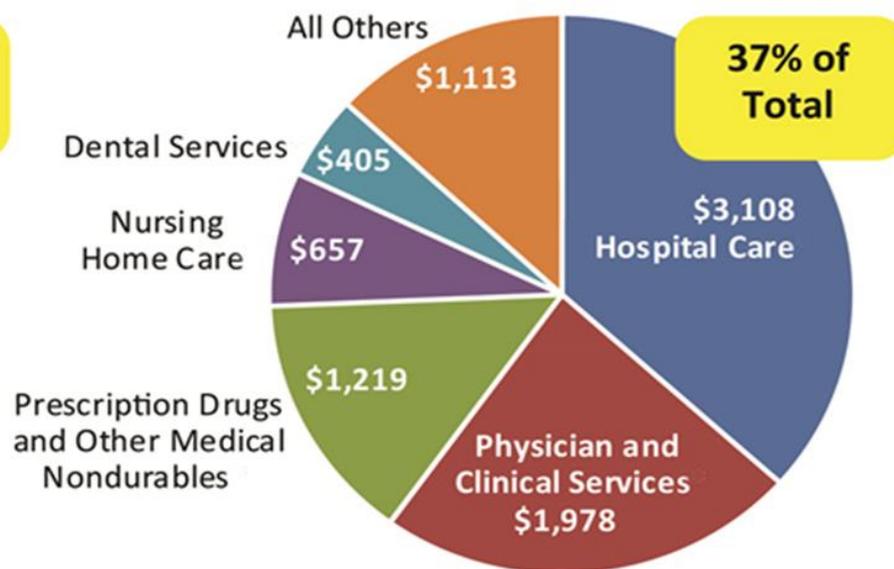Carnegie Mellon University; September, 2009.

Although High, <u>Hospital</u> Costs are Proportional

**Health Care Expenditures Per Capita by Service by State of Residence**

United States

- All Others $955
- Dental Services $333
- Nursing Home Care $447
- Prescription Drugs and Other Medical Nondurables $956
- Physician and Clinical Services $1,650
- **36% of Total** — $2,474 Hospital Care

Delaware

- All Others $1,113
- Dental Services $405
- Nursing Home Care $657
- Prescription Drugs and Other Medical Nondurables $1,219
- Physician and Clinical Services $1,978
- **37% of Total** — $3,108 Hospital Care

CMS National Statistics Group, 2011 analysis of 2009 data, all U.S. residents (all payers)

Delaware's Hospitals Serve as a Safety Net

No Critical Access or Public Indigent Hospitals
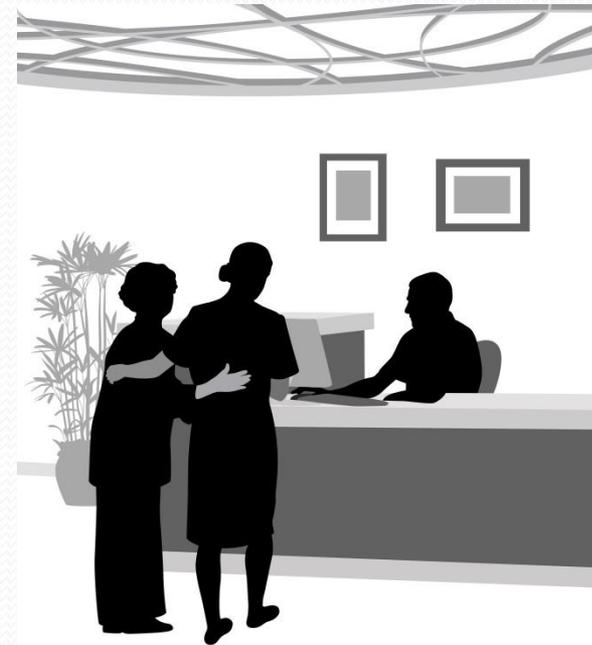
No Government Charity Care Fund

In Comparison

Critical Access Hospitals

West Virginia – 20

Pennsylvania – 13

Delaware – 0

Critical Access Hospitals Lower Average Costs in States That Have Them

When critical access hospital costs are removed from other states, Delaware is ranked 24th in hospital costs per day.

Higher Labor Costs in Delaware

Average Weekly Wage

- West Virginia – $778
- Pennsylvania – $937
- Delaware – $961

Average weekly wages in Delaware are 23.5% higher than West Virginia

Delaware has lowest hospital cost per patient day compared to small East Coast Corridor states*

* DC, Maryland, New Jersey, Connecticut, Rhode Island, and Massachusetts
Source: Health Forum, 2010 AHA Annual Survey of Hospitals

Delaware Hospitals Provide Needed Care Close to Home
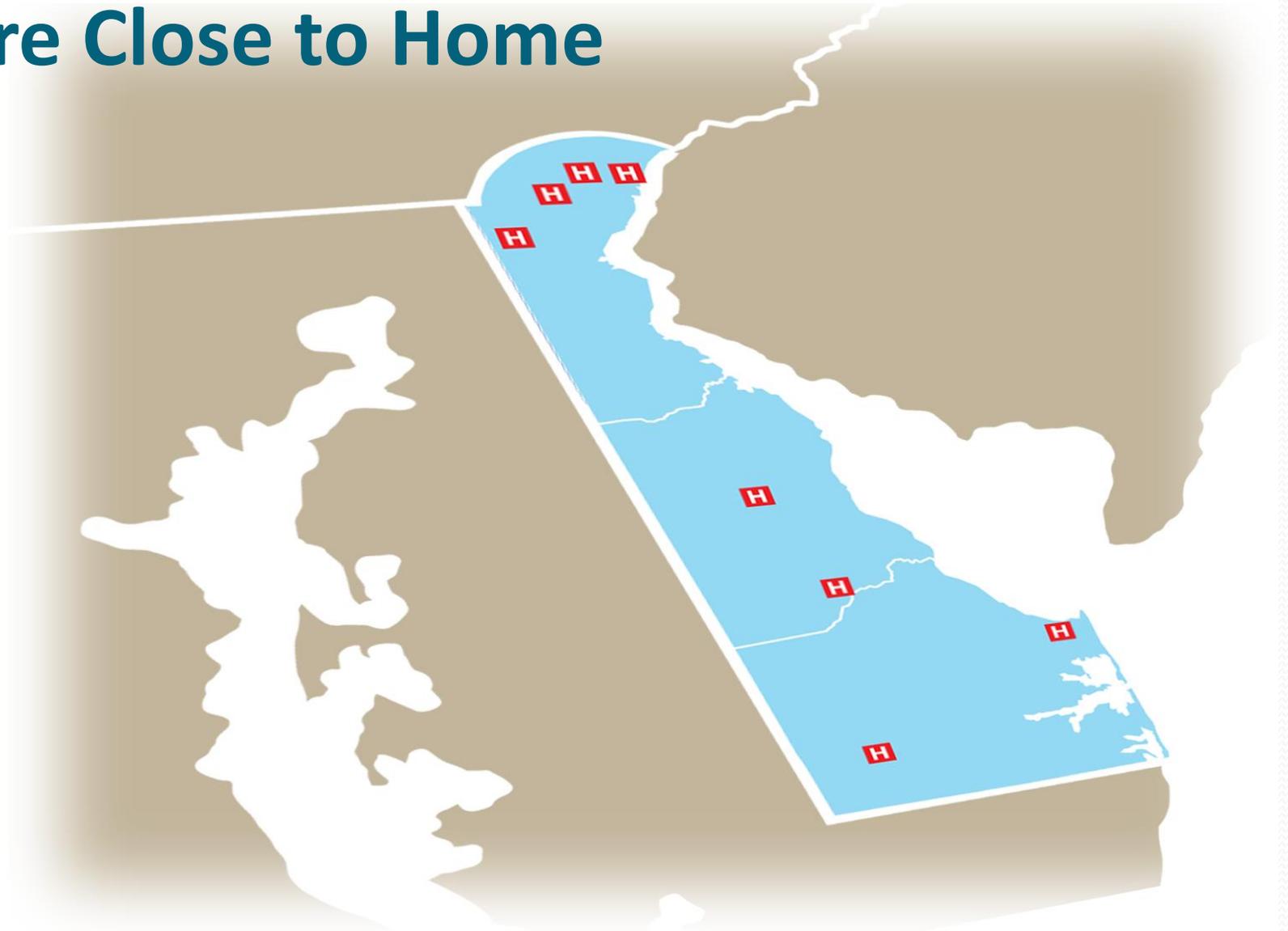
Age and Health Status Directly Affect Cost of Care for Delaware State Employees

Higher Rates of Diseases
Osteoarthritis
Coronary artery diseases
Diabetes
Depression
Asthma
Rheumatoid arthritis
Hypertension
Congestive heart failure

- Average age of employee is 47
- Health risk measurements are in decline
- Chronic conditions and weight issues drive plan costs

Source: Truven Health Analytics

Understanding the Cost of Care

High-
Cost
Patients
(5%)

Rising-Risk
Patients (20%)

At-Risk Patients
(40%)

Healthy Patients
(35%)

**5% of the Population =
50% of Health Care Spending**

High-Cost Patients have a catastrophic
Illness or 5+ chronic conditions

**45% have at least
one chronic disease
- 81% of all hospital
admissions**
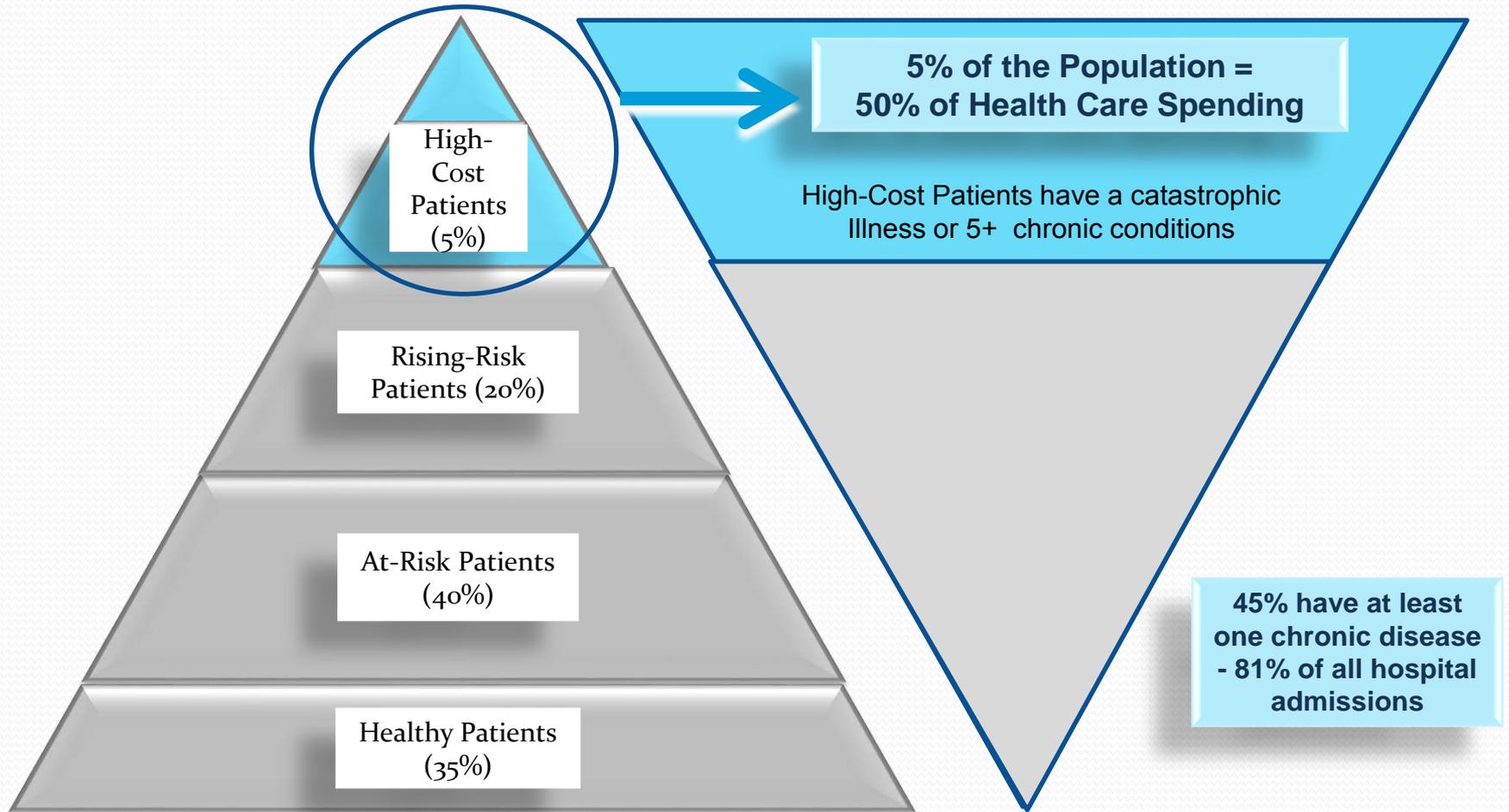
Diane's Story: Current State

- Diane's reactively treated Type 2 Diabetes leads to immense healthcare costs in the long run.

Diane's Story: What's Possible

Wellness Care

- Through preventive care and intensive care management, Diane has been able to control her Type 2 Diabetes and avoid hospitalization

Stewards of Health Care in the State

Hospitals Working to Control the Rate of Health Care Inflation

2015 Delaware Increases

5%
or Less

9%

10-20%

Commercial Hospital Rates

State Health Spending*

Commercial Insurance Premiums

*per employee

14
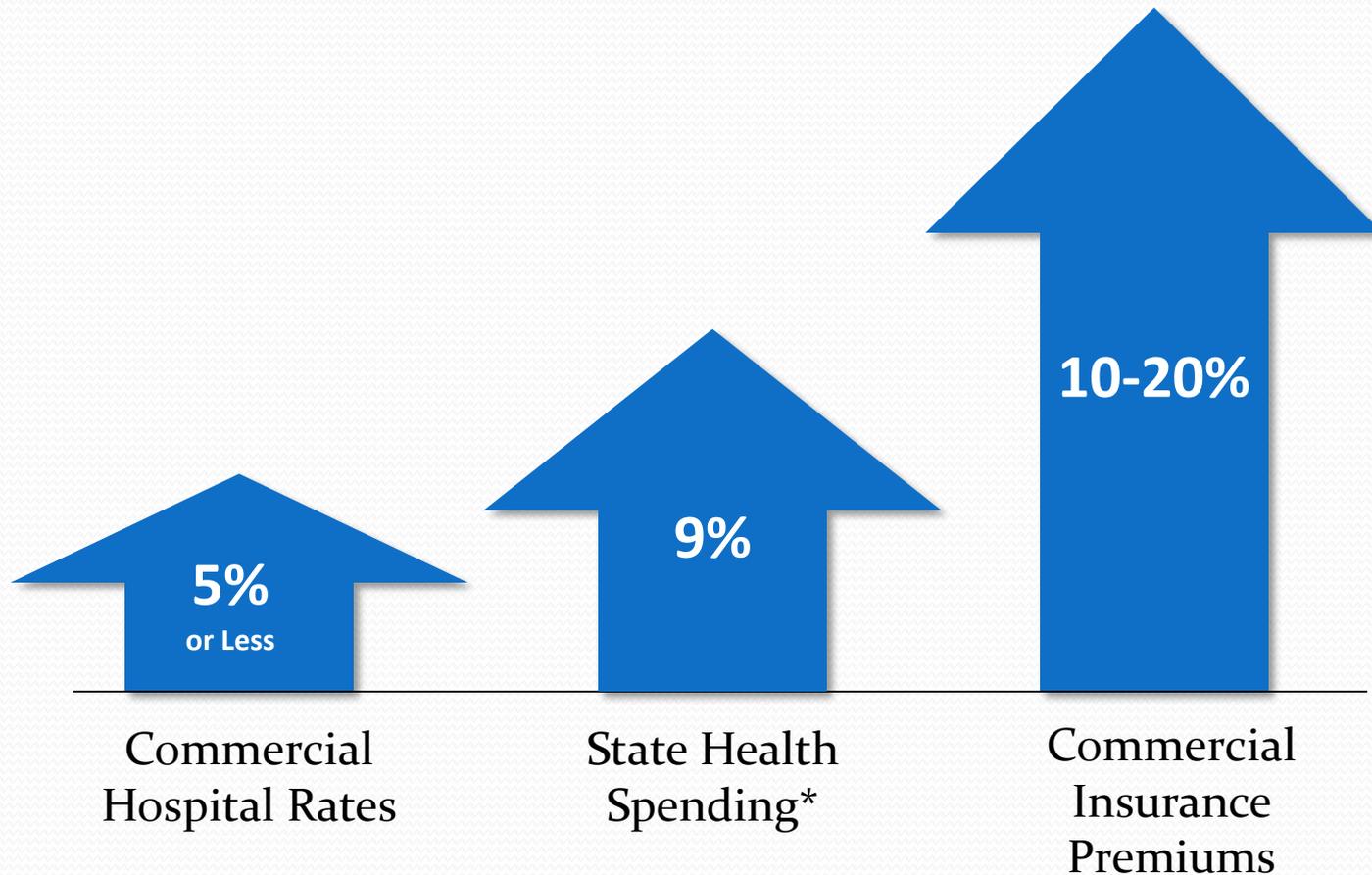
Committed to Our Communities

- Creating jobs
- Developing our people
- Modernizing outdated facilities
- Building IT infrastructure
- Caring for our communities

Changing the Way We Are Paid for Care

Fee-for-Service

Value Payment

Number/Volume

Health Outcome and Cost

Delaware Hospitals Are Leading the Paradigm Shift

Taking Cost Out of Health Care
By Reducing…

- Hospital admissions
- Emergency Department visits
- High utilization of services

Disrupting our Core Business

Sharing Access to Data

Recommendations

Bundling Payments Improves Care and Lowers Cost

Traditional Fee-for-Service — Payment for each service regardless of quantity or quality: Pre-Admission Services, Part A Inpatient Services (Hospital), Part B Inpatient Services (MDs), Post-Acute Costs (Part A and Part B), Readmissions.
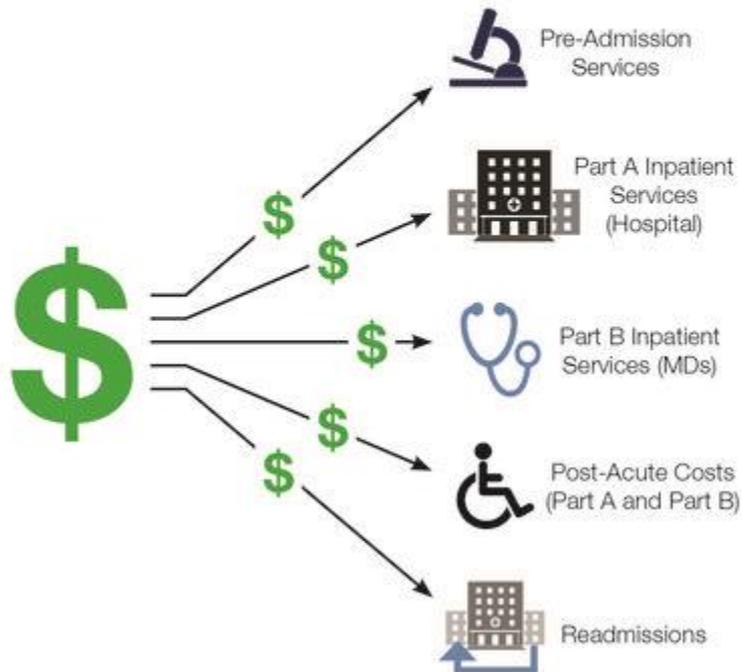
vs.

Bundled Payments — Payment for comprehensive, coordinated intervention.
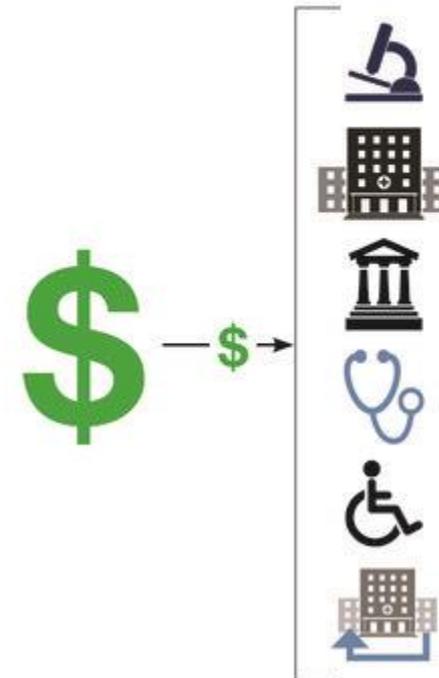
Care After the Hospital is a High Proportion of Cost

CMS Health Care Spending for Three Episodes of Care
Over a 90-Day Bundle

Location of Service	Major Joint	Cervical Spine	Congestive Heart Failure
In hospital	56%	68%	33%
Post-discharge	44%	32%	67%
Total	100%	100%	100%

Source: CMS Data Provided by CCHS Finance Dept. 2015

Medicare Advantage is Currently Underutilized in Delaware

Medicare Advantage has been tied to significant cost reductions in the overall cost of care for retirees

Medicare Advantage Enrollees - 2014			
	Total	% of Medicare	# Medicare Advantage Plans
Delaware	12,113	7%	7
Pennsylvania	904,456	39%	163

Targeting Frequently Readmitted Patients Lowers Costs

Delaware hospitals have embraced this concept of providing intensive, coordinated care to people with complex medical problems to increase quality while reducing costs.

Care Coordination Lowers Costs

Examples of robust care management program in place in the state of Delaware include Christiana Care's "Care Link" initiative.

Patient-Centered Medical Homes Lower Costs

Local Patient-Centered Medical Homes focus on reducing the total cost of care for "super users" of the acute care system.
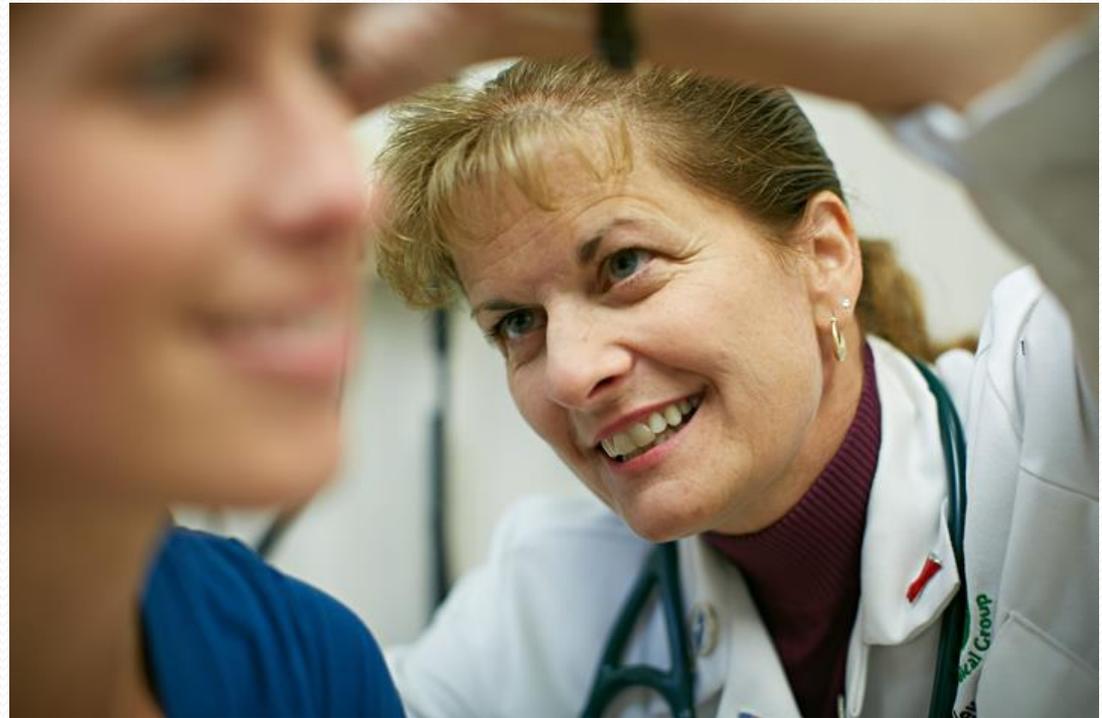
Proactively Treating Substance Abuse Disorders Lowers Costs

The Project Engage program is another example of proactive intervention targeting the needs of heavy users of health care.

New Access Points Lower Costs

Telehealth visits are covered by insurance in the state of Delaware. That's not true everywhere.
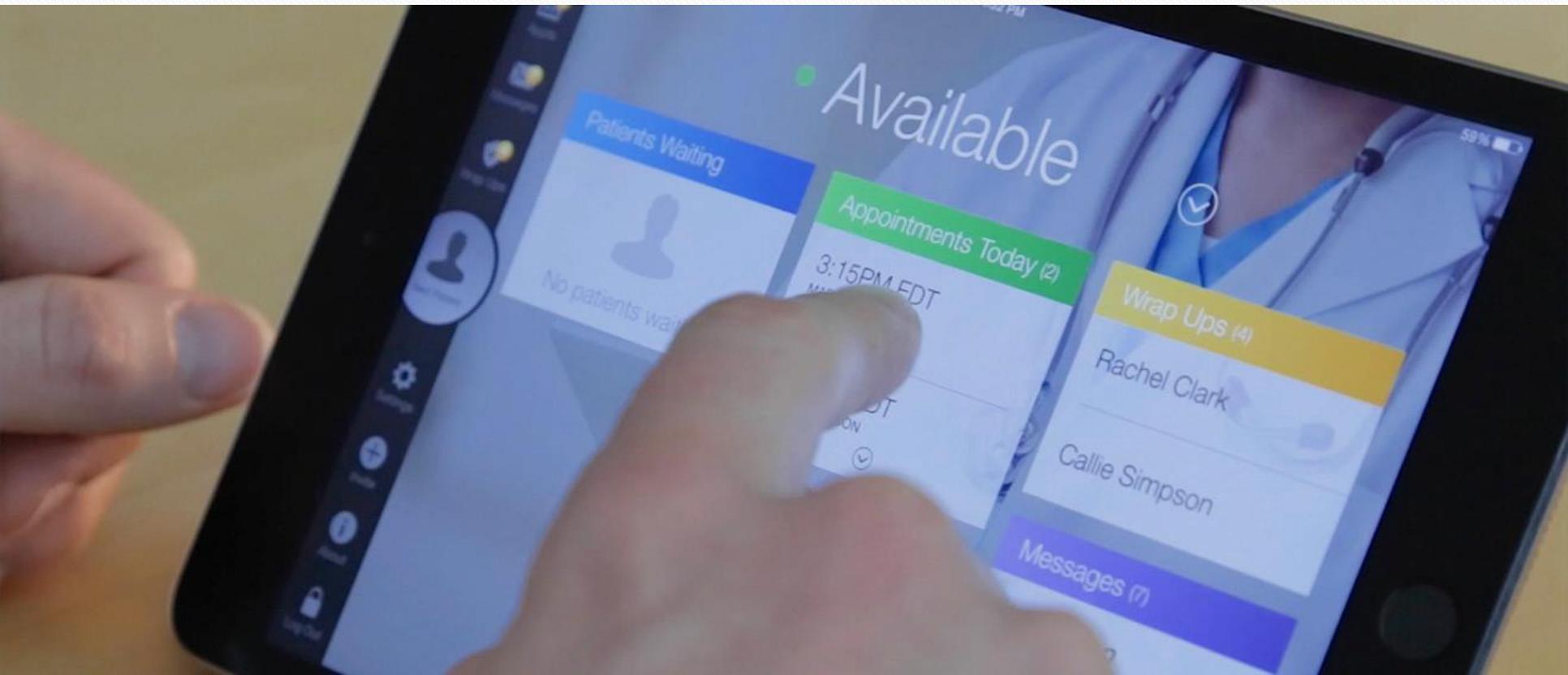
Integrated Behavioral Health In the Primary Care Setting Lowers Costs

By integrating behavioral health into primary care, it is easier to access and that makes people more likely to use it before a serious crisis emerges.

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Onsite Wellness Clinics Are Cost Effective

✓Reduced lost work time and absenteeism

✓Avoidance of higher cost settings (e.g., Emergency Departments)

✓Reduced referrals to costly specialists

✓Lower workers' compensation as well as non-occupational disability costs

✓Improved medication compliance and formulary adherence when combined with on-site pharmacy

✓Lower medical spend through greater utilization of screening and preventive services, and more timely care access

✓Improved employee morale, retention, loyalty and productivity

✓High employee satisfaction

Wellness Incentive Programs Lower Costs

- The Pennsylvania Employee Benefit Trust Fund (PEBTF) launched a "Know Your Numbers" campaign.

- Quest Diagnostics offers "Blueprint for Wellness."

Working Together

Accountable Care Organizations (ACOs) are groups of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high quality care to their Medicare patients. **This is happening across the state.**

33 ACO Quality Measures from CMS

Partnering is Key

Employer

Payer

Provider

Employee