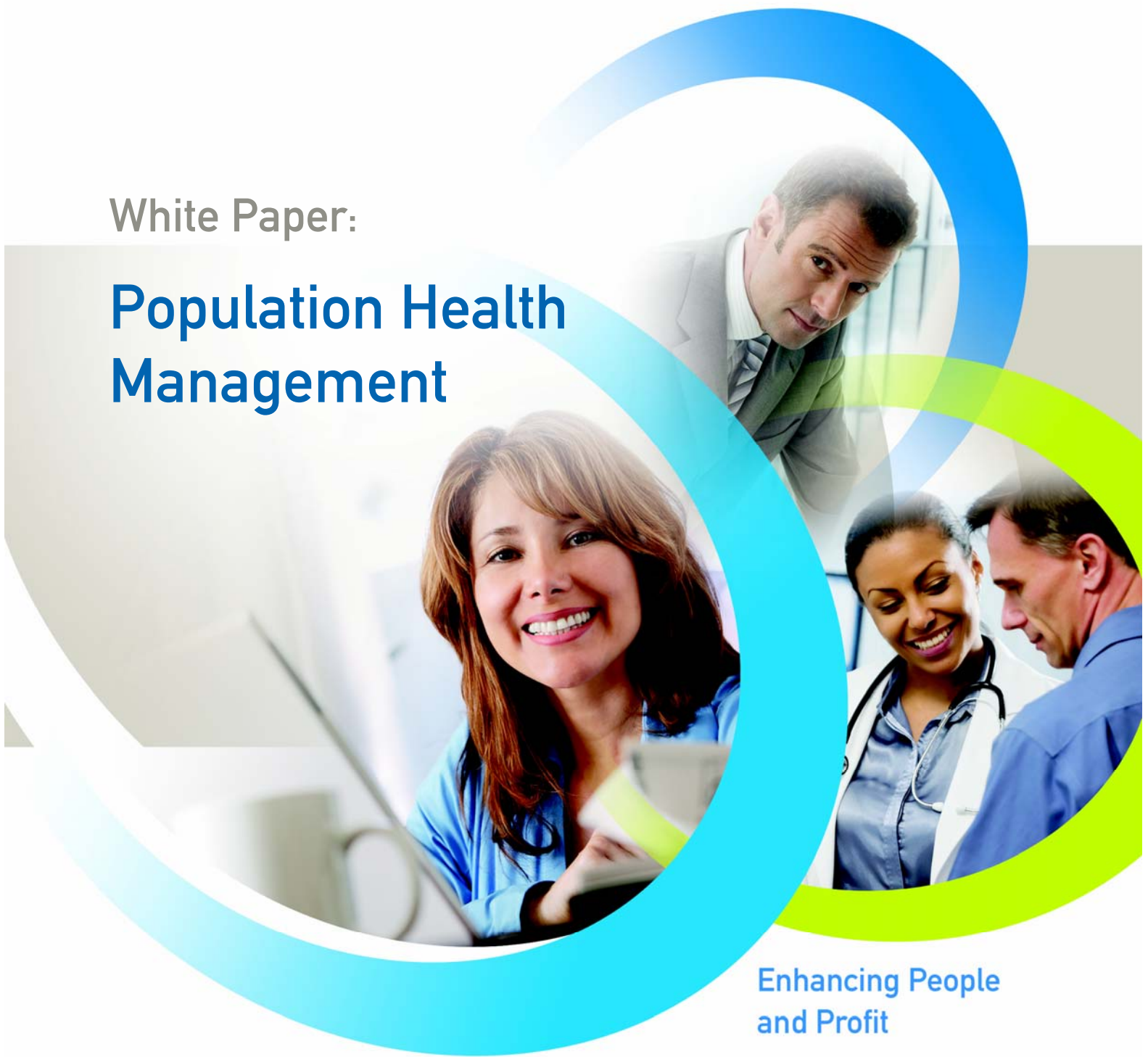


White Paper:

# Population Health Management



Enhancing People  
and Profit





# Population Health Management

By David A. Rearick, D.O., M.B.A

Organizations continue to fight rising health care benefit costs. The 2007 Kaiser Annual Survey of Employer Health Benefits states from 2001 to 2007 the cost of health insurance increased 78%. The average annual premium cost for 2007 is \$4,479 for a single and \$12,106 per family. Annual inflation and worker's earnings consistently rise at half the annual increase in health insurance. To meet this crisis many organizations have focused on cost shifting, benefit design, and consumer-driven health plans to meet budgets and retain employees. Nevertheless, the problem continues. Organizations wishing to control health care costs while remaining competitive must use alternative approaches and focus on what is actually driving their health care costs. Simply put, the organization that monitors, measures, and maintains the health of its workforce will be able to better manage health benefits. This is the evolving field of population health management.

***Definition: Population Health Management (PHM) – the management, integration and outcome measurement of any program affecting the health and productivity of your organization, i.e. corporate wellness, disease management, catastrophic case management, utilization management, EAP, disability, and/or worker's compensation programs.***

85% of your health care expense is spent on the delivery of care. If you are a self-funded employer, this is a risk you need to manage. If you are fully insured, managing this area will result in lower premiums. Both the self and fully insured client benefit from a healthier workforce by gaining improved productivity, morale, and decreased absenteeism and presenteeism. There are now over 1000 studies documenting the value of this long term approach to health care cost control. The overall goal of all PHM programs is to reduce the demand for health care services by improving the health status of your workforce. A second focus in PHM, especially on the benefit design area, is plan designs that incentivize and reward employees for healthy life choices. By providing the programs that improve a person's health and wellbeing and implementing benefit designs that drive healthy behavior organizations can significantly "bend the trend" of unmanaged rising health benefit costs.

Population Health Management is truly the heavy lifting of cost control. Moving your organization to lose weight, stop smoking, exercise daily, etc. is significantly more difficult than increasing the co-pay for next year. The process starts with a thorough needs analysis, understanding of current organizational culture, considerations of turnover, union/non-union issues, budget, and commitment from upper management to embrace a wellness culture. Successful PHM program implementation is anywhere from a 12-24 week time period, after the



“internal sale” has been done, budgets approved, and the CEO/CFO is fully behind this approach. To successfully implement it is not unusual to take 5-9 months negotiating union issues, going through a PHM RFP process, selecting vendors, arranging medical/Rx/eligibility claim data feeds and analysis necessary for proper outcome measurements. Integrating the proper incentive programs into an organization's benefit plan requires a complete understanding of benefit history, culture, and tolerance. Employers using consultants that approach PHM vendor selection in the same manner as they shop other health and welfare carriers will be seriously disappointed. Consultants that simply shop the market for PHM vendors and then leave the integration and implementation to these vendors often leave their clients frustrated and overwhelmed with ineffective PHM programs and no way of measuring program value. No two organizations are alike; program needs dictate different vendors with different implementation schedules and limitations. Organization size often determines vendor selection and program availability. A consultant unfamiliar with the PHM market, vendor differences, and who has not negotiated PHM contracts, implemented multiple PHM programs, or integrated PHM incentives into benefit plan design for several years is probably still making mistakes in vendor contracting, selection, implementation, and management. This can result in not only ineffective programs with poor participation, but also cost overruns and liability arising around private healthcare information, discrimination issues, and tax law. Organizations with a clear three-five year strategy for PHM activities, health and wellness goals and objectives, an internal program that meets the organization's health needs, and a validated methodology of outcome measurement will be successful.

Step two of good population health management involves the integration of all benefit programs that are affected by the health of the organization. Ideally, integration and measurements of EAP, disability, worker's compensation, etc. will lead to an overall picture of organization health and productivity. An organization's ability to manage their worker's health and productivity better than their competitors should be the ultimate goal.

Good Population Health Management should include all of the following:

- Corporate PHM Needs Analysis
- Recommendations for PHM program strategy, goals, objectives, and program measurements
- Review of all current PHM contracts (i.e. wellness, DM, CM, U/M, EAP, Disability, WC, etc.)
- Wellness (health risk assessment, health coaching, biometric testing) proposal creation
- Vendor negotiation and selection (firms >10,000 employees should have fees at risk based on quantifiable measures)
- The ability to do oversight on all vendors, measure their performance, and meet contract performance guarantees.



- Developing and overseeing an annual corporate health improvement program.
  - Setting program goals, objectives, and measurements and budget in conjunction with external PHM vendors
  - Advising how to run internal health challenges and programs (monthly to quarterly) that build a culture of health and drive personal responsibility for health into the system.
  - Creating an organization's Health and Wellness vision, mission statement, brand, logo, slogan, website, marketing materials, and linkages to other organization sites.
  - Broadening the Safety Committee to a Health & Safety Committee and providing a standing report at each meeting.
- Predictive modeling of medical/Rx claims to identify true cost drivers and individuals needing medical management.
  - Tracking by quarter medical and Rx costs by disease, service provider, service category and procedure
  - Identification of members that should be in disease/case management
  - Identification of quality of care gaps in your membership
  - Benchmarking medical/Rx costs and utilization statistics
- Risk Factor Identification using both health assessments (subjective) and claim (objective) data.
- Intelligent benefit design recommendations based on data focused to improve health and productivity (example: co-pay waivers for screening colonoscopies, or members enrolled in disease management)
- An annual PHM scorecard measuring outcomes for,
  - Utilization performance measurements
  - Quality of Care performance indicators
  - Financial performance measurements
- Integrate overall health improvement goals into payroll and benefit design, thereby, motivating and rewarding employees for making the right life-style choices and improvements in health status.
- The ability to integrate all data elements affected by health status, providing a comprehensive outcome measurement and management strategy for wellness, disease management, disability, absence management, EAP activity, and worker's compensation claims.

Doing this well is relatively new, uncommon, and beyond just benefits design and carrier selection. Nevertheless, because 85% of every dollar spent on healthcare is spent on providing medical services, the opportunity for significant cost control by helping your organization get and stay healthy is tremendous. Experts agree only 25% of the savings from a



healthy workforce are in the reduction of direct medical costs and 75% of the benefit is found in the indirect savings from improved productivity, the opportunity cost of illness and absent employees due to illness is significant. Good health is good business.

As a BAN member, we can provide you expert PHM programs whether you are just starting a limited wellness program or you require the procurement, oversight, management and outcome measurement of multiple health enhancement programs.