

Three Inconvenient Truths: The Future of Health Plans in a Connected World

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Research, forecasting, and strategy
for the health care marketplace

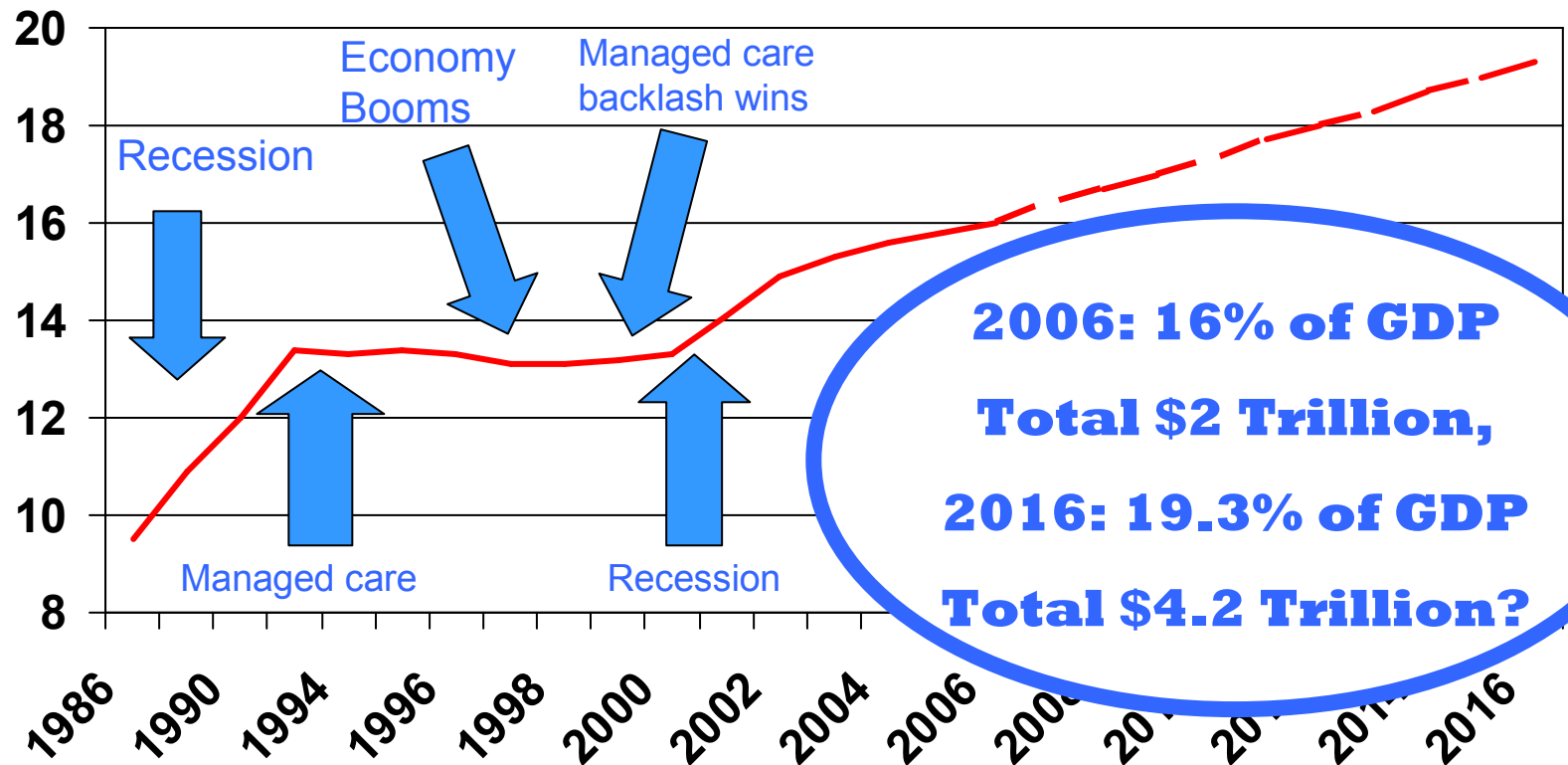


The Three Truths

1. You can't keep going on like this!
2. Technology is changing society
3. There is a place for health plans & intermediaries
→ But only if you're *really* prepared to change

The Ever Upwards Tide?

US Health care costs as % of GDP



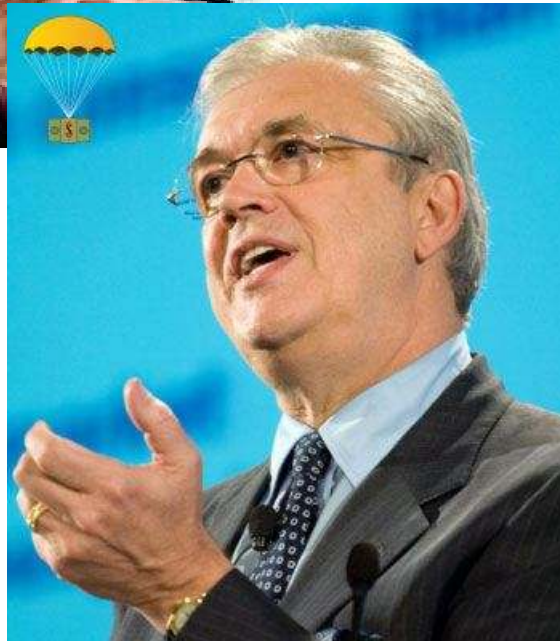
2006: 16% of GDP
Total \$2 Trillion,
2016: 19.3% of GDP
Total \$4.2 Trillion?

$$I = f(\text{PDI}) = f(\text{M5B} + \text{MBZ})$$

Where:

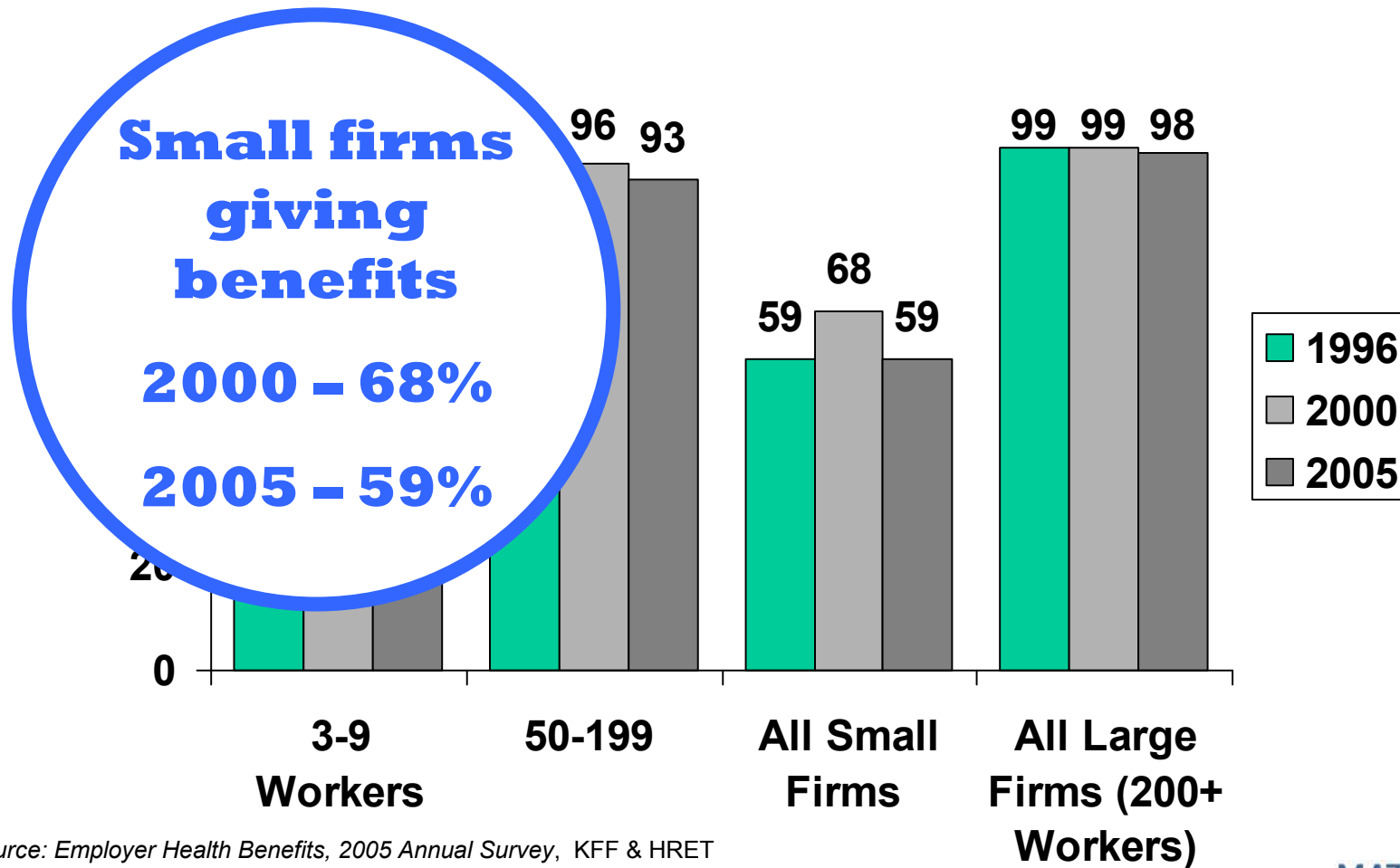
- **I** is increase in health care costs
- **PDI** is physicians' desired income
- **M5B** is mortgage payment on a 5 bedroom house with a pool
- **MBZ** is monthly lease on a new 300 series Mercedes

Three Faces of Health Insurance



Health Insurance for the Fortune 500

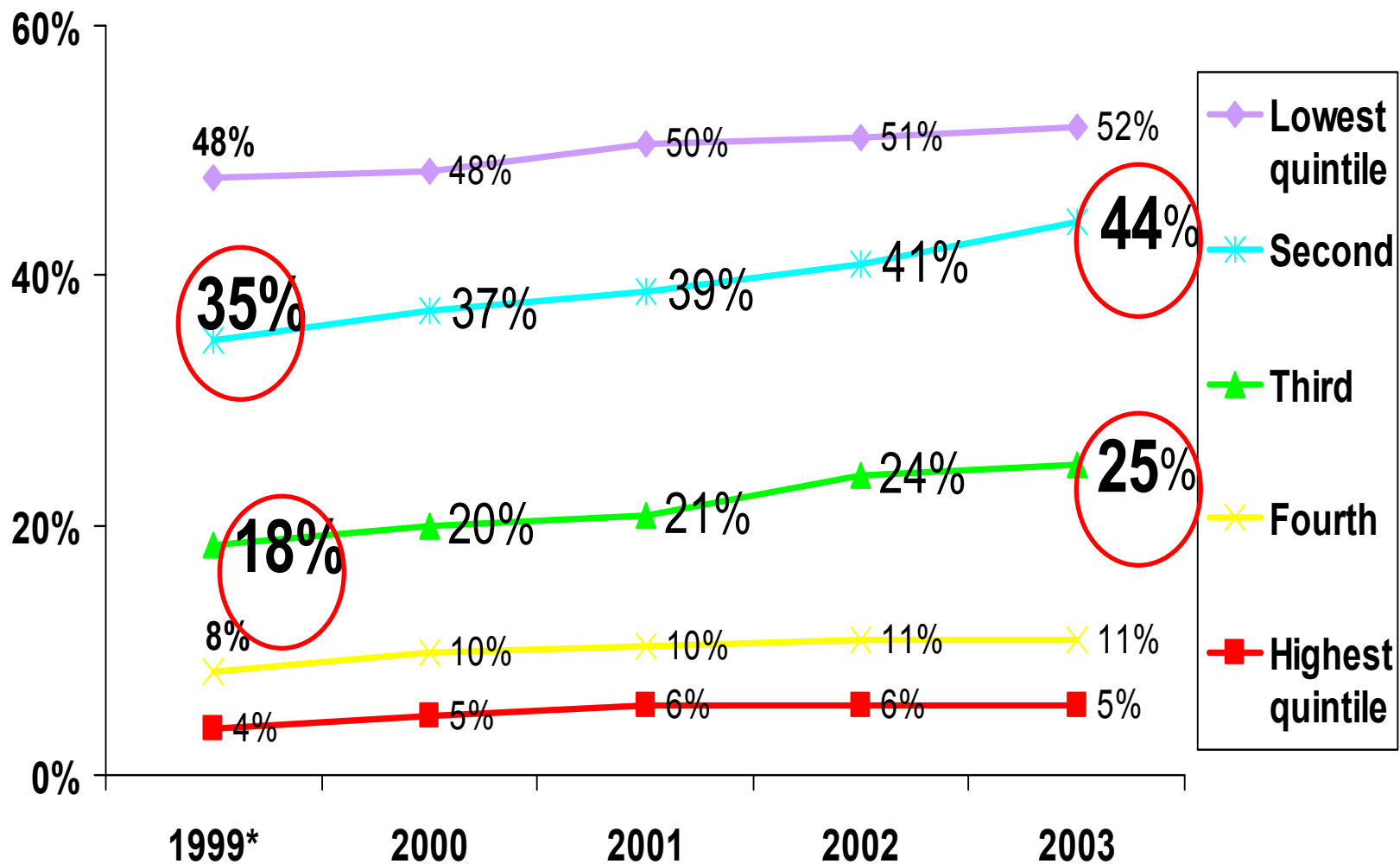
Firms Offering Health Insurance Coverage by Size



Source: Employer Health Benefits, 2005 Annual Survey, KFF & HRET

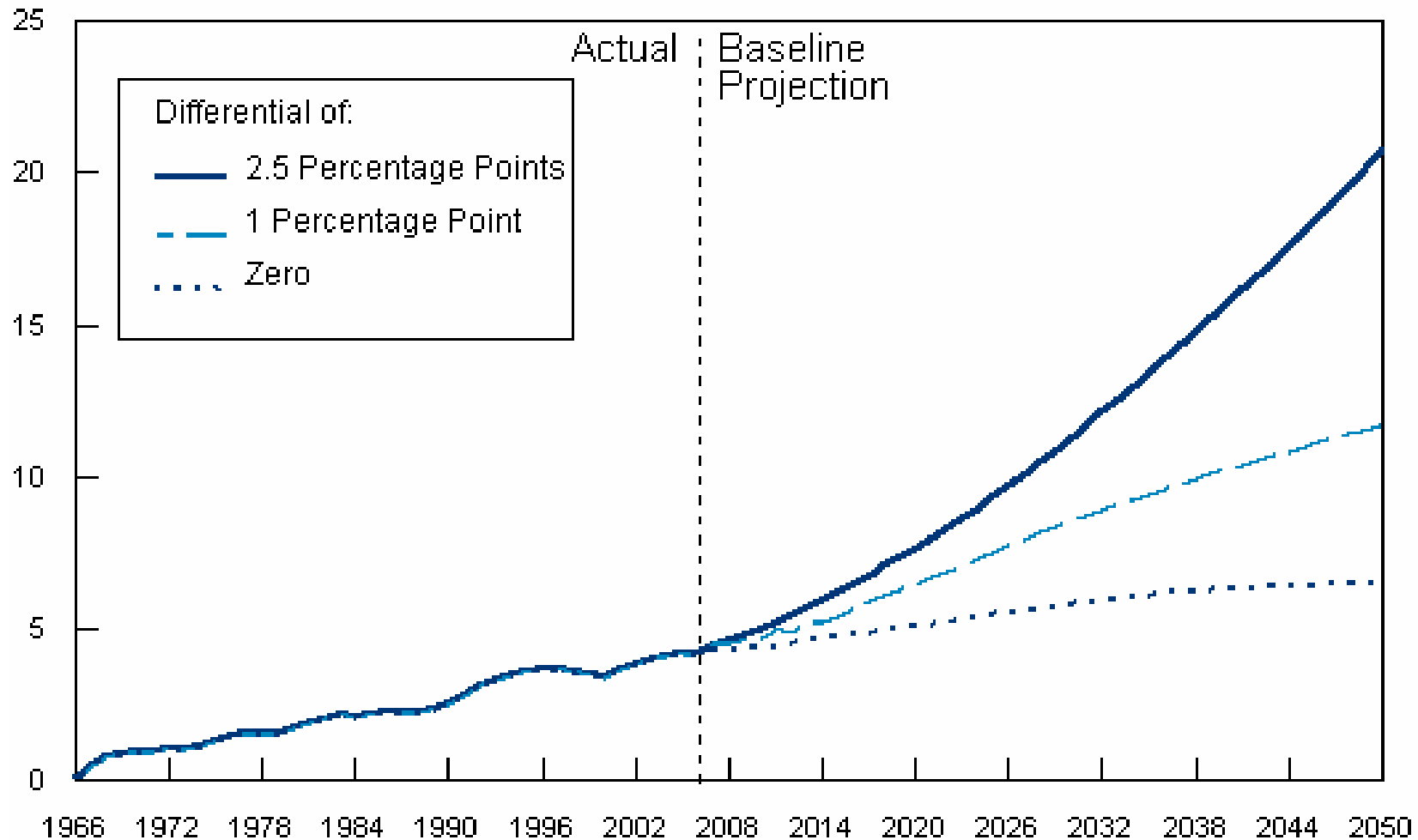
Rapid Increase in Uninsurance; in the Middle

Working adults who are uninsured for at least 3 months in a 2 year period



Source: Analysis of the March 1988–2004 Current Population Surveys by Danielle Ferry, Columbia University, for The Commonwealth Fund (Working adults who are uninsured for at least 3 months in a 2 year period)).

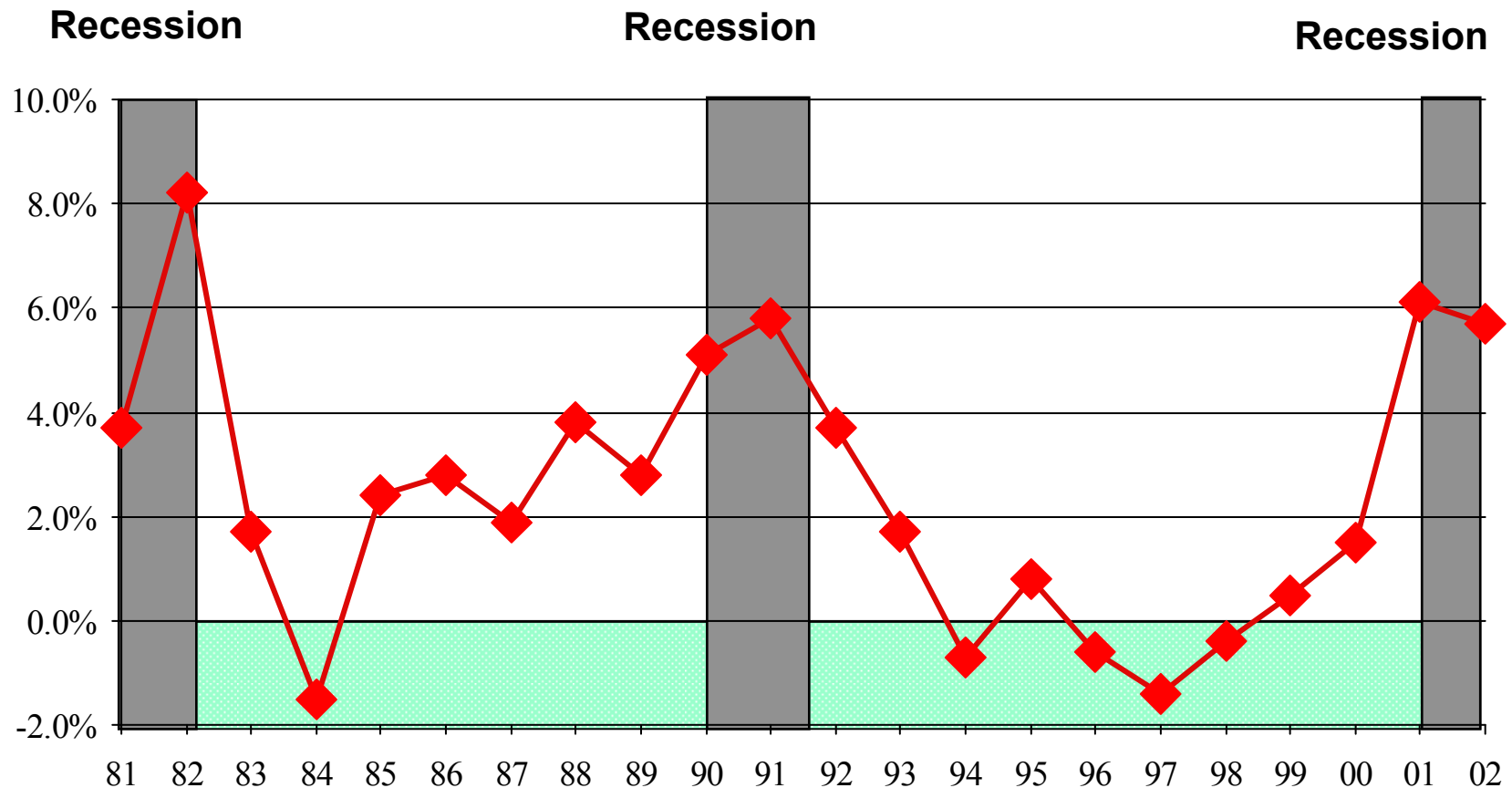
The CBO Warning



Source: CBO Director Peter Orszag's testimony to Subcommittee on Health Committee on Ways and Means, July 2007

Health Care Costs Get Noticed Most In Recessions

Difference between National Health Expenditure growth and GDP growth over time



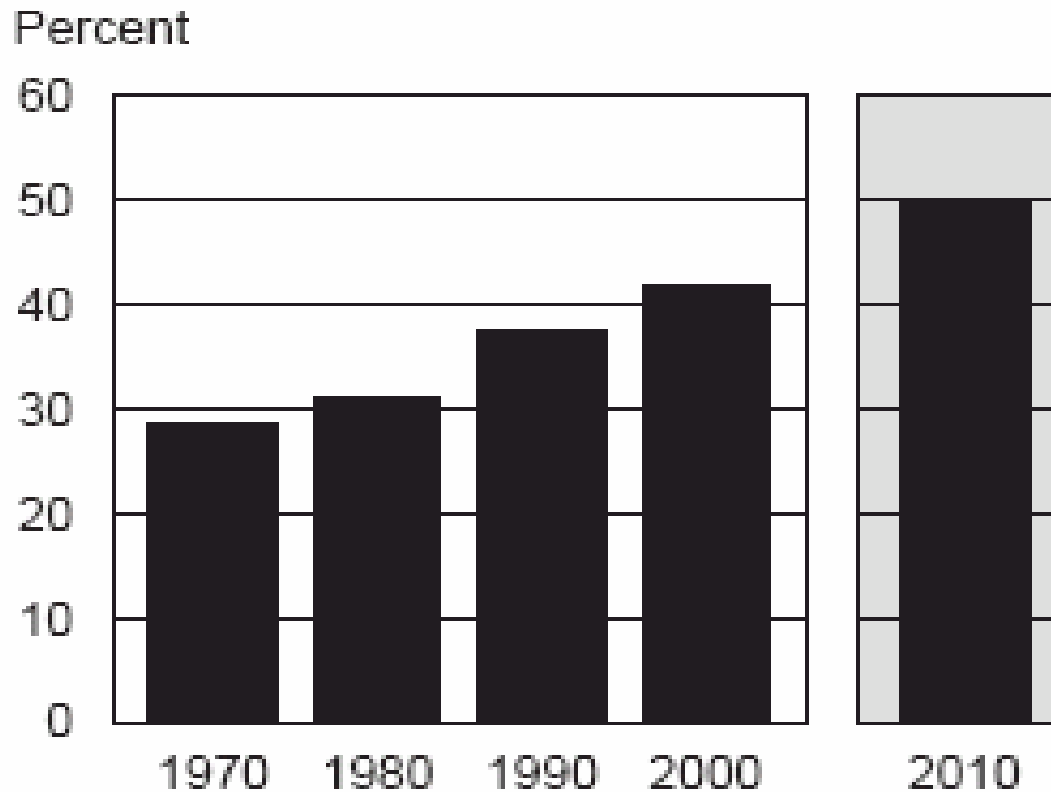
Source: National Health Expenditures, CMS

Here Comes the Reaction



More Richer Households

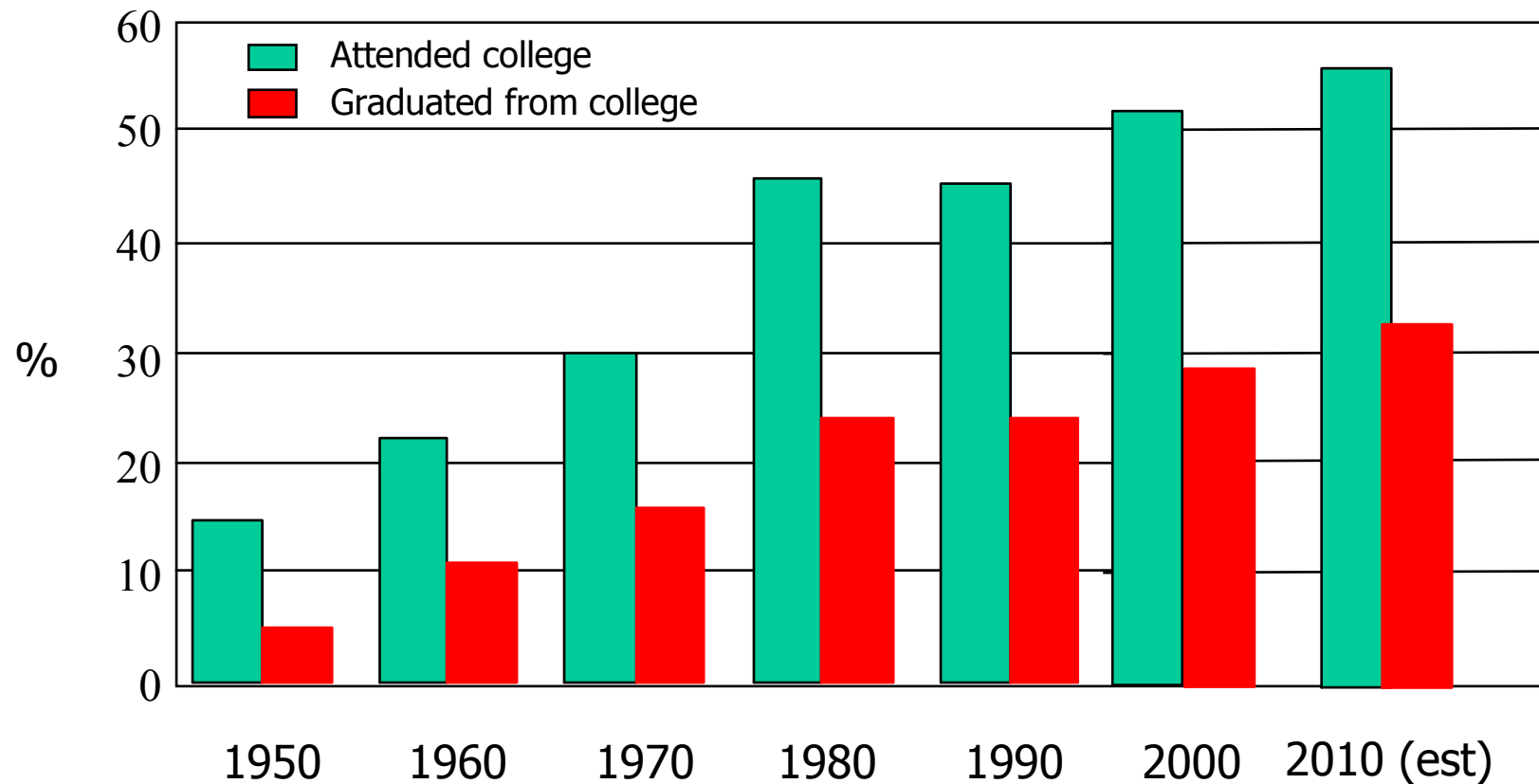
Share of households with more than than \$50,000 in incomes (2001 dollars)



Source: Institute for the Future; U.S. Census Bureau.

You'll Be Busy, Mrs. Robinson

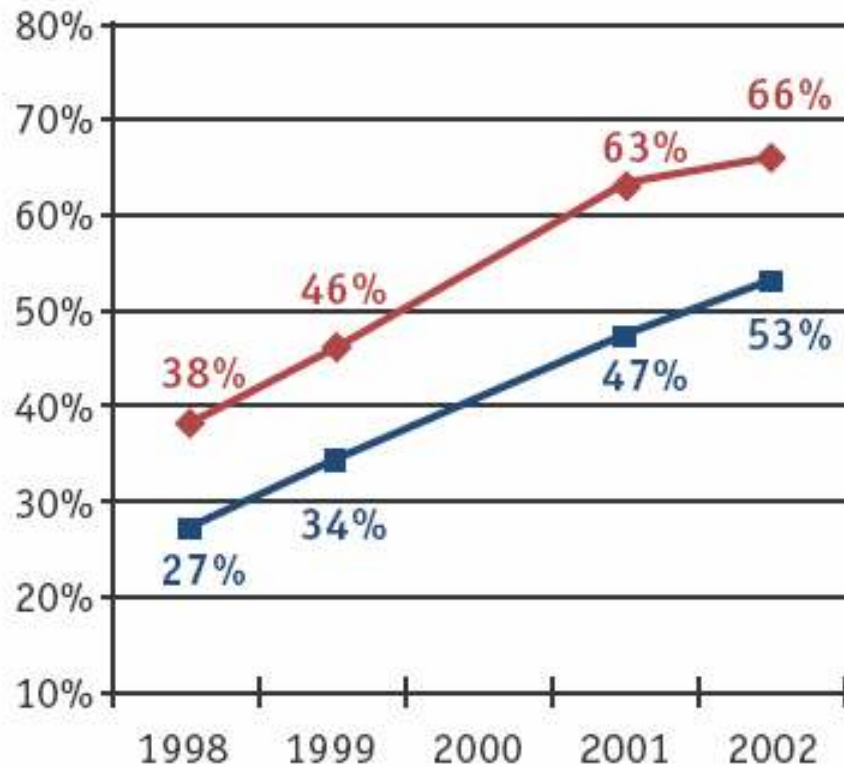
(Share of population 25 and older who attended college)



Source: IFTF, historical data from the Bureau of the Census, Current Population Reports, *Money Income in the United States* and *Household and Family Characteristics*; and the Bureau of Economic Analysis, *National Income Accounts*

The Rise of the Cyberchondriacs

Cyberchondriacs: Trends 1998 - 2002



◆ Percent of All Adults Online
 ■ Percent of All Adults Who Are Cyberchondriacs

The Harris Poll® #59, August 1, 2006

Number of "Cyberchondriacs" – Adults Who Have Ever Gone Online for Health Information – Increases to an Estimated 136 Million Nationwide

Searching the Internet for health care information has become more widespread in the past year after three years of little growth. Use of the Internet for health-related information by online U.S. adults has increased... (from 72% in 2005 to 80% now) and in numbers... have ever searched for health information online... ("cyberchondriacs") to 136 million, a 16 percent increase.

2007

160 million adults

80% of those online

Source: Harris Interactive

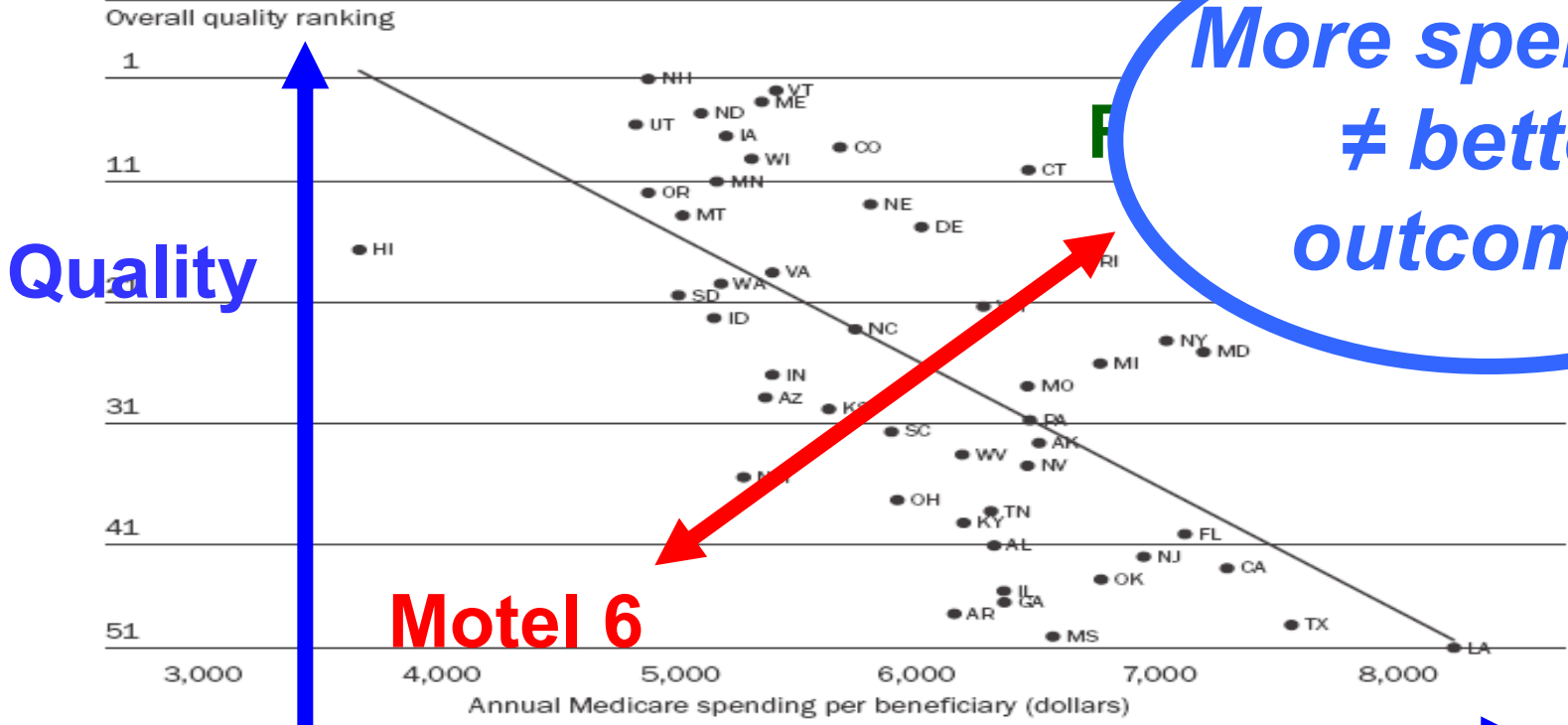
Five Functions of a Health Plan

1. Managing members
2. Managing providers
3. Managing risk & pricing
4. Managing transactions (claims!)
5. Managing & interpreting data

Cost & Quality in Healthcare

Health Affairs
April 7, 2004

EXHIBIT 1
Relationship Between Quality And Medicare Spending, As Expressed By
Quality Ranking, 2000-2001



SOURCES: Medicare claims data; and S.F. Jencks et al., "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998-1999 to 2000-2001," *Journal of the American Medical Association* 289, no. 3 (2003): 305-312.

NOTE: For quality ranking, smaller values equal higher quality.

Your Three New Roles

1. Use information technology and data to detect & change this waste
2. Create new incentives & decision-making support for providers
3. Support, advise, & motivate consumers

Or Here's the Alternative

