



The Business Strategy of Health Management

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HEALTH MANAGEMENT RESEARCH CENTER**





Health Management a Serious Business Strategy for Corporations

1. **Building an Integrated, Sustainable Business Strategy**
(Next Generation Programs, Champion Companies, Zero Trends) **Six Hours**
2. **Complete Strategy and Next Generation** **Four Hours**
3. **Fundamental Strategy and Next Generation** **Two Hours**
4. **Business Strategy and Next Generation** **90 minutes**
5. **Short Business Strategy and Next Generation** **75 minutes**
6. **Executive Summary of the Business Strategy** **60 minutes**
7. **Executive Summary of Executive Summary** **20 minutes**



Agenda

The Future of Healthcare BCBS Western EOC Conference May 17, 2007

Introductory Comments	10
• Do-Nothing Strategy	10
• Business Case to Build the Strategy	15
• Next Generation Programming, Champion Company, Zero Trend	15
Summary	

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- # **UM-HMRC Corporate Consortium**
- ✓ US Steel
 - ✓ Steelcase
 - ✓ Progressive
 - ✓ We Energies
 - ✓ General Motors
 - ✓ Crown Equipment
 - ✓ Foote Health System
 - ✓ Medical Mutual of Ohio
 - ✓ St Luke's Health System
 - ✓ Cuyahoga Community College
 - ✓ International Truck and Engine
 - ✓ United Auto Workers-General Motors
 - ✓ Wisconsin Education Association Trust
 - ✓ Southwest Michigan Healthcare Coalition
 - ✓ Australian Health Management Corporation

- ✓ Kellogg
- ✓ JPM Chase
- ✓ Gulf Power
- ✓ Brush Wellman
- ✓ Delphi Automotive
- ✓ Affinity Health Plan
- ✓ Florida Power & Light

*The consortium members provide health care insurance for over two million Americans. Data are available from eight to 18 years.

Meet on First Wednesday of each December in Ann Arbor

Objective

Key Thoughts

Shareholder value from creative and innovative products from healthy and productive people

Strategy

Next Generation Program to drive Objective

Seven **Partners**: health plans; benefit consultants; primary care physicians; pharmaceutical companies; health enhancement companies; employer; and, individuals

Outcomes to get to Zero Trend

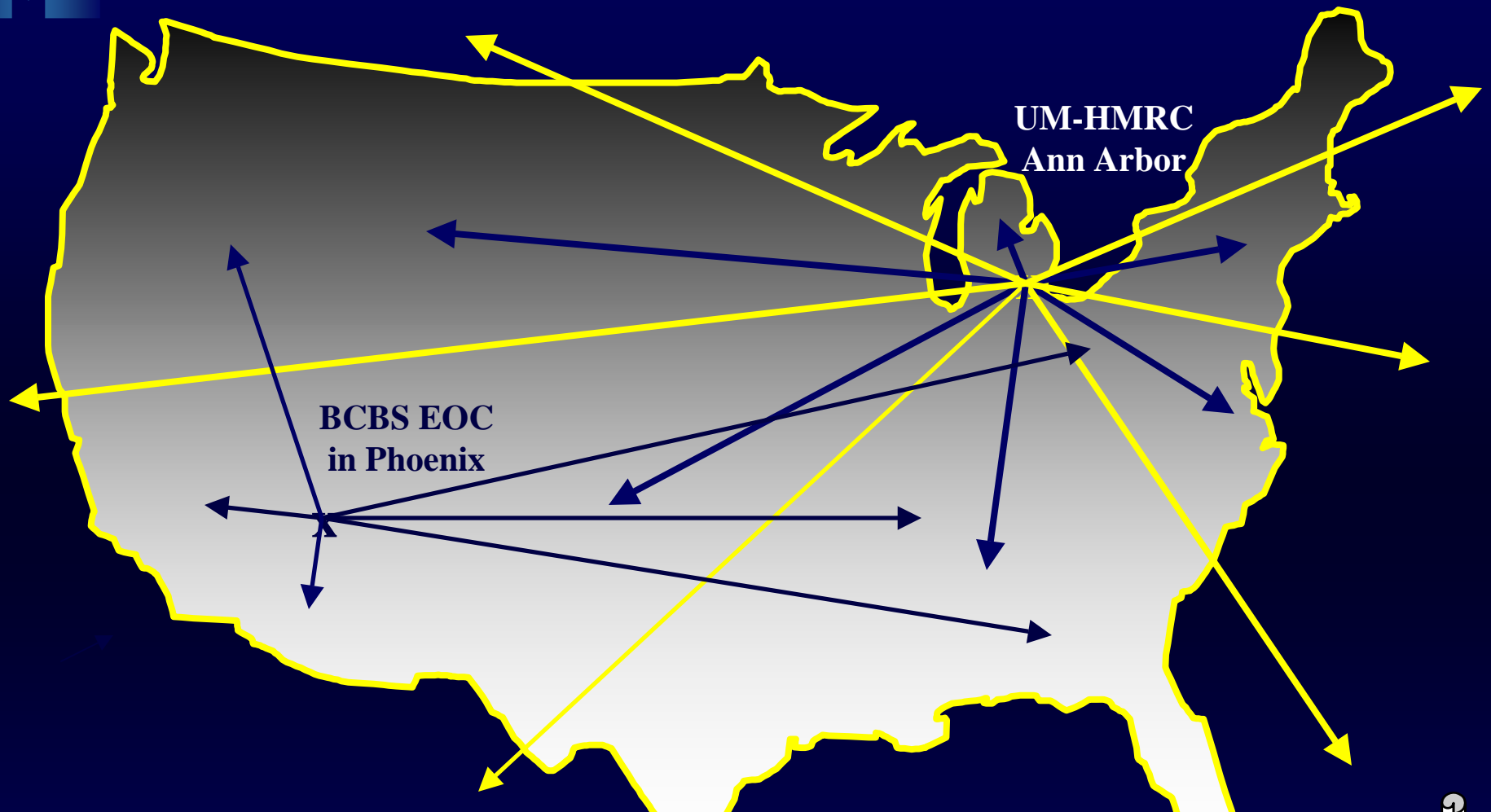
90%-95% participation and 75% to 85% low-risk

Keep the healthy people healthy

Don't get worse

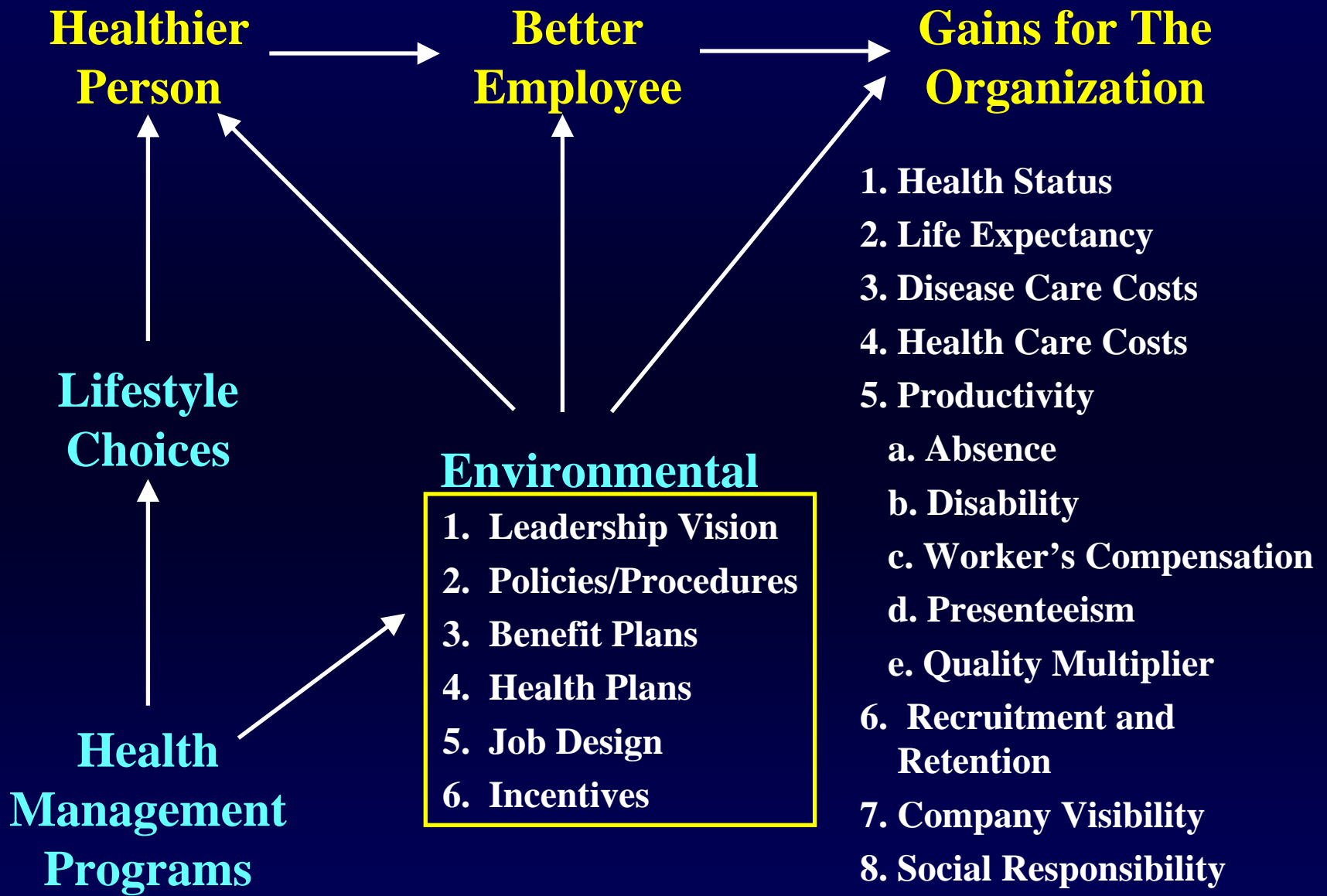


Introductory Comments



**New way to do Health Management
In the United States and Throughout the World**

Health Management in the Workplace



M Moving the Paradigm From

“The Cost of Healthcare”

(Treating disease) **To**

“The Total Value of Health”

(Managing health status) **To**

“Health is Free”

(Healthcare Costs < Total Benefits) **By**

Adopting the “Quality” Strategy

(Fix the Systems that Lead to the Defects)





Section I

The Do-Nothing Strategy



Health Risks and Behaviors

Health Risk Measure

High Risk Criteria

Alcohol

More than 14 drinks/week

Blood Pressure

Systolic >139 or Diastolic >89 mmHg

Body Weight

BMI \geq 27.5

Cholesterol

Greater than 239 mg/dl

Existing Medical Problem

Heart, Cancer, Diabetes, Stroke

HDL

Less than 35 mg/dl

Illness Days

>5 days last year

Life Satisfaction

Partly or not satisfied

Perception of Health

Fair or poor

Physical Activity

Less than one time/week

Safety Belt Usage

Using safety belt less than 100% of time

Smoking

Current smoker

Stress

High

OVERALL RISK LEVELS

Low Risk **0 to 2 high risks**

Medium Risk **3 to 4 high risk**

High Risk **5 or more high risks**

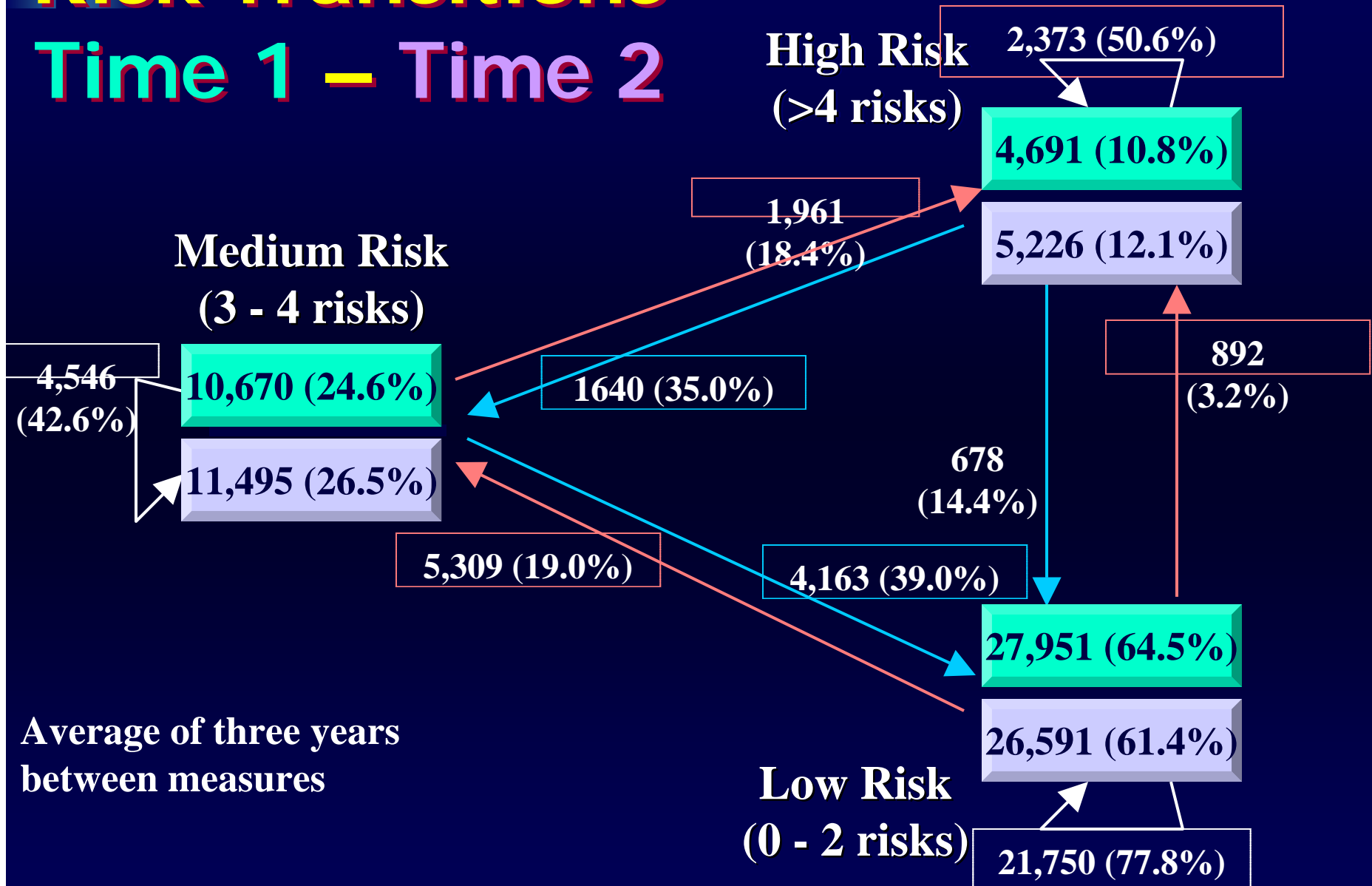


Business Case

The Natural Flow of Health Risks and Behaviors

Risk Transitions

Time 1 – Time 2



Modified from Edington, AJHP. 15(5):341-349, 2001

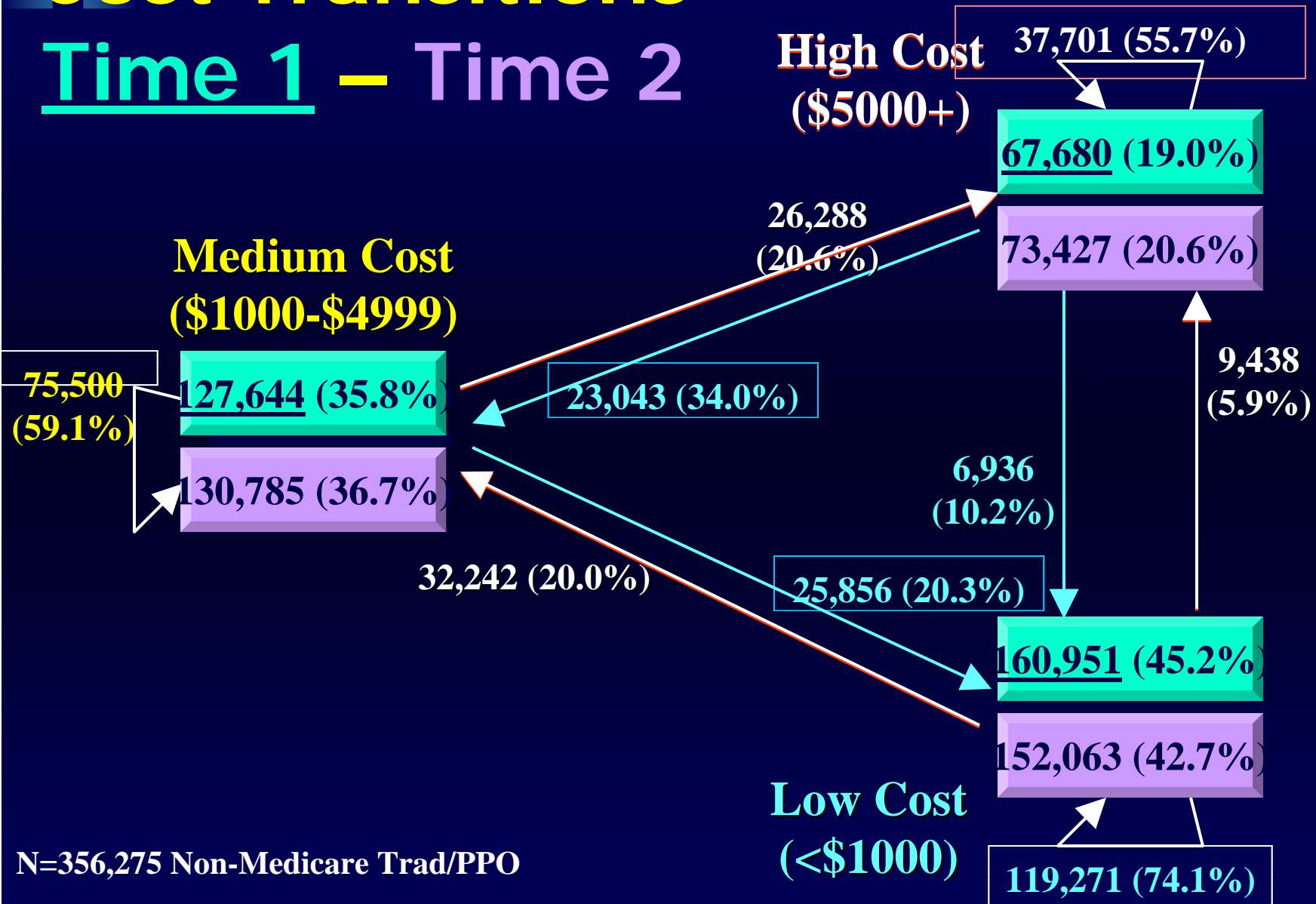


Business Case

The Natural Flow of Health Care Costs

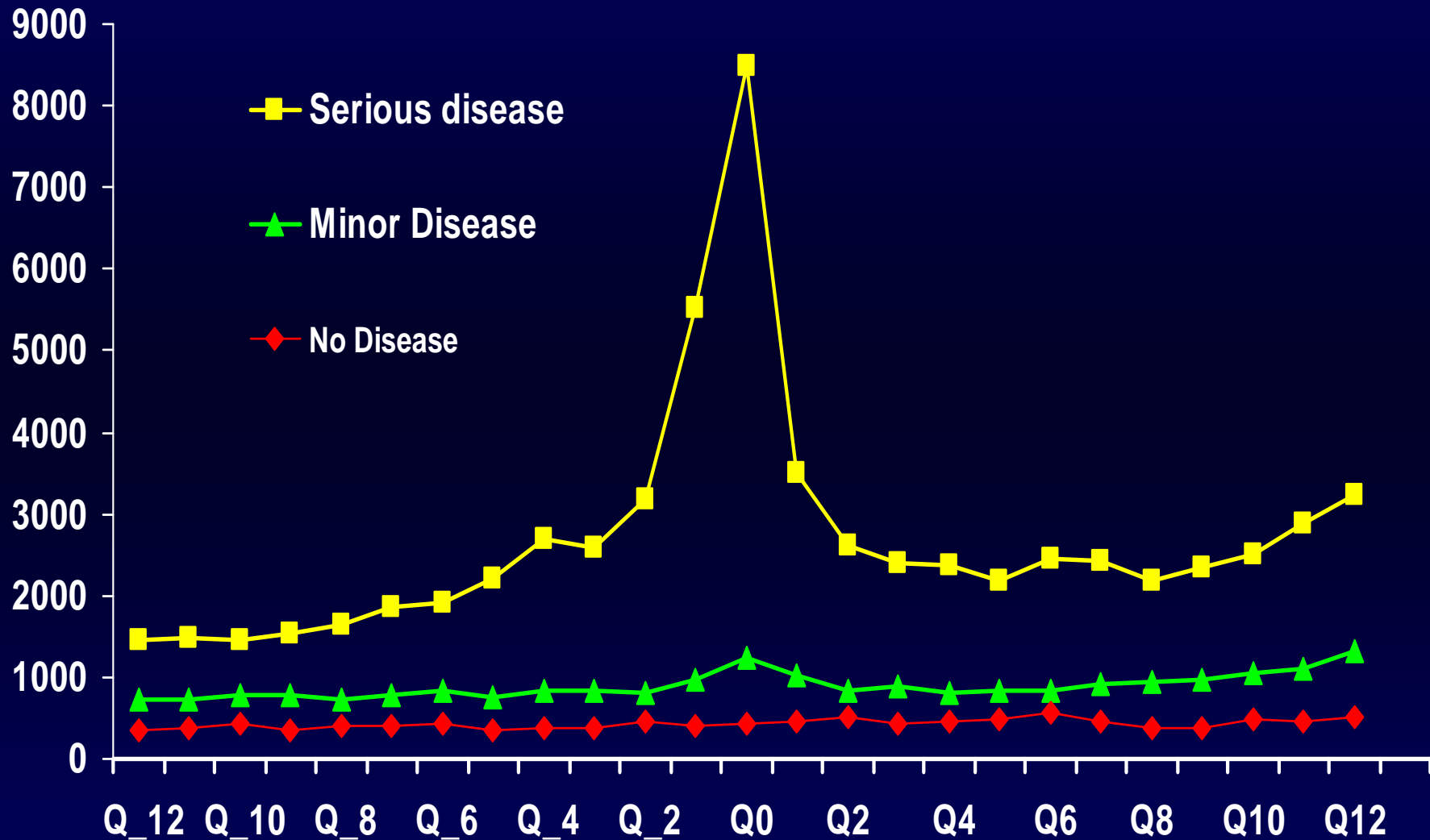
Cost Transitions

Time 1 – Time 2



Modified from Edington, AJHP. 15(5):341-349, 2001

Total Medical and Pharmacy Costs Paid by Quarter for Three Groups



Musich, Schultz, Burton, Edington. DM&HO. 12(5):299-326, 2004



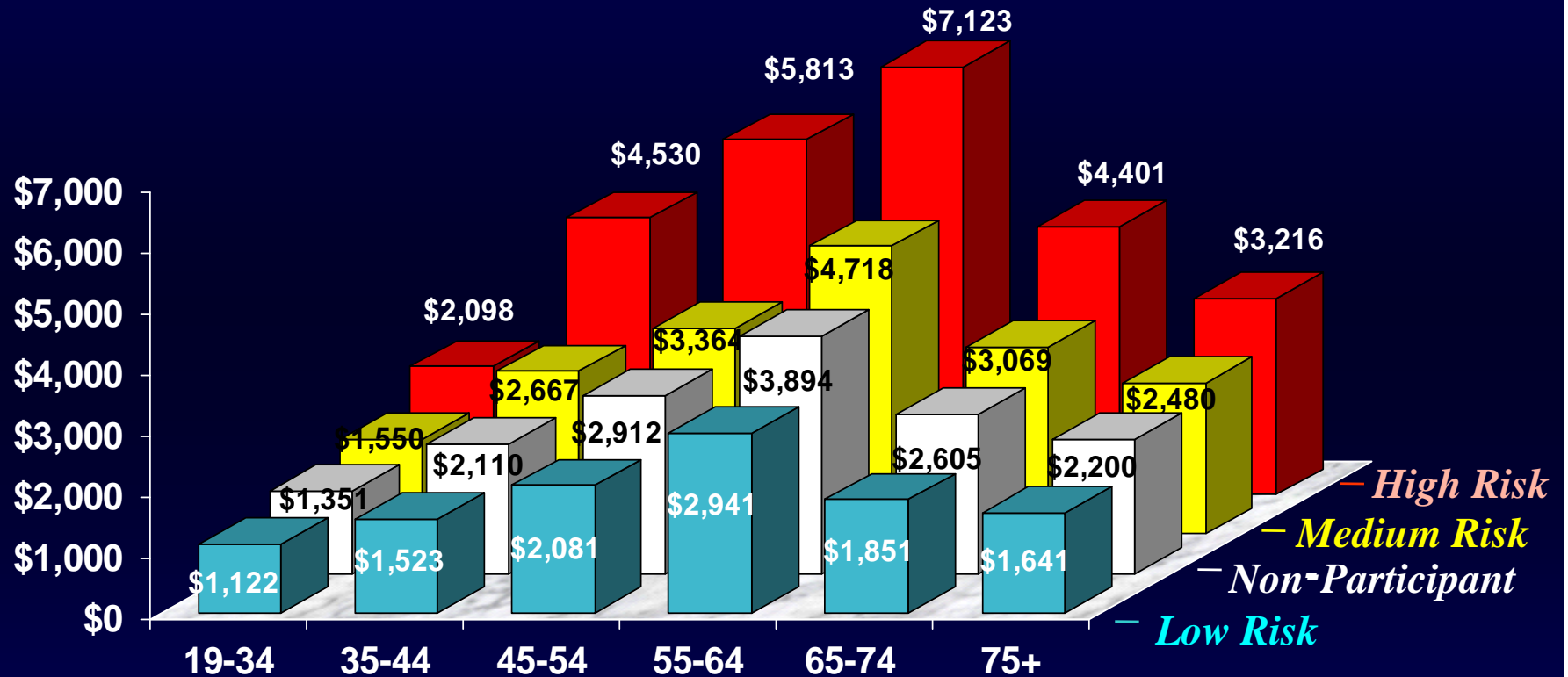
Business Case

The Natural Flow of Risks and Costs



Costs Associated with Risks

Medical Paid Amount x Age x Risk



Edington. AJHP. 15(5):341-349, 2001



**This is the Way Americans Have
been Living their Lives for 60
Years**

**Can You Afford the
Economic Consequences of the
Do-Nothing Strategy?**



Summary of the Do-Nothing Strategy

The flow of Risks is to High-Risk

The flow of Costs is to High-Cost

Costs follow Risks and Age



Section II

Key Business Concepts

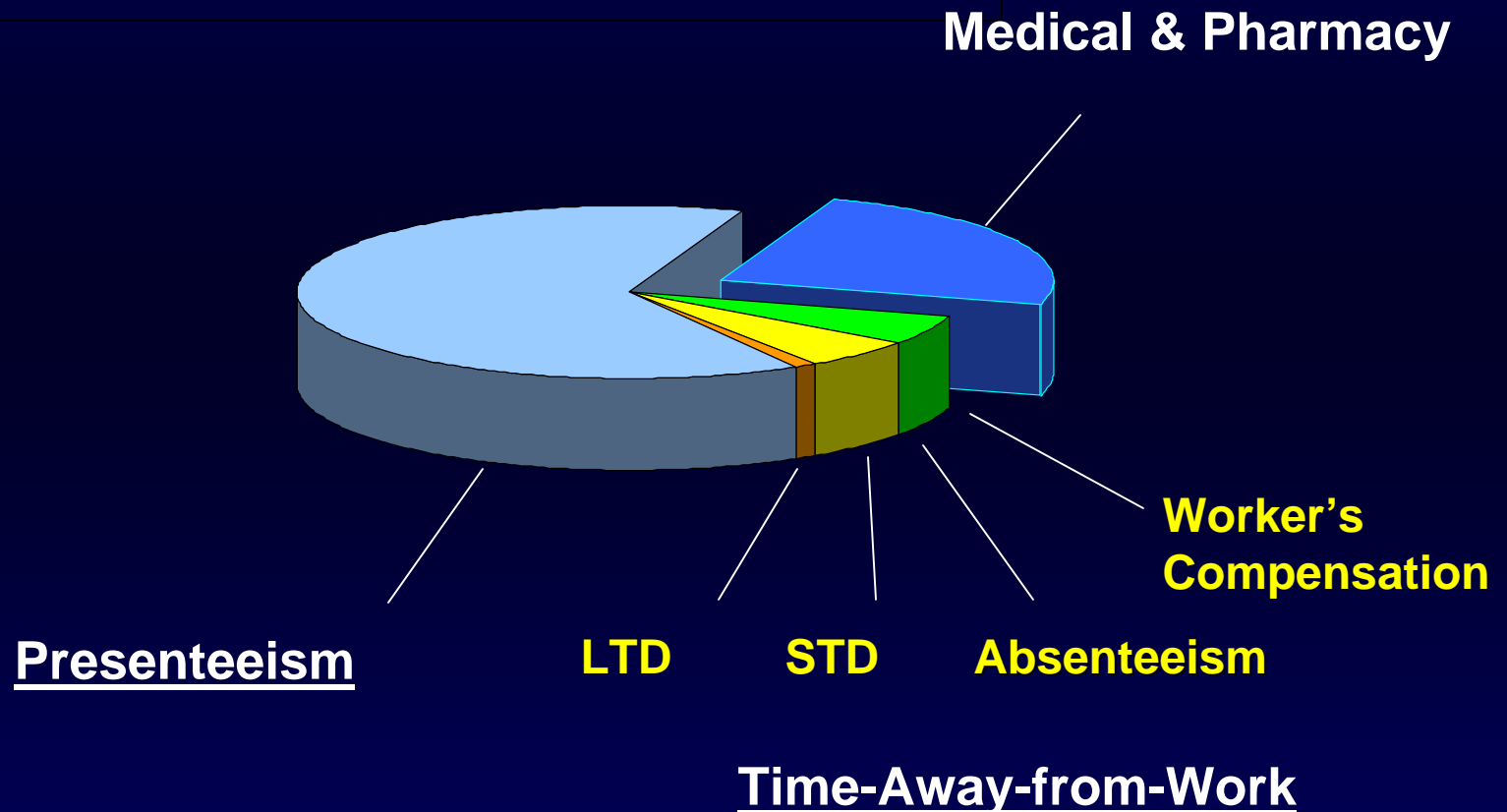
To Build the Business Case



Business Concept

Eliminate “Silo” Thinking
Consider the
Total Value of Health

Relative Value of Health to the Organization: Total Value of Health



Edington, Burton. A Practical Approach to Occupational and Environmental Medicine (McCunney). 140-152. 2003

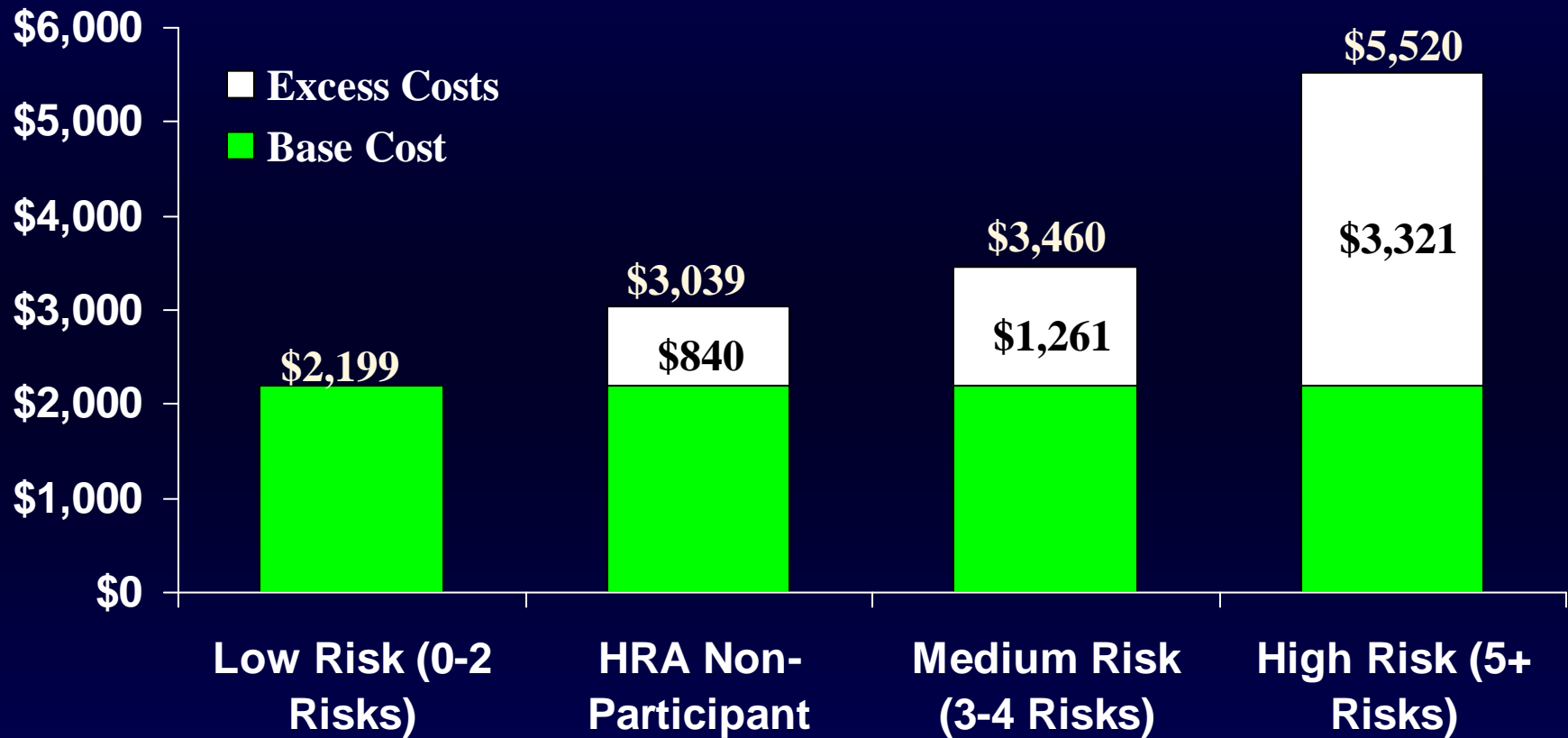


Business Concept

Excess Costs follow Excess Risks



Excess Medical Costs due to Excess Risks



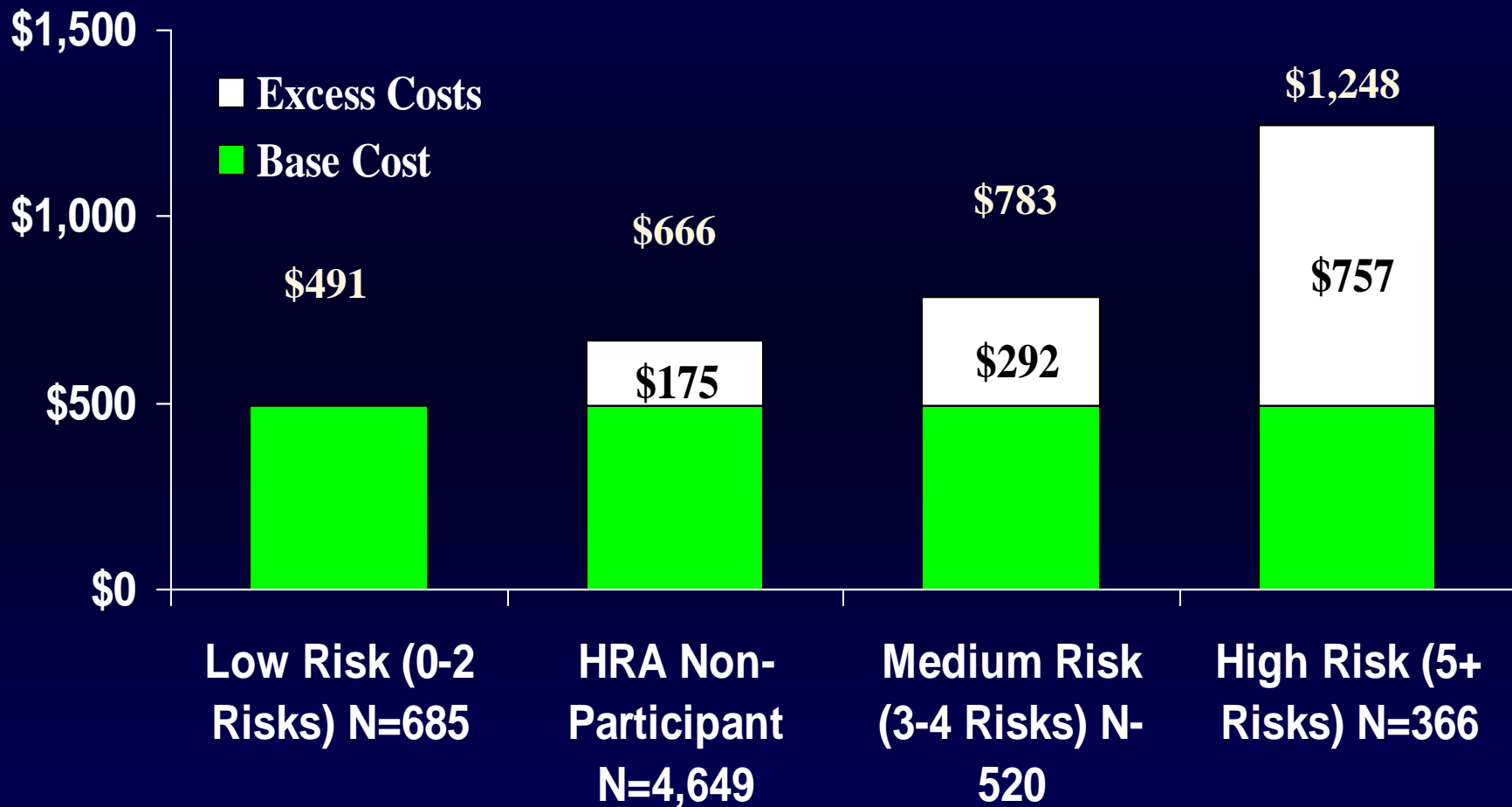
Edington, AJHP. 15(5):341-349, 2001

Excess Pharmaceutical Costs due to Excess Risks



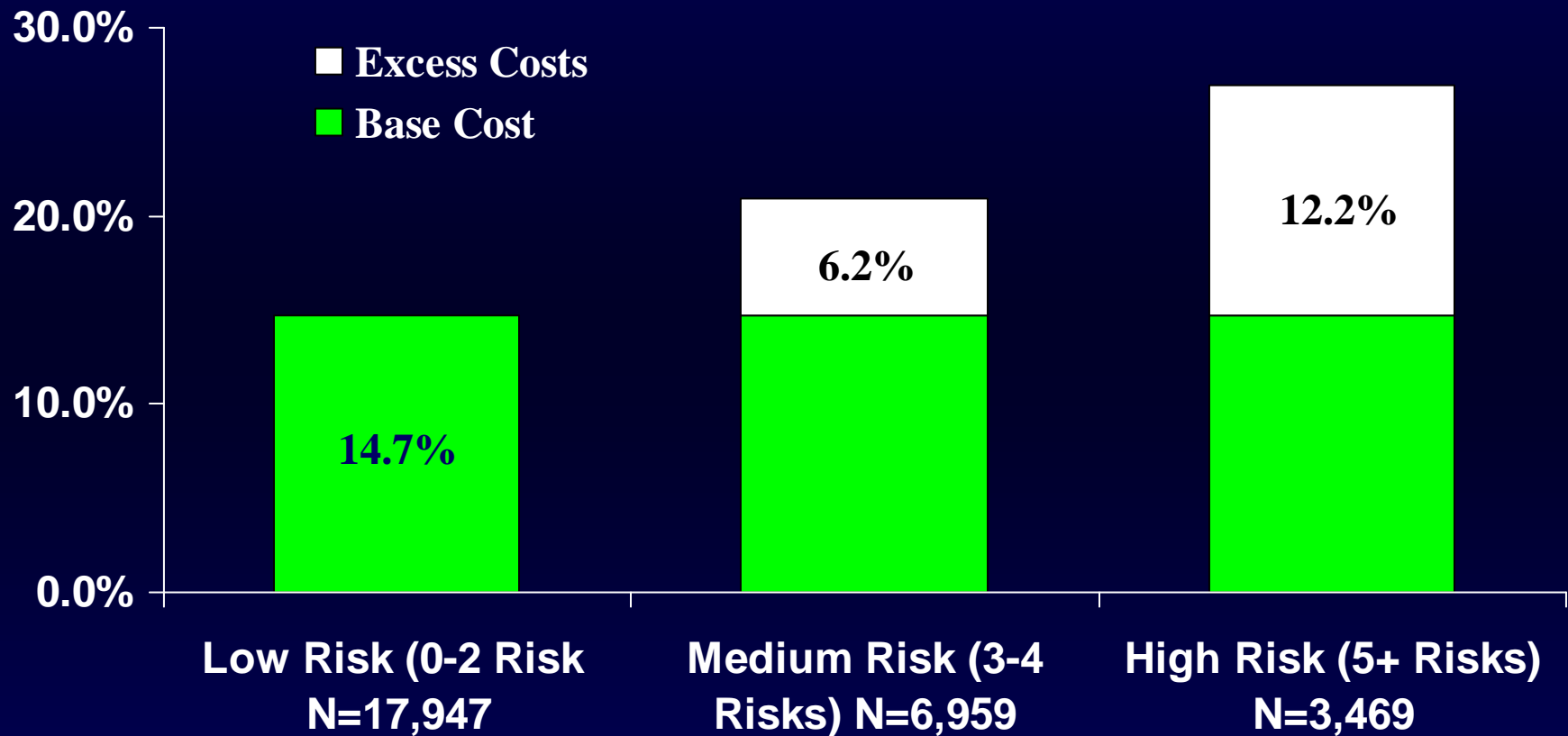
Burton, Chen, Conti, Schultz, Edington. JOEM. 45(8): 793-802. 2003

M Excess Disability Costs due to Excess Risks



Wright, Beard, Edington. JOEM. 44(12):1126-1134, 2002

Excess On-The-Job Loss due to Excess Risks



Burton, Chen, Conti, Schultz, Pransky, Edington. JOEM. 47(8):769-777. 2005



Business Concept

Total Value of Health to an Organization



Association of Risk Levels with Corporate Cost Measures

Outcome Measure	Low-Risk (N=671)	Medium-Risk (N=504)	High-Risk (N=396)	Excess Cost Percentage
Short-term Disability	\$ 120	\$ 216	\$ 333	41%
Worker's Compensation	\$ 228	\$ 244	\$ 496	24%
Absence	\$ 245	\$ 341	\$ 527	29%
Medical & Pharmacy	\$1,158	\$1,487	\$3,696	38%
Total	\$1,751	\$2,288	\$5,052	36%

Wright, Beard, Edington. JOEM. 44(12):1126-1134, 2002



Business Concept

Risks Travel in Clusters



Cluster Analysis

Health Measure	Cluster 1: Risk taking (N=6688)	Cluster 2: Low Risk (N=3164)	Cluster 3: Biometrics (N=3100)	Cluster 4: Psychological (N=3927)
Smoking	31%	0%	16%	27%
Alcohol	10%	0%	3%	5%
Physical activity	28%	0 %	19%	26%
Safety belt usage	36%	0 %	22%	31%
Body mass index	27%	25 %	38%	27%
Systolic blood pressure	9%	0 %	81%	23%
Diastolic blood pressure	5%	0 %	61%	20%
Cholesterol	19%	19 %	27%	22%
HDL cholesterol	34%	10 %	33%	24%
Self-perceived health	13%	0 %	9%	28%
Life satisfaction	4%	0 %	2%	73%
Stress	9%	0 %	2%	76%
Illness days	21%	0 %	12%	26%
Overall Risks				
Low risk (0-2 risks)	50.2%	97.6%	26.5%	18.9%
Medium risk (3-4 risks)	35.7%	2.4%	48.9%	35.9%
High risk (5+ risks)	14.1%	0	24.7%	45.2%
Average Number of risks	2.8	0.6	3.6	4.4



Business Concept

**Managed the Person:
Not the Risk or Disease**



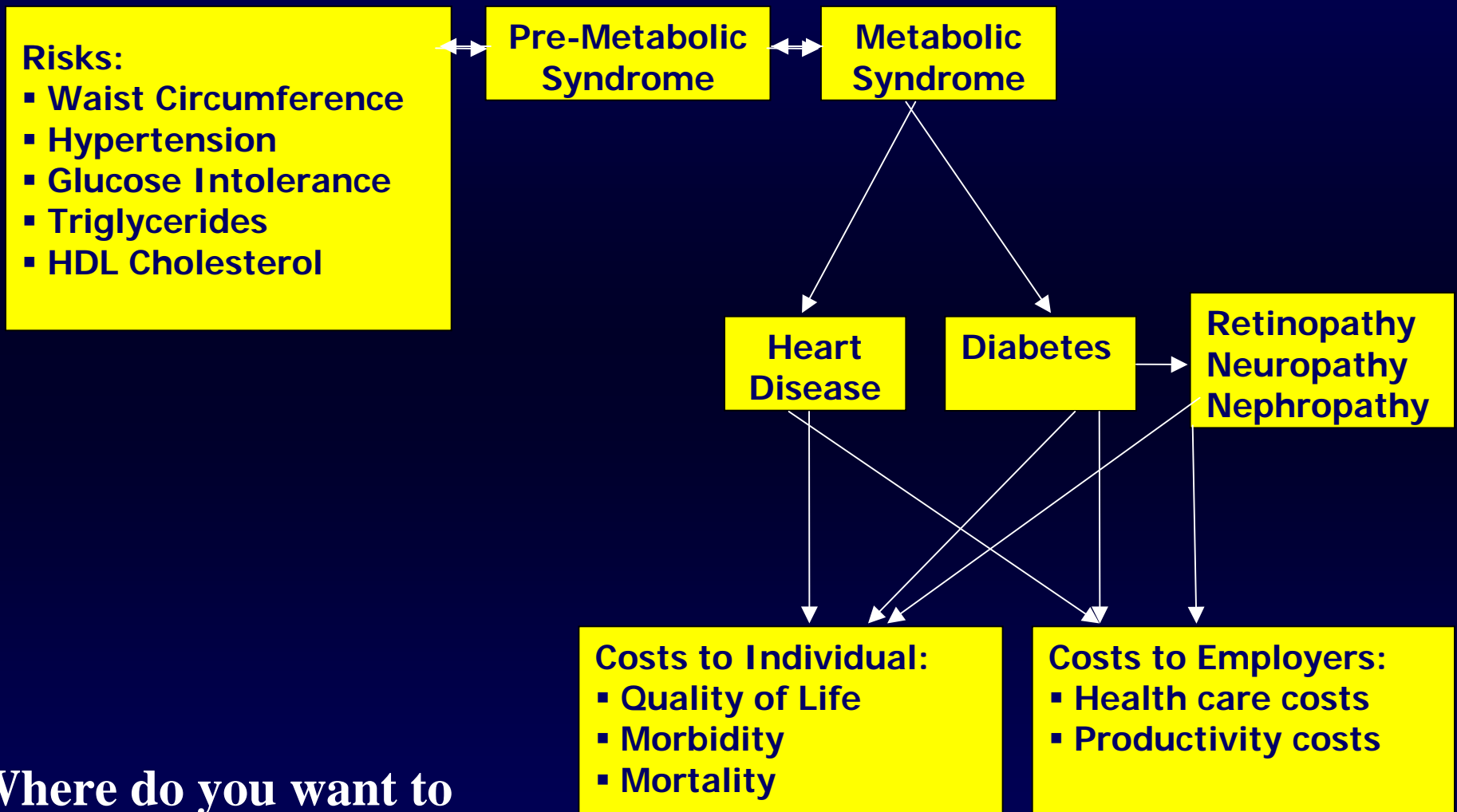
Intervention for Biometric Cluster (Metabolic Syndrome)

Clinical Identification of Metabolic Syndrome

Any three of the following:

<u>Risk Factor</u>	<u>Defining Level</u>
1. Waist Size Men Women	>40 in (>102 cm) >35 in (>88 cm)
2. Triglycerides	≥150 mg/dL
3. HDL-C Men Women	<40 mg/dL <50 mg/dL
4. Blood pressure	≥130/85 mmHg
5. Fasting glucose	≥110 mg/dL

Development and Consequences of Metabolic Syndrome

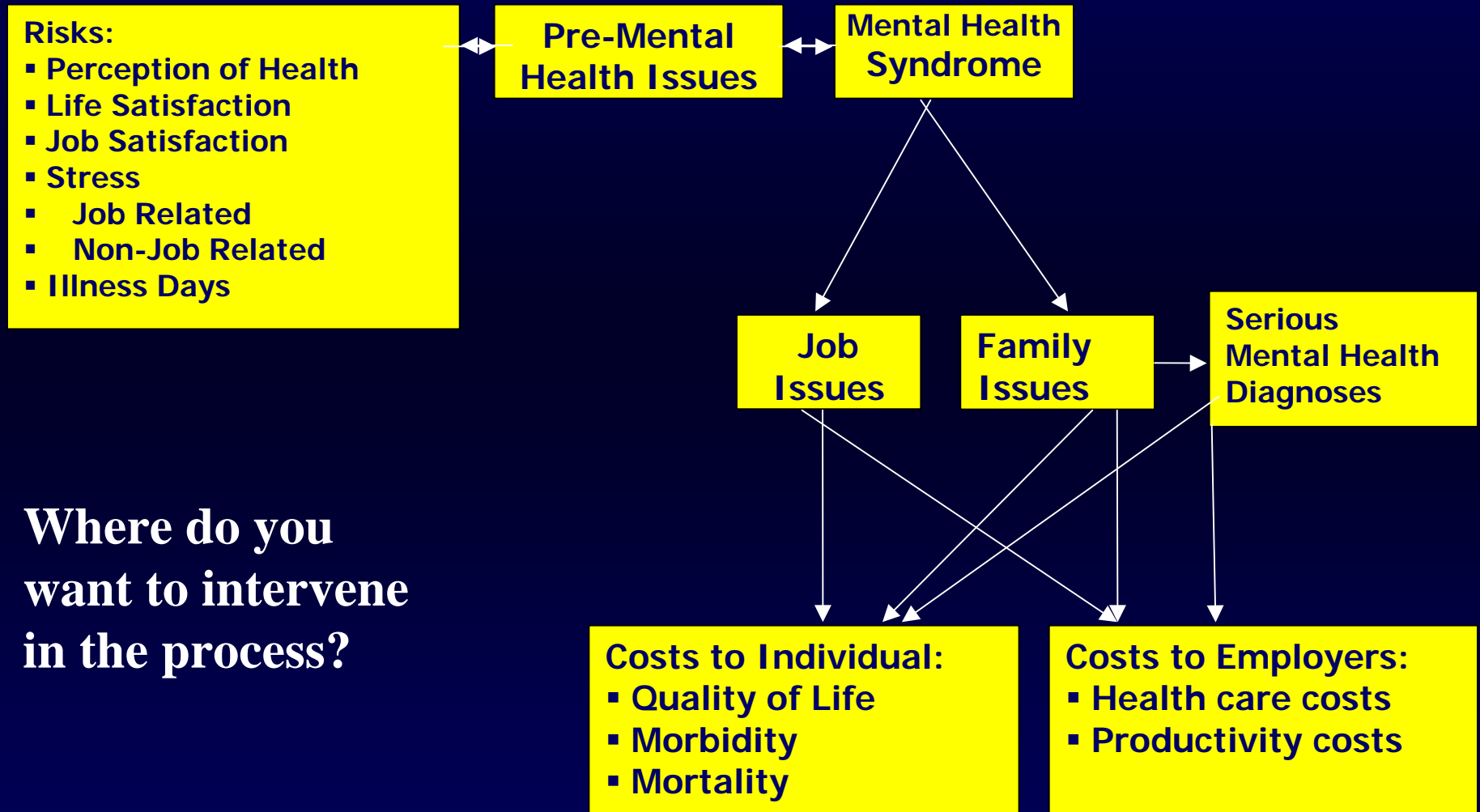


Where do you want to intervene in the process?



Intervention for Psychological Cluster

Development and Consequences of Mental Health Issues (DRAFT)

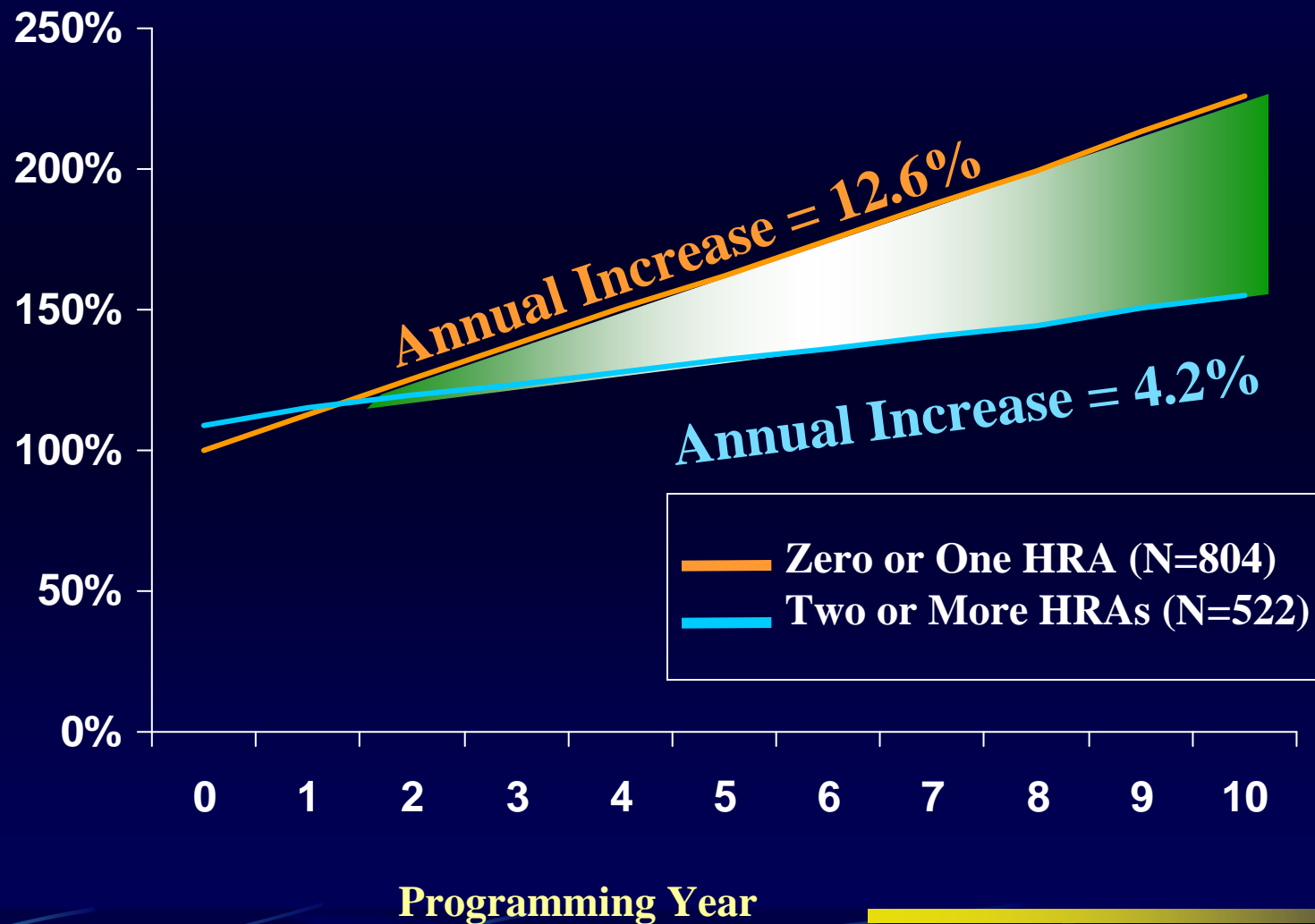


Where do you want to intervene in the process?

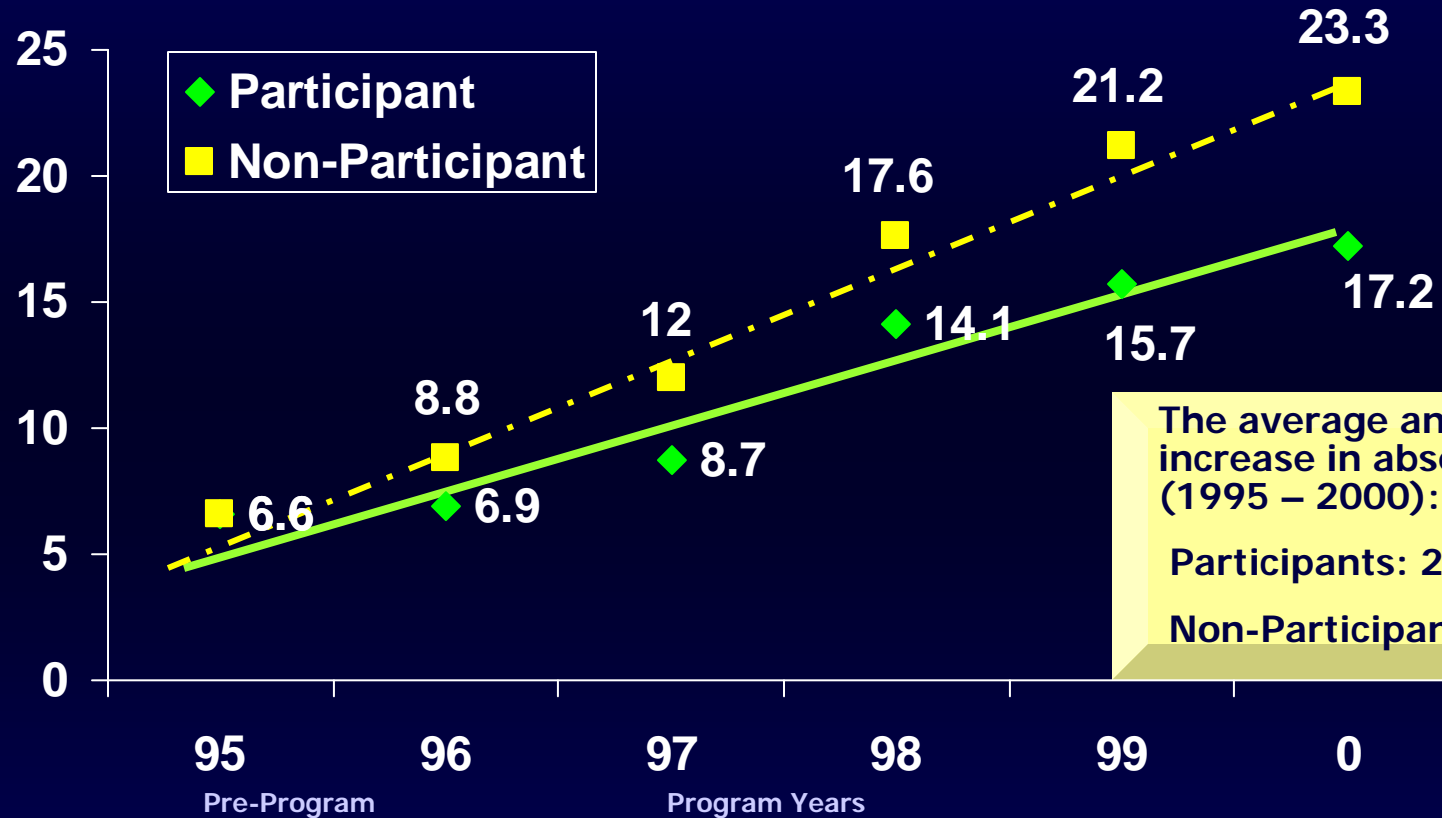


Business Concept
Change in Costs
Follow Engagement

Cost Savings Associated with Program Involvement from 1985 to 1995



Yearly Average Disability Absence Days by Participation



Schultz, Musich,
 McDonald,
 Hirschland, Edington.
 JOEM 44(8):776-780,
 2002

$$\frac{\$200}{\text{Work Day}} \times \frac{1.2 \text{ Work Days}}{\text{Participant Year}} \times 2,596 \text{ participants} = \frac{\$623,040}{\text{Year}}$$

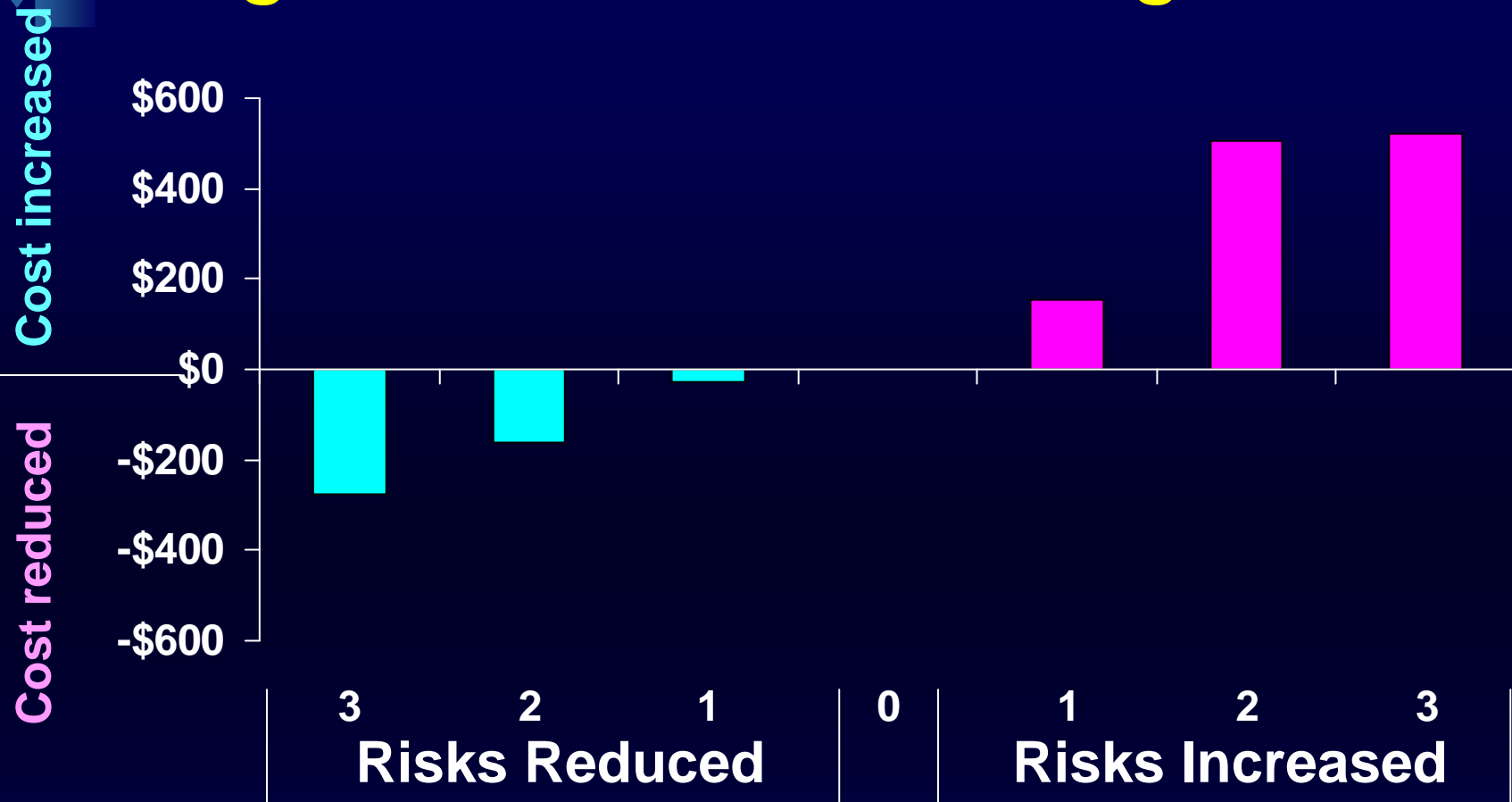


Business Concept

Change in Costs

Follow Change in Risks

Change in Costs follow Change in Risks



Overall: Cost per risk reduced: \$215; Cost per risk avoided: \$304

Actives: Cost per risk reduced: \$231; Cost per risk avoided: \$320

Retirees<65: Cost per risk reduced: \$192; Cost per risk avoided: \$621

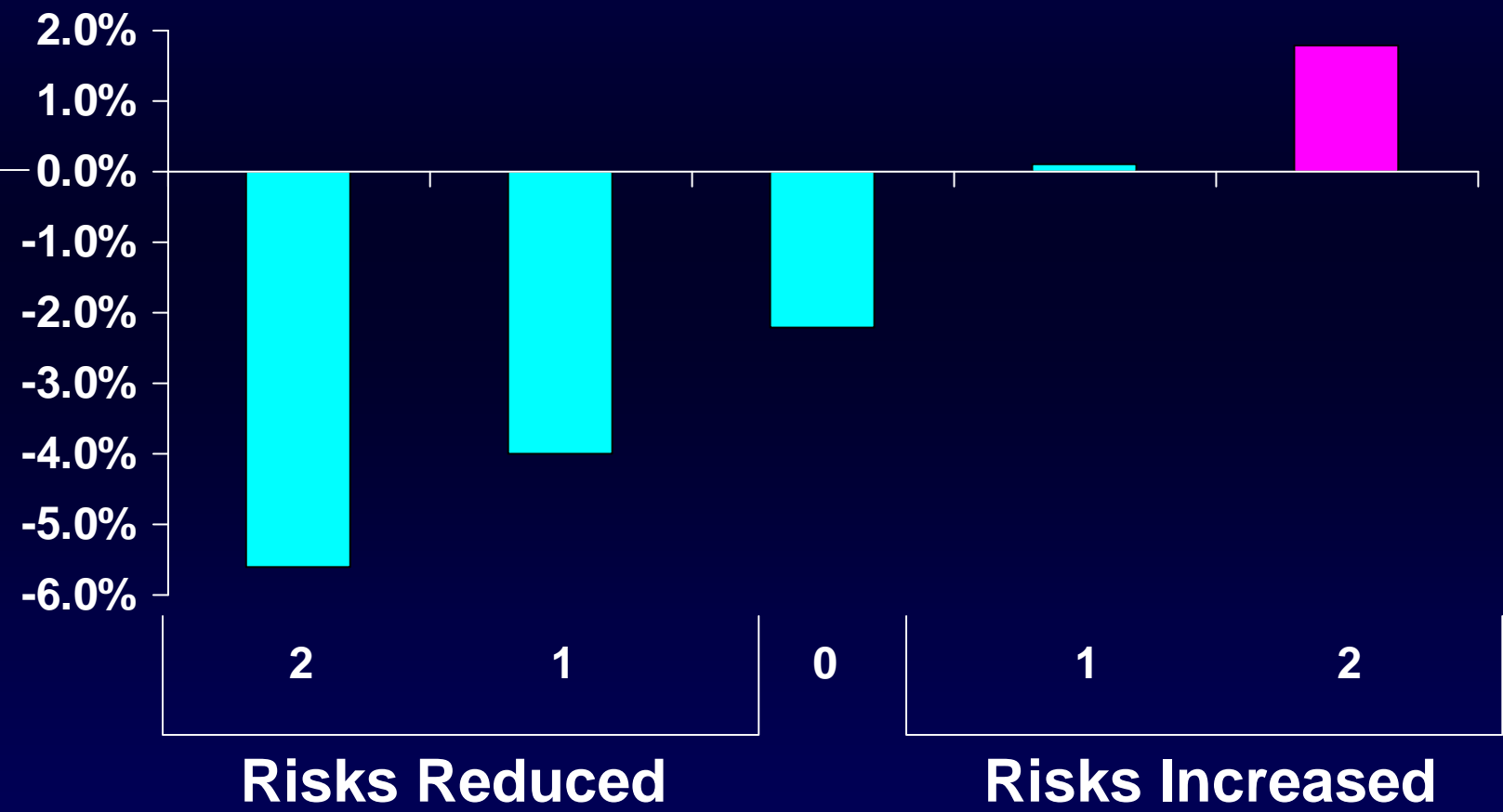
Retirees>65: Cost per risk reduced: \$214; Cost per risk avoided: \$264



Change in Presenteeism follows Change in Risks

percent increased

Percent reduced

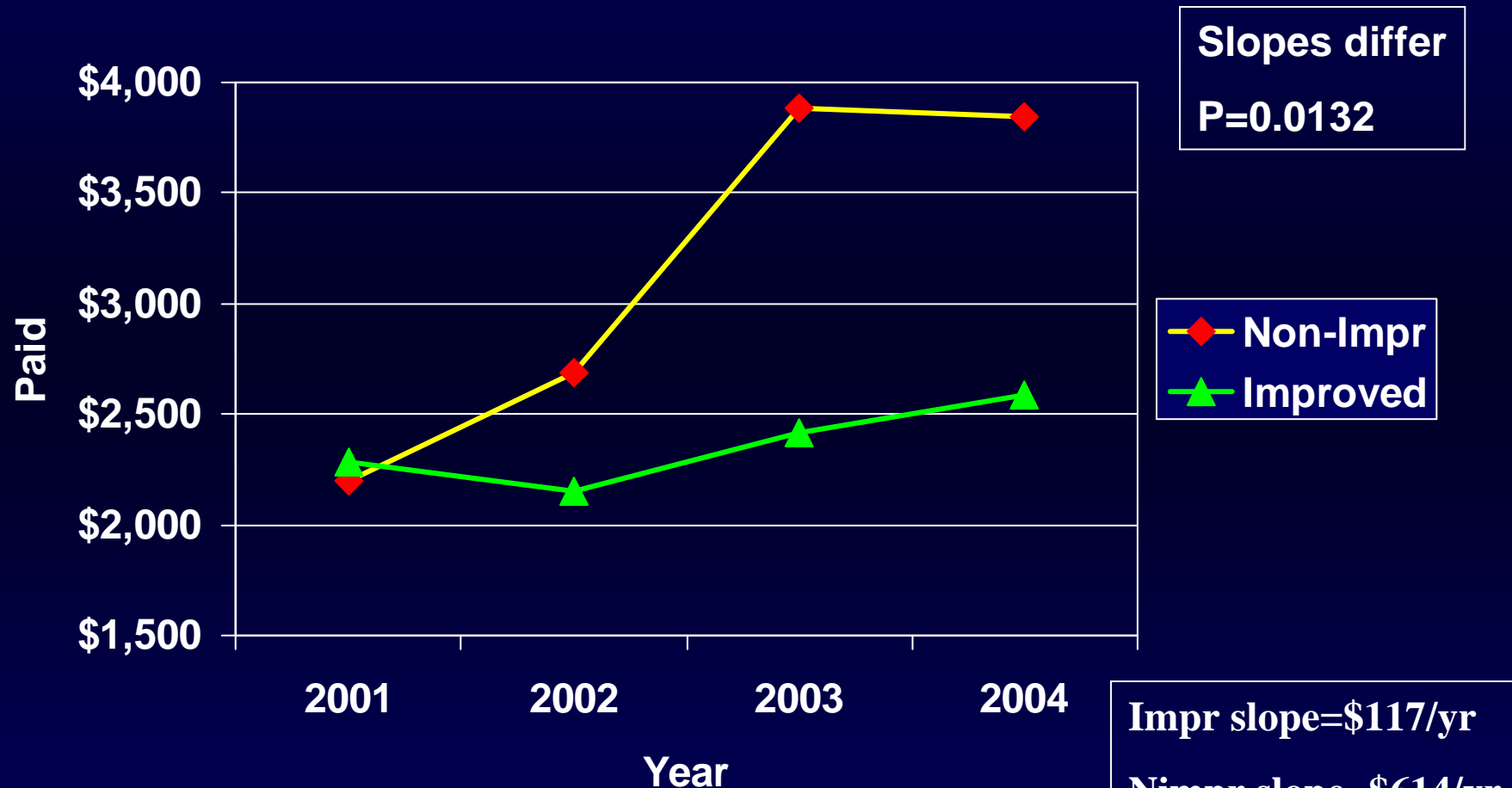




Business Concept
Change in Costs
follow
“Don’t Get Worse”



Medical and Drug Cost (Paid)*



*per employee , Improved=374, Non-Improv=103
HRA in 2002 and 2004

Improved=Same or lowered risks

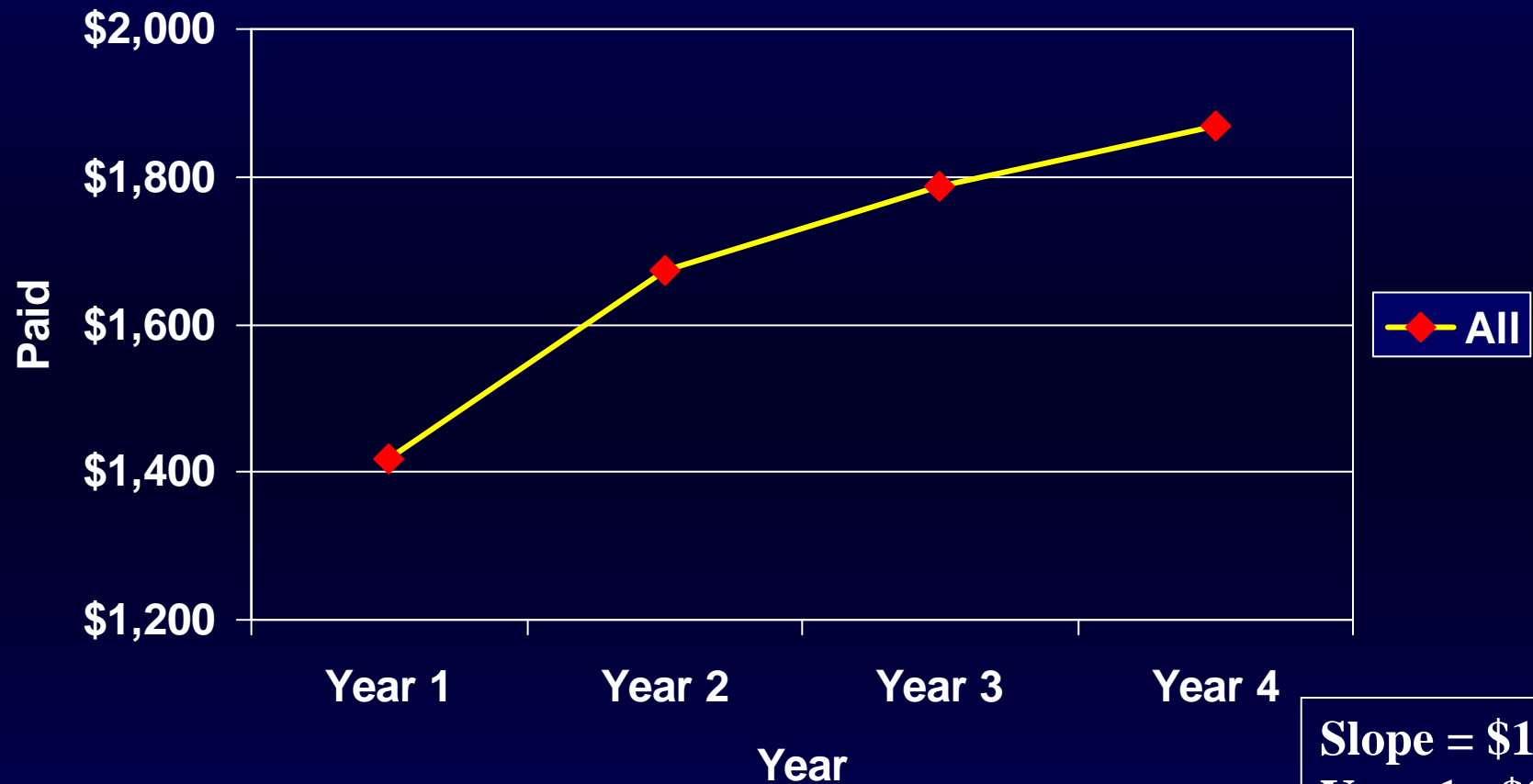
*Medical and Drug, not adjusted for inflation



Business Concept

“Bend the Trend”

Financial Services (Healthcare Spend)



*per employee

Slope = \$150/yr
Year 1= \$255
Year 2= \$118
Year 3= \$82

GOOD, but too slow!!



Summary

Business Case for Health Management

Excess Costs are related to Excess Risks

Costs follow Engagement and Risks

Controlling Risks leads to Zero Trend



Section III

Health Management:

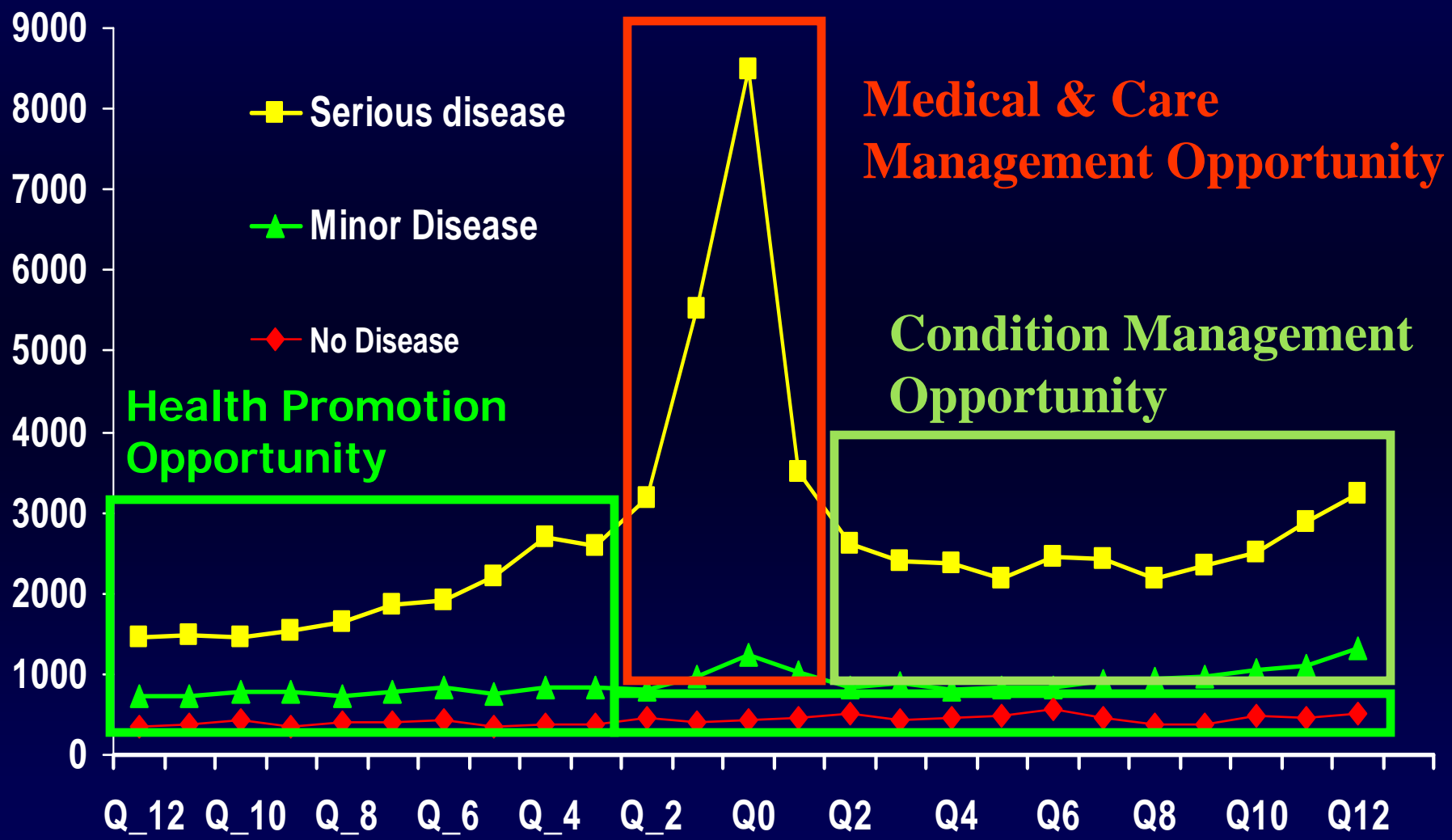
Next Generation Programming

Champion Companies

Zero Trend

The Question is: “How can we do it?”

Where are the Opportunities for Population Health Management?



Medical and Drug Costs only



Business Concept

Necessary Seven Partners to get to Next Generation Programs

- Company (Private or Public or non-Profit)



Health Systems???

- Health Plan
- Benefit Consultant
- Primary Care Physicians
- Pharmaceutical Company
- Health Enhancement Company
- Individuals



Business Concept

**Next Generation Programming for
Champion Companies to
Achieve Zero Trend**

Integration and Sustainability

Next Generation Health Management Program

1. Vision from Senior Leadership
2. Worksite Environment

4. Population Programs

Website
Low-Risk Maintenance
Know Your Numbers
Physical Activity
Nutrition Awareness
Wellness Modules

3a. Health Risk Appraisals

3b. Individual Stratification

Coaching Sessions
-unlimited contacts
Health Advocate
Triage to Resources
Develop Self-Leaders

5. Incentives

6. Measurement



Next Generation

1. Senior Leadership Vision



Vision from the Senior Leadership

- **Clear Vision within Leadership**
- **Vision Connected with Company Strategy**
- **Vision Shared with Employees**
- **Accountability and Responsibility Assigned to Operations Leadership**



Next Generation

2. Environmental Strategies



Environment Interventions

- **Management and Leadership of the Company and Unions**
- **Mission and Values Aligned with a Healthy and Productive Culture**
- **Policies and Procedures Aligned with Healthy and Productive Culture**
 - Vending Machines
 - Cafeteria
 - Stairwells
 - Other
 - Job Design
 - Flexible Working Hours
 - Smoking Policies
 - Benefit Design

Next Generation Benefit Design to Promote Consumerism

- **Move from Entitlement to Consumer**
 - Incentives follow Actionable Behaviors
- **Provide Transparency**
 - Appropriate Physicians
 - Appropriate Health Systems
 - Appropriate Pharmaceutical Solutions
- **Promote Maintenance of Health Status**



Next Generation

5. Incentives



Incentives

Annual Incentive

Benefit Options (Co-pays, Deductibles, HSA contributions, ...)

**Premium Reductions/Premium Plan
(\$600 to \$2000)**

Throughout the Year

Hats and T-Shirts

**Cash, debit cards
(\$25 to \$200)**



Next Generation

6. Measurement, Evaluation and Decision Support



Scorecard

Percent Participation: Over a rolling three years HRA + Three Coaching sessions + Two other sessions	80% to 95%
Percent Low-Risk: Percent of the eligible population	70% to 85%
Estimated Cost of Program: Dollars per Eligible employee Excluding major incentive	\$400
Estimated Savings: Dollars per Eligible Employee	\$800



Summary

Sound Bites from the Presentation

1. The **“Do Nothing”** strategy is unsustainable.
2. **“Total Population Management”** is the effective healthcare strategy and to capture the **“Total Value of Health”**
3. We need to refocus the definition of health from **“Absence of Disease to High Level Vitality.”**
4. The business case for Health Management indicates that the critical strategy is to **“Keep the Healthy People Healthy”** (“keep the low-risk people low-risk”).
5. The first step is, **“Don’t Get Worse”** and **“Let’s Create Winners, One Step at a Time.”**

Objective

Key Thoughts

Shareholder value from creative and innovative products from healthy and productive people

Strategy

Next Generation Program to drive Objective

Partners: health plans; benefit consultants; primary care physicians; pharmaceutical companies; health enhancement companies

Outcomes to get to Zero Trend

90%-95% participation and 75% to 85% low-risk

Keep the healthy people healthy

Don't get worse



What's the Point?



Thank you for your attention.

Please contact us if you have any questions.

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