An Integrated Approach to Value-Based Design
## Employer Challenges

### Benefits “Value” Still Critical

Maintaining a viable health and health care plan is a competitive necessity

- Still need to attract and retain a diverse workforce
- Retained or regained health drives improved productivity but requires better return on investment (ROI)

### Employee Attitudes Challenging

Employees split on the employers role (benefits versus health)

- 74% agree employer should educate them on health benefits
- Only 38% agree employer should educate them on improving their health

### Health Plans Struggle

Can’t meet the needs of employers or members

- Choices are limited (and performance is underwhelming)
- Difficult to differentiate capabilities or commitment to truly change the game
- “Value added” services are not integrated, unevenly delivered and hard to evaluate

### “Bad” Health Behaviors Growing Cost Driver

Preventable and/or lifestyle related conditions causing high costs and lost productivity but engaging people to change their behavior is still a huge challenge

- Obesity
- Diabetes
- Smoking

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*Managing an employer-sponsored health plan is more challenging than ever*

1 Hewitt 2008 *The Road Ahead Employee Survey*
To Make Matters Worse

Financial Pressures Mount

- Balance between business survival and maintaining competitive position
- Human resources (HR) being “asked” to contribute to and support cost-saving initiatives
- Short-term cost savings versus long-term payoff of improved health

Financial Crisis Exacerbates Health Crisis

- People forego or postpone essential care
- Health behaviors erode as stress grows
- Mental health issues emerge
- Job losses increase number of uninsureds
Making the Choice

To survive, employers might

- Cut costs first—“Ready, Fire, Aim!”
- Worry about longer term implications later—“Law of Unintended Consequences”

To thrive, employers must

- Cut the right costs
- Invest in measurable health improvement
- Design, measure, revise
- Be disciplined about ROI

Hewitt’s View—Employers CAN thrive in uncertainty by demanding lower cost AND higher value
Hewitt’s Point of View—To Thrive, Manage Cost, AND Improve Health

- **Pick the Low Hanging Fruit**
  - Less cost-shifting, more vendor negotiations
  - Get the best deals from your suppliers, or find new ones
  - Drive out waste while improving efficiency

- **If You Can’t Measure It, Your Credibility Is at Risk**
  - Show clinical and financial outcomes to justify any investment

- **Tackle Specific Behaviors and Conditions**
  - Obesity, Smoking, Exercise
  - Typical employer: diabetic costs—$13,000/year, non-diabetic—$2,600/year

- **Get the Whole Organization Involved, and Set a Personal Example**
  - Launch company health the way you would launch a product, not another HR “program” buried on the intranet
  - Lead by example: model healthy behaviors as a business leader
# Current Employer Strategies

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<thead>
<tr>
<th>Strategy</th>
<th>Percentage</th>
<th>Details</th>
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<tbody>
<tr>
<td>Modified Status Quo—40%</td>
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<td>By adjusting current designs</td>
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<td>- More cost shifting</td>
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<td>- More “take-aways”</td>
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<td>- Minimal emphasis on behavior change</td>
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<td>Purchasing Based—20%</td>
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<td>By using all-in vendor solutions</td>
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<td>- More consolidation</td>
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<td></td>
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<td>- Higher expectations for improved vendor performance</td>
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<td></td>
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<td>- Assumes lack of true vendor differentiation</td>
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<td>“Off the Shelf”—30%</td>
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<td>By adopting ready-made solution</td>
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<tr>
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<td>- Lack of strategic plan</td>
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<td>- Lack of targeted solutions</td>
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<td></td>
<td></td>
<td>- Follow-the-leader and see where it goes</td>
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<tr>
<td>Integrated &amp; Targeted—10%</td>
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<td>By changing the game</td>
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<td>- Drives changes that matter...create value in program</td>
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<td>- Increases accountability for all</td>
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<td>- Requires leadership support and personalized interventions</td>
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<td>- Embraces technology</td>
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“Value”= Getting to “Right”

The “right” outcome is about supporting all the health care that is needed, but only the health care that is needed.
Value-Based Design (VBD): Fiscally Responsible and Clinically Sensitive

Noncompliant Patient

VBD, when coupled with other health management programs

- Reduces financial barriers to essential care
- Improves compliance with necessary treatments
- Reduces medical costs and improves productivity over time

Simply put…value-based designs set cost-sharing on value, not price
VBD Continuum

**Target Services**
Enhance benefits for clinically valuable services across *broad population*

**Target Patients**
Enhance benefits for specific clinically-defined categories based on *patient-specific characteristics*

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**Patient Accountability**

*High* to *High*

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**Patient Identification**

*Low Specificity* to *High Specificity*

**Administrative Complexity**

*Lowest* to *Highest*

**Benefit Enhancement Cost**

*Highest* to *Lowest*

**ROI**

*Lowest* to *Highest*
An Integrated Solution

Value-Based Program

Providers
PBMs
Wellness
Design
Disease Management
Coaching
Diversity
Communication
Health Plans/Networks

VBD is only one piece of an integrated solution... if we truly desire long-term, sustainable, improved health outcomes, every program component must work together.
Employer Response

Which of the following types of VBD programs or enhanced benefit design coverages do you currently offer or plan to offer in the future?

Data Source: Hewitt’s 2008 Road Ahead Survey
Our Approach to VBD

A value-based benefit program must integrate with other programs

- It’s not the “silver bullet”!

- VBD ROI will depend heavily on other programs already in place
  - VBD-specific ROI will be difficult to quantify in a well-constructed wellness/risk-based program

Feasibility is the first step

- Quantify at a high level whether the approach makes sense, using employer’s own data

- Integration with other programs is crucial

- Implementation needs to be in partnership with PBM and medical plans
Hewitt’s VBD Economic model

Our economic model was developed in an exclusive partnership with Dr. Mark Fendrick, MD (University of Michigan) and Dr. Michael Chernew (Harvard University)

- Model is founded on economic principles of elasticity
- Sits atop Hewitt Associates’ (Hewitt’s) proprietary actuarial pricing model

The model incorporates an employer’s actual prescription drug claims/utilization data to estimate impact of a VBD program

Output is the increase in cost to implement a value-based benefit design

- Can incorporate the estimated offsets due to improved medical and productivity outcomes
- Can also estimate the needed change in design for nonvalue-based prescription benefits
Our VBD Assessment Solution

- Assess current Rx compliance and gaps across 11 chronic conditions

- Model incentive design alternatives to target improved Rx compliance for specific conditions
- Calculate level of investment or amount of cost to spread to other benefit areas
Inquiries

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