HealthCast 2020: Lessons for Australia

Presentation to AHIA 2007
Conference of the Australian Health Insurance Association

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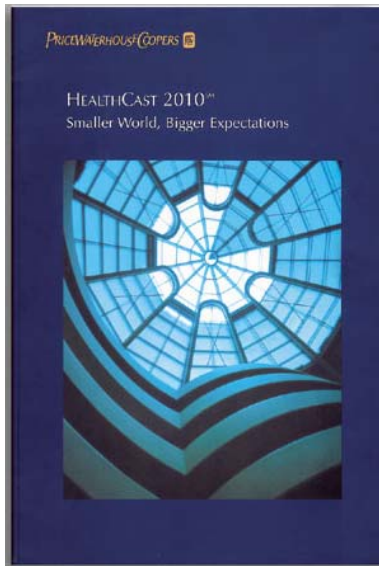
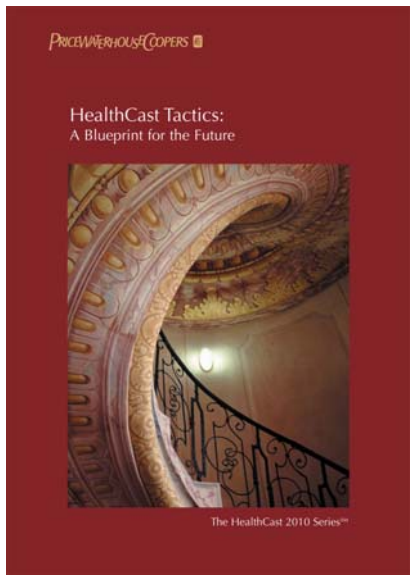
The HealthCast Series



HealthCast 2010

Disruptive Drivers of This Decade



HealthCast Tactics

Success Strategies for Next 3 to 5 Years

HealthCast 2020

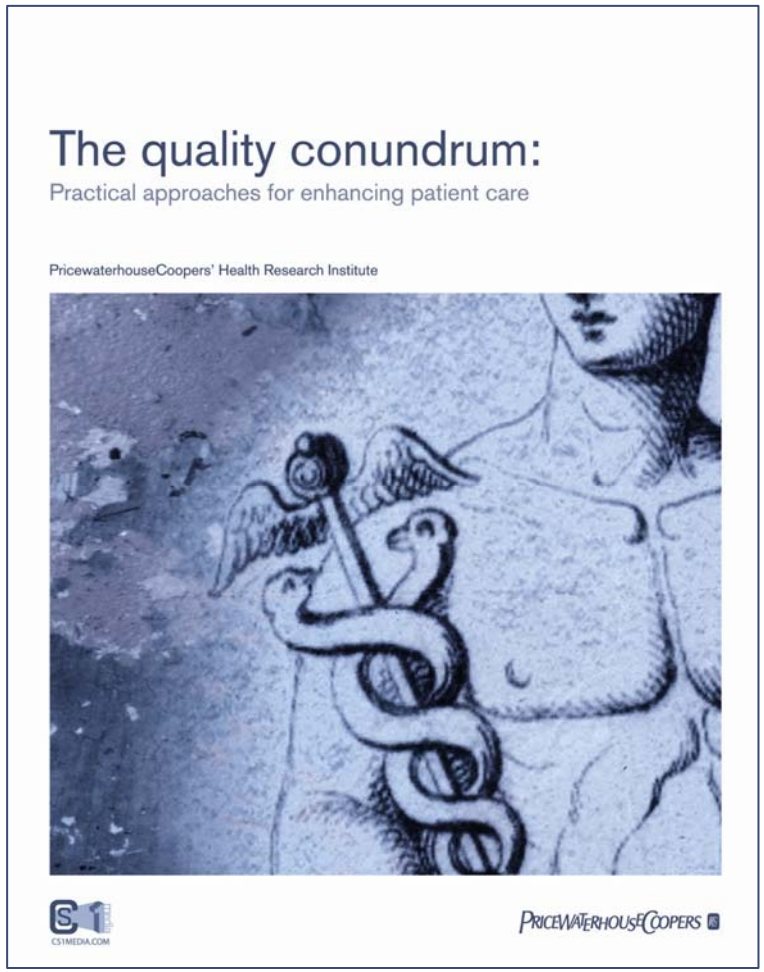
Sustainability through Global Lessons

Healthy choices:
The changing role of the health insurer*

October 2006

*connectedthinking

“The Quality Conundrum” and **“Keeping Score”**



HealthCast 2010 (published 1999)

Three major forces

- An empowered **consumerate** creates impatient patients
- **E-Health** adaptability equals survival
- Genomics helps shift Healthcare from Cure to **Prevention**

Four future trends

- Health Insurance trends to converge
- Health processes to become standardised
- Workforces to adapt to Technology & Consumerism
- Ageing, Technology & Consumerism create difficult choices

HealthCast Tactics (published 2002)

Two major themes

- Creating the future **hospital** system
  - Focus on high margin, high volume, high quality
  - Strategic pricing
  - Understand demands on workforce
  - Renew and replace ageing physical structures
  - Information at the fingertips
  - Support physicians through new technology
- Creating the future **payer** system
  - Pay for performance
  - Implement self-service tools to lower cost & shift responsibility
  - Target high volume users through predictive modelling
  - Move to single platform IT and data warehousing systems
  - Weigh opportunities, dilemmas and public / private gaps

HealthCast 2020 (published 2005)
About the Research

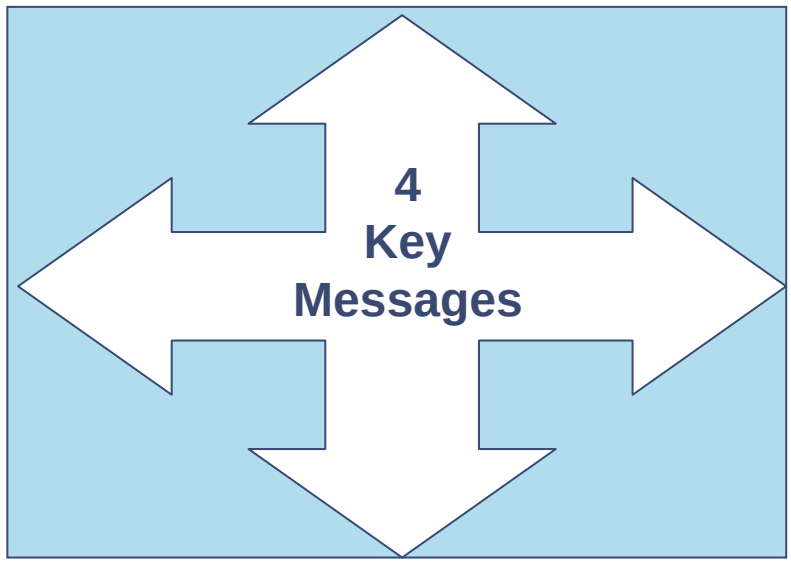
- 10-month global research project
- Steering committee from Australia, US, UK and the Netherlands
- Six multi-territory research teams
- PwC survey centre in Belfast conducted 578 telephone surveys in 27 countries of C-suite in health industries, employers, policy makers
- PwC consultants conducted 125 in-depth interviews in 16 countries

HealthCast 2020 Topline Messages

PwC interviewed 700 health leaders all over the world and learned…

Nearly all interviewees were afraid that their current health system is not built to last.

Consumers will be play a much larger role, which will change the way healthcare is delivered, managed and received.

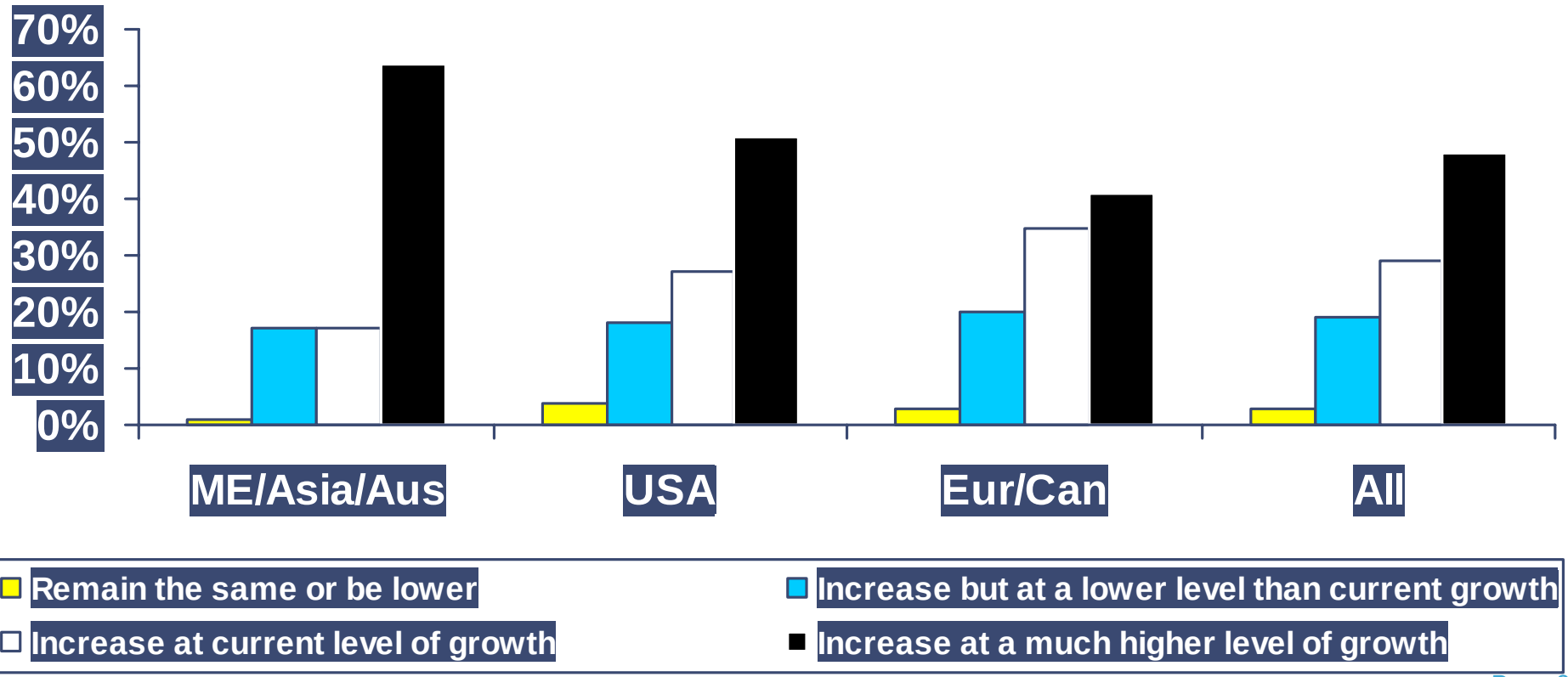


While no one country has all the answers, most have pieces of the solution that everyone can learn from.

A convergence of healthcare solutions is underway. We need to apply global solutions to local healthcare problems.

HealthCast 2020
Anticipated Cost Increases

How much do you expect health spending to increase in your country?



Source: Healthcast 2020 Survey

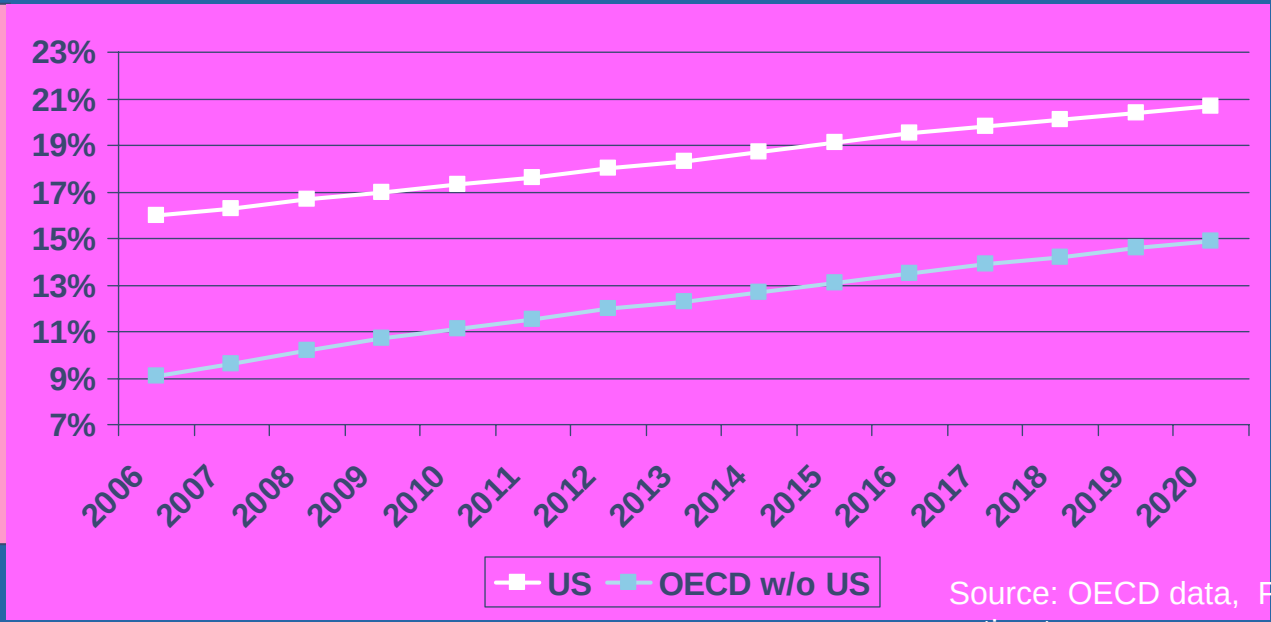
HealthCast 2020
Projected Health Spending as Percent of GDP

OECD countries are converging in spending trends

Global health spending will triple to $10 trillion in 2020

Drivers:

- **Aging**
- **Rising standard of living**
- **Consumerism**



Source: OECD data, PwC estimates

2003 US per capita spending on healthcare -- $5,670

Rest of OECD -- $2,352

Building the Sustainability Core:

Seven Features of a Sustainable Health System

These three big ticket items are inextricably linked…….and relevant to private involvement:

- The quest for Common Ground seeks to **define and agree on the role** of the respective arms of government, the private sector, and consumers
- The need for Incentive Realignment seeks to facilitate outcomes through **mutually beneficial outcomes** across the defined Common Ground. This will be especially important in emerging areas such as;
  - Chronic disease management
  - Community based ageing and care
- **Safety and Quality** can be considered a mutual benefit in its own right, and hence needs to be part of any incentive structure

Three further PwC Reports investigate these issues in further detail….

Common Ground

A vision and strategy to balance public versus private interests and provide basic health benefits within the context of societal priorities.

Transferable Lessons: Common Ground

- Collaborate across traditional sectors and territory boundaries
- Determine what care or benefits are basic to public health and structure an insurance system for the rest
- Use regulation to encourage and strengthen competition
- Access new sources of capital to remain competitive

- **New Dutch system has mandatory insurance and basic benefits package.**
- **German hospitals privatized**
- **In Australia:**
  - **coordinated care trials and sharing healthcare**
  - **evaluation of PPPs**

Healthy choices:
The changing role of the health insurer*

October 2006

*connectedthinking

Why the report? Pressures for change, probable implementation of reform and, most likely, growth in some major territories.

- **Threat to governments' fiscal objectives** from rising public sector health expenditure

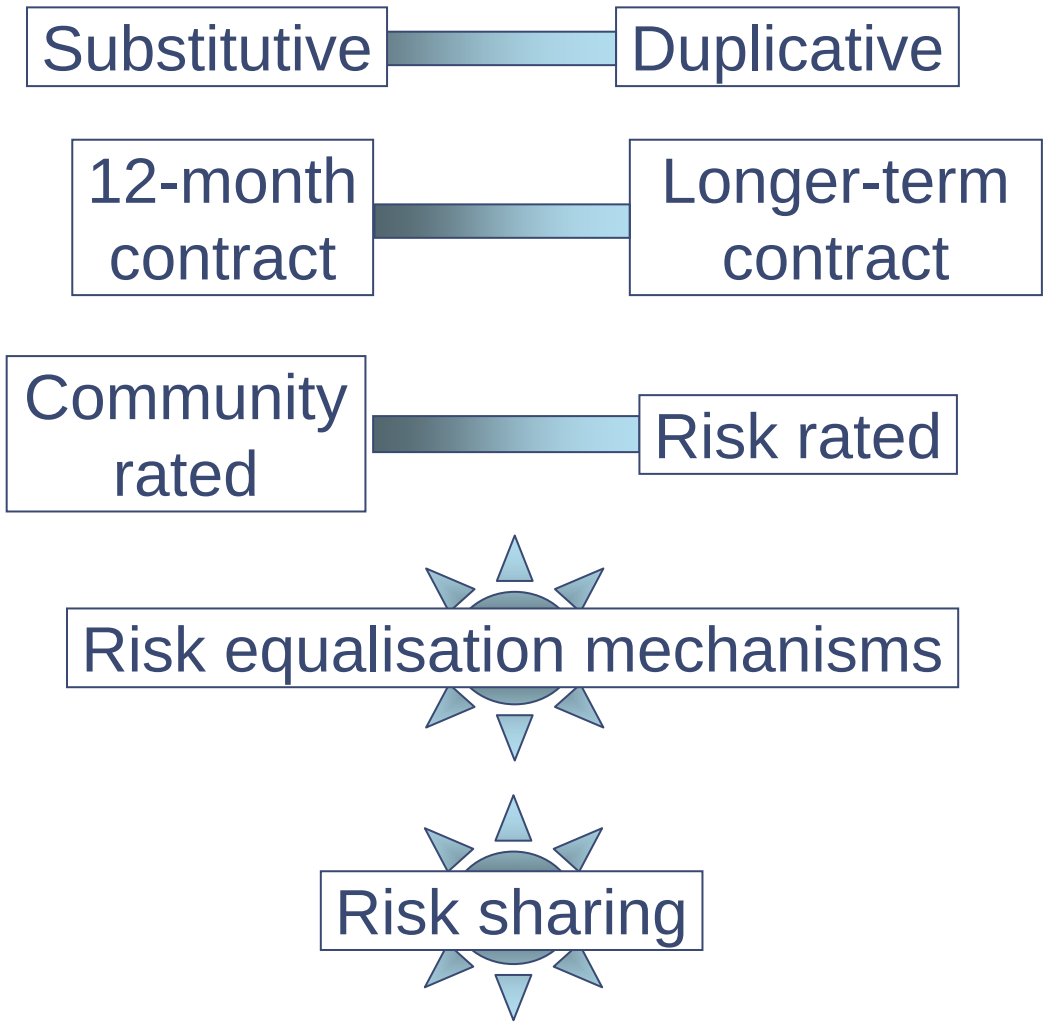
- **Expansion of private sector contributions to healthcare funding** will be a part of the answer – in the mass market this means health insurance

- **The report looks at the different possible systems**

Why the report?

"We show how … unsustainable the public finances of France, Germany, Switzerland and the US are, given their demographic developments … one can justifiably say that social health insurance schemes are the major drivers behind unsustainable fiscal policies" *Hagist, Klusen, Palte, Raffelhueschen, CES, Frieburg University, October 2005*

No need to wait for changes to see vastly different systems in operation – just look around



- Many different systems
- Nobody is satisfied with existing system
- The report describes the dynamics of the current health insurance systems in a selection of major territories

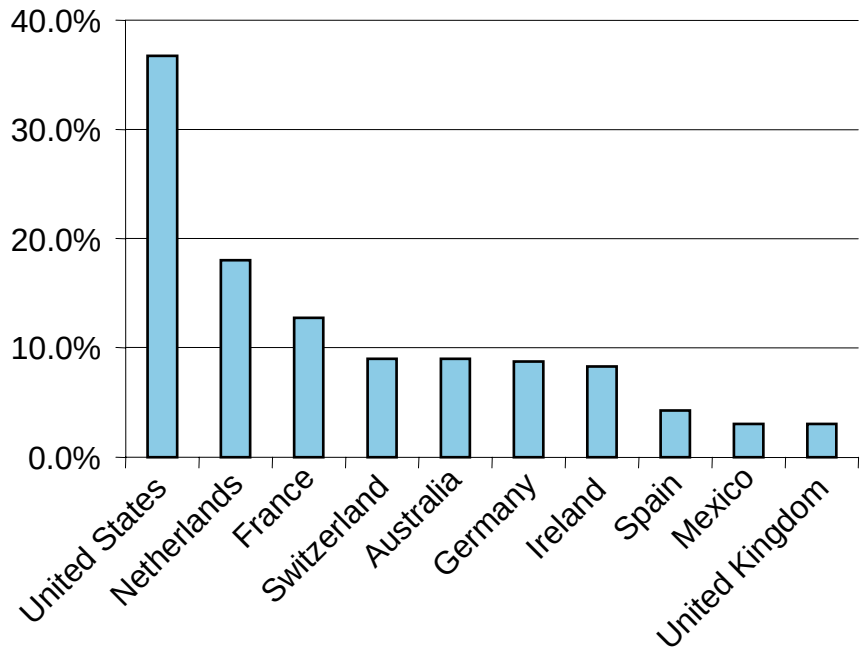
And the systems do, of course, matter. The resulting contribution from private health insurance varies greatly.

The US – a large contribution from private insurance, but high numbers of uninsured

Neths/Germany – tradition of private and social insurance and universal coverage, but usually regarded as expensive

UK –small contribution from private insurance, tradition of state provision, but standard of care an issue

Percentage of healthcare costs paid by private insurance (2003)



Source: PwC

When changes happen they can be fundamental to the way a market operates

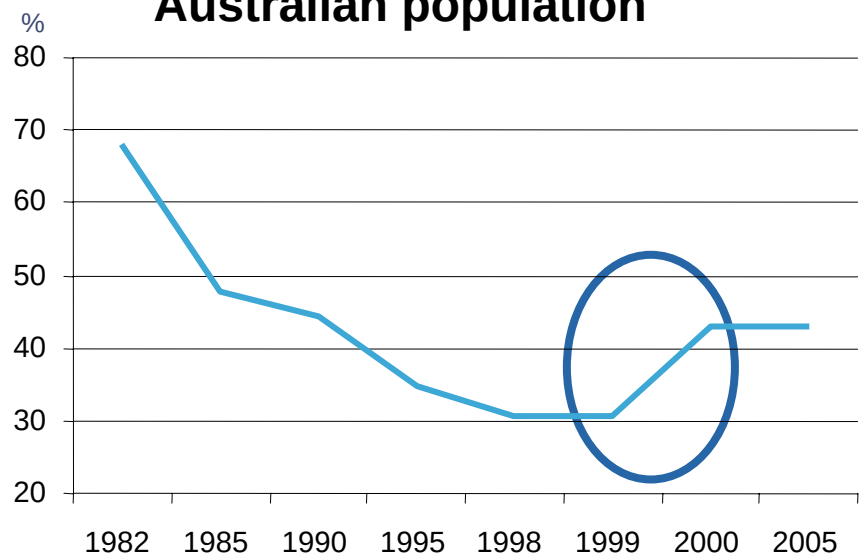
An example:

In Australia, the government intervened by

- Providing a 30% rebate on premiums
- Relaxing community rating to allow lower premiums for younger policyholders

Reform will create new winners and losers

Private health insurance penetration of Australian population



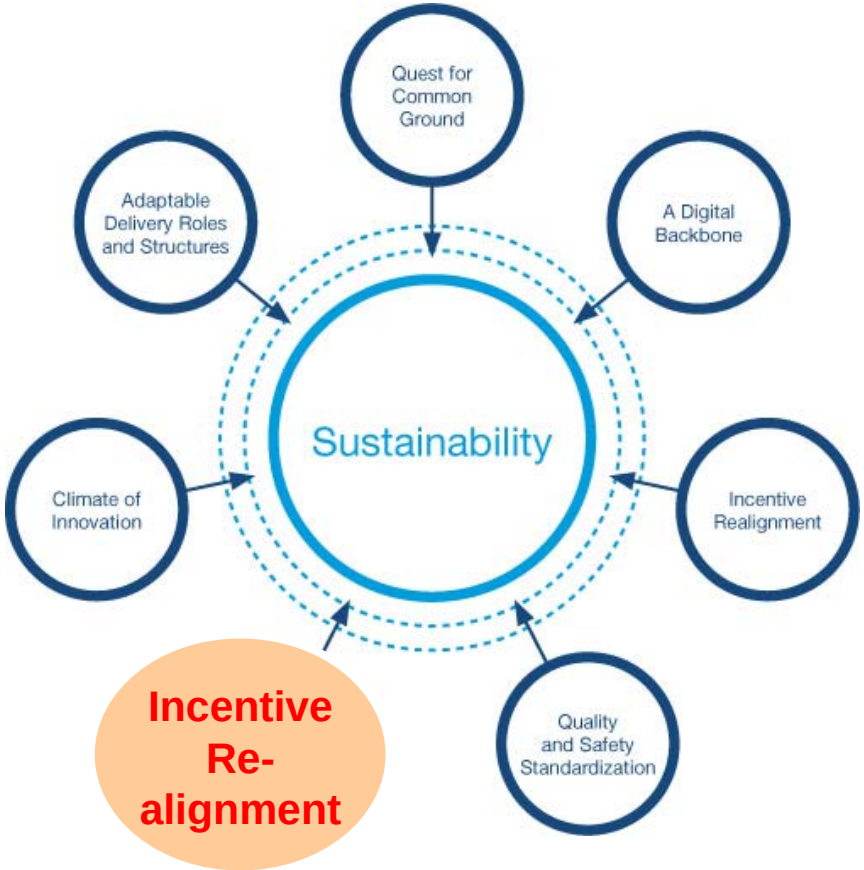
Source: PwC

Data from; PHIAC

The question for us and our clients is who will benefit from changes?

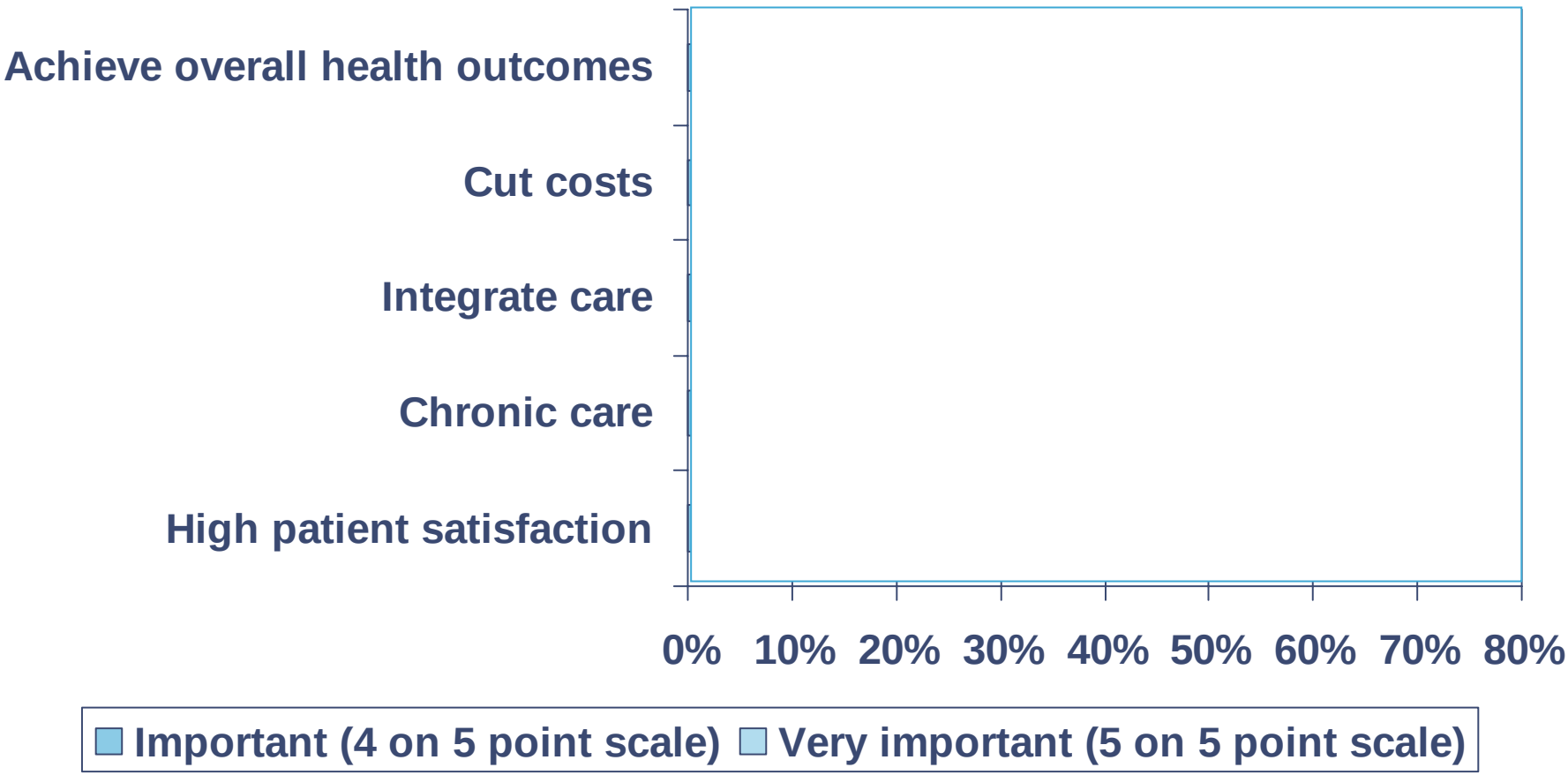
"DKV (Munich Re's health insurance brand name) believes t**here are only five worldwide leaders** (including DKV and Allianz Kranken in Germany) **with the tools to benefit significantly from health insurance reform** and demographics." *UBS November 2005*

Incentive Realignment



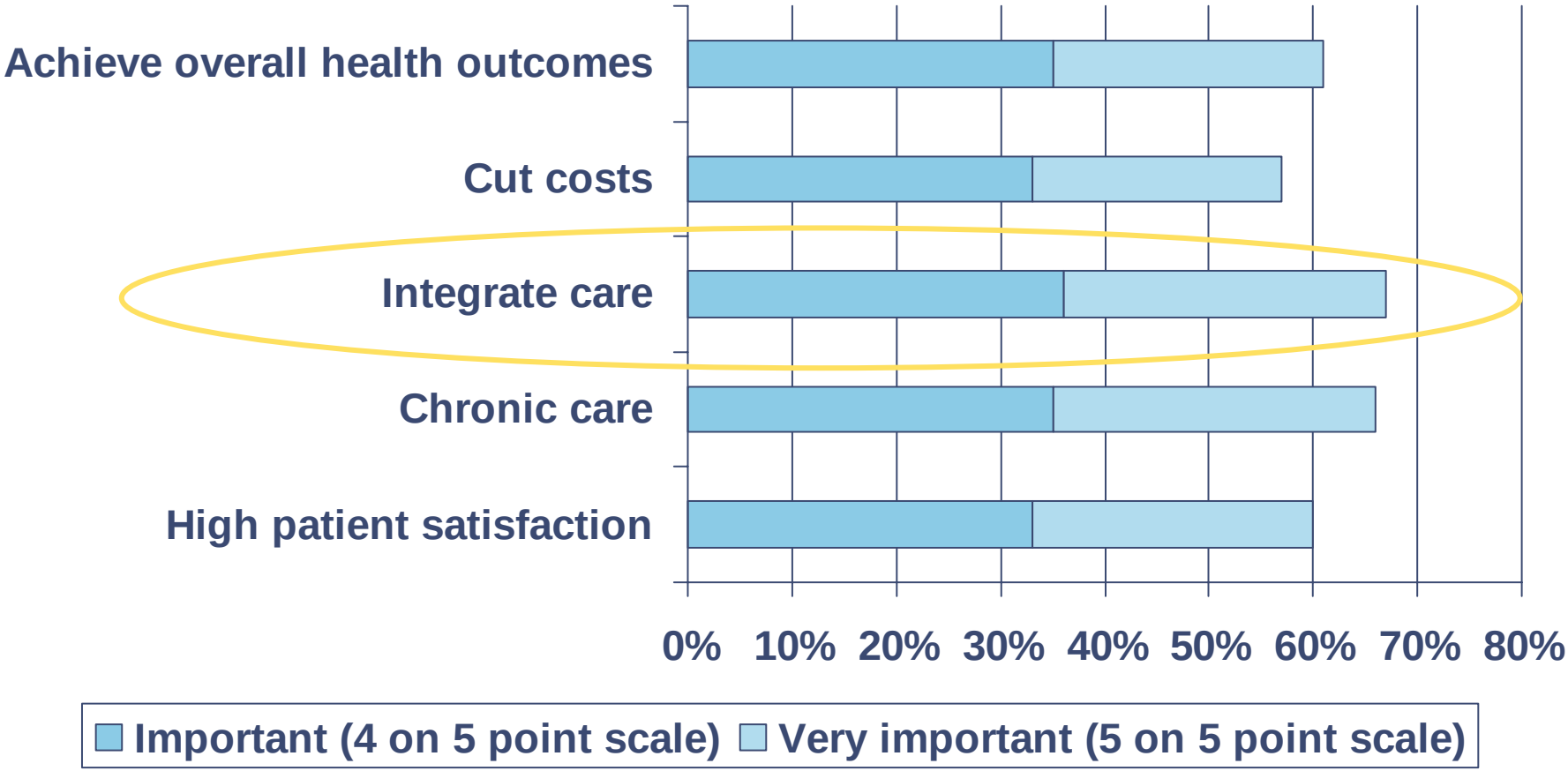
Incentive systems ensure and manage access to care while supporting accountability and responsibility for healthcare decisions

Incentives Need to Be Realigned to--?



Source: HealthCast 2020 Survey

Incentives Need to Be Realigned to Integrate Care



Source: HealthCast 2020 Survey

Transferable Lessons: Incentive Realignment

Transferable Lessons:

- Establish shared incentives to accomplish mutual goals
- Make wellness the preferred, if not mandated, lifestyle
- Make consumers more personally responsible for the cost of seeking care
- Put prices on the menu; disclose charges
- Reinforce clinicians' roles as facilitators of appropriate care

- **Co-pays introduced in Germany in 2004, reduced physician visits by 8.7%**
- **Italy finds limited results from co-pays, focuses on physician referrals**

Australia and the US use health coaches to help chronic condition patients navigate the system – visits based on risk factor change

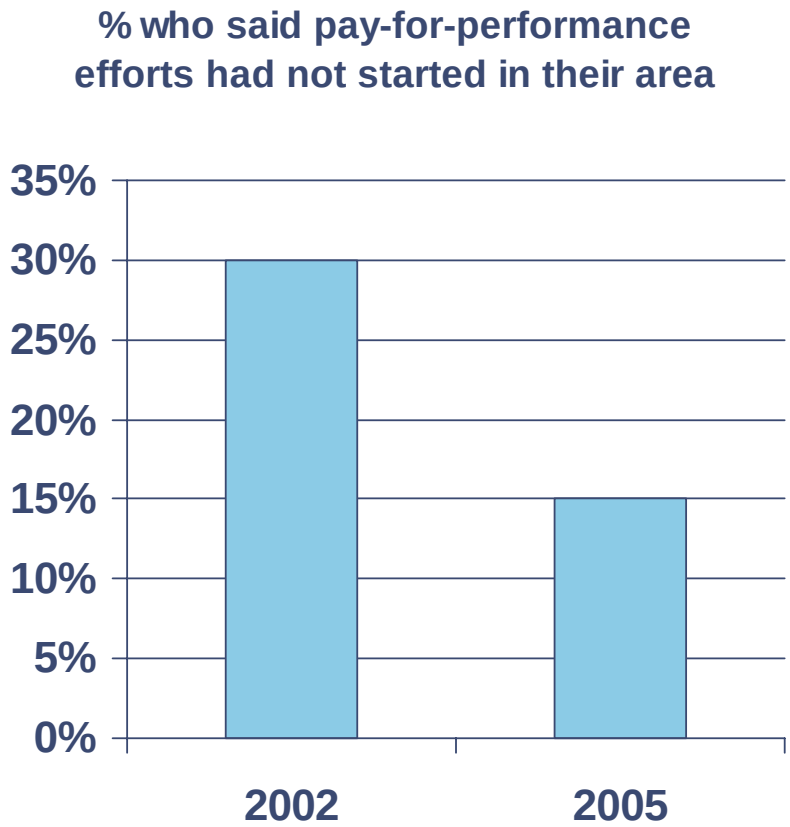
Quality and Safety Standards

Defined and enforced clinical standards establish mechanisms for accountability, enhance transparency, and build trust

Transferable Lessons: Quality and Safety Standards

Transferable Lessons:

- Harmonise quality standards
- Make error reporting voluntary and anonymous
- Incentivise clinicians for outcomes,
  not activity, through pay-for-performance
- Learn from existing systems when
  designing performance-based reimbursement
- Publish or perish
- Leverage quality to move the market



Source: HealthCast 2020 SurveyS

From *HealthCast* to: **"The Quality Conundrum"** to **"Keeping Score"**

It is impossible to improve what cannot be measured or to measure what hasn’t been defined.

It is impossible to improve what cannot be measured or to measure what hasn't been defined. A practical approach to improving care from the perspective of providers, payers and employers is pay-for-performance (P4P), which attempts to define, measure and reward quality.

Everyone wants quality, but everyone's keeping score differently.

- **Yesterday**: Traditional payment methods pay providers the same regardless of differences in quality.
- **Today**: Commercial health plans in the US respond to employer demands for quality improvement with pay-for-performance (P4P) programs that incent quality care. Evidence of recent health policies illustrate a clear movement towards P4P:
  - P4P initiatives with hospitals and physicians
  - Demonstration programs in P4P
  - The US federal government's growing healthcare quality incentives

The most mature P4P programs are more than 10 years old. However, P4P programs are still evolving.

- As P4P has evolved providers have faced a host of new and varied reporting requirements-what some call a “virtual soup of different metrics.”

- This has caused some to question the value of P4P and whether the results are worth the administrative burden.

About the Research

- To better understand the full picture of P4P HRI surveyed P4P activities of commercial payers.
- Interviewed executives with 10 of the nation's largest commercial payers, and reviewed their P4P scorecards.
- Those surveyed included a balance of regional, national, Blue Cross/Blue Shield (BCBS), investor-owned and not-for-profit plans.
- Collaboratively, plans surveyed cover more than 39 million individuals.

Tremendous variation exists between commercial health plans' pay-for-performance programs. "As the saying goes, you've seen one pay-for-performance program, and you've seen one pay-for-performance program."

- Nearly 60 indicators of physician performance are being used by the plans surveyed. Of those 60 indicators, not a single indicator was used by all 10 plans.
- Of the plans surveyed, no two pay providers for performance in the same way.
- Of the plans surveyed, all administer their programs in widely different ways.

Key findings

Despite the wide variation between P4P plans, our research found commonalities among P4P programs.

1. P4P is viewed as a necessary component of a quality-driven healthcare system, but not the final solution.
2. Health plans believe that they must tailor their P4P scorecards for specific needs, leading to a cornucopia of metrics in the market.
3. In the commercial sector, physician P4P programs have evolved more fully than hospital programs.
4. Transparency of physician performance is still in its infancy.
5. Measurement is not enough; P4P payments are too low to significantly change provider behavior.
6. Results from P4P are spotty (in terms of commercial value for the payers) and few plans have set up tracking methods.

Conclusion from this report on P4P

Pay-for-performance will have significant impact on how care is delivered only if we can create a landscape wherein providers face the same metrics and substantial rewards for all of their patients, regardless of their insurance coverage.

- Providers need incentives to make sustainable improvements in quality and care delivery
- P4P is an important tool to link payment to quality
- P4P allows payers to respond to increasing demands for transparency and shape their own destiny in a consumer-oriented market
- But wide variation in P4P programs mutes their potential impact
- Ultimately, to have impact, we need an all-payer approach to P4P.

Conclusion continued

There are ways that health plans can take steps to achieve this goal, while improving their own success under P4P.

- Systematically evaluate P4P results
- Align physician and hospital incentives to enhance the impact they can make – and revenue they can receive – through P4P.
- Participate on a regional basis to define, shape and share clinical information.
- Evolve outcomes-based performance measures.
- Identify and leverage best practices.

So where does this leave us?

5 “Solution Drivers” for change…….

 **System**	Industry standards and government regulations are the solutions over which individual organisations have the least direct influence. However, healthcare organisations must devote some resources and participate in national policy debates in order to create a more sustainable health system.	1. Collaborate across traditional sectors and territory boundaries 2. Determine what care or benefits are basic to public health and structure an insurance system for the rest 3. Use regulation to encourage and strengthen competition **4. <u>Organise care from the patient's point of view</u>:** establish a patient-centric continuum of care 5. Think small

Solution driver	Description	Transferable lessons
 **Finance**	Organisations must concentrate on improving their financial position in order to meet global challenges. These solutions will be based in both revenue and expense areas, as well as knowing when and how to make investments.	1. Make consumers more personally responsible for the cost of seeking care 2. Put prices on the menu; disclose charges 3. Learn from existing systems when designing performance-based reimbursement **4. <u>Incentivise clinicians for outcomes, not activity</u>**, through pay-for-performance models 5. Design financial incentives to anticipate cream-skimming 6. Access new sources of capital through public-private partnerships

Solution driver	Description	Transferable lessons
 **People**	Ultimately, healthcare is delivered by people for people. The capacity for staff to accept and embrace change will make or break solutions because people are the implementers. Organisations that can help their people manage change will be at an advantage in the global health system.	1. **Establish shared incentives** to accomplish mutual goals 2. **Make wellness the preferred, if not mandated, lifestyle** 3. **Train workers in new technologies** 4. **Leverage nursing** more widely 5. **Challenge conventional training models** to create new resources and roles that meet future needs

Solution driver	Description	Transferable lessons
 **Process**	Process redesign to increase efficiency and efficacy will be a required competency in the fast changing healthcare environment. Exploiting new technologies, clinical developments and globalisation will require process change for organisations to be efficient and nimble.	1. **Reinforce clinicians' roles as facilitators of appropriate care** 2. Reach agreement on quality standards 3. Make error reporting voluntary and anonymous 4. Publish or perish: **report performance** to enhance transparency and knowledge sharing 5. Leverage quality to move the market 6. **Listen to customers**

Solution driver	Description	Transferable lessons
 **Technology**	New medical technologies and new ways to capture and use medical data are just a few examples of how technology can make health systems better. Health organisations will need to choose wisely within limited budgets when it comes to how and what technology they buy.	1. Invest in a shared IT infrastructure 2. Leverage technology to **eliminate duplication and administrative inefficiencies** 3. Make technology a reason to collaborate 4. Move information, not people **5. Customise care** to patients' genetic needs 6. Value technology's impact on productivity and lifespan