



Health Care Reform: Health Insurance Industry Positions Presented From A Root Cause Analysis

**Health Care Reform: Focus on the Root Cause
IUPUI
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Charles Kennedy, M.D.
Vice President, Health Information Technology

WellPoint believes in:

1. Guarantee coverage (access) for everyone
2. Improve the quality and value of medical care
3. Build on the current employer-based system
4. Make common-sense changes to reduce health care costs
5. Strengthen the health care safety net;
6. Provide a helping hand for working families and small businesses

Today's
Focus

AHIP Policy Positions

AHIP (America's Health Insurance Plans) has called for guaranteed coverage for all Americans. Achieving universal coverage:

“By addressing rising costs, reforming insurance market rules, and enhancing value in care delivery, the nation can provide all Americans – those with and without coverage today – affordable coverage they can keep.

Health plans propose guaranteed coverage for people with pre-existing medical conditions in conjunction with an enforceable individual coverage mandate. To help working families afford coverage, advanceable and refundable tax credits should be available, phasing out as income approaches 400 percent of the federal poverty line.

The plan also calls for shoring up the health care safety net by making eligible for Medicaid every uninsured American living in poverty and strengthening the Children's Health Insurance Program

*(<http://www.ahip.org/> for additional information

Universal Coverage Challenges-- Affordability

Affordability Challenge Caused By Chronic Illness

Chronic Condition	Prevalence	Lost Work Days/1000	Annual Cost
Heart Disease	60 million	1350	\$448 Billion
Diabetes	16 million	400	\$174 Billion
COPD	12 million	430	\$39 Billion
Asthma	15 million	675	\$5 Billion

Chronic disease represents 75% of total health care expenditures nationally
 •50-70% of health care spending is related to behaviors

Ensuring Highest Quality Care For All Americans

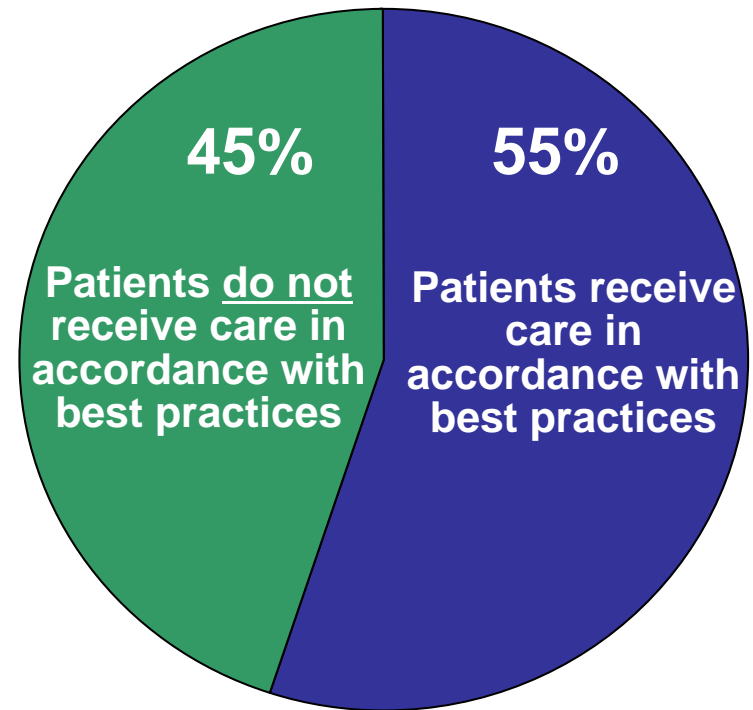
Optimize actual care delivery; align with best practices, comparative effectiveness, and other clinical evidence sources

% of Recommended Care Received

- 64.7% Hypertension**
- 63.9% Congestive Heart Failure**
- 53.9% Colorectal Cancer**
- 53.5% Asthma**
- 45.4% Diabetes**
- 39.0% Pneumonia**
- 22.8% Hip Fracture**

% of Recommended Pediatric Care Received

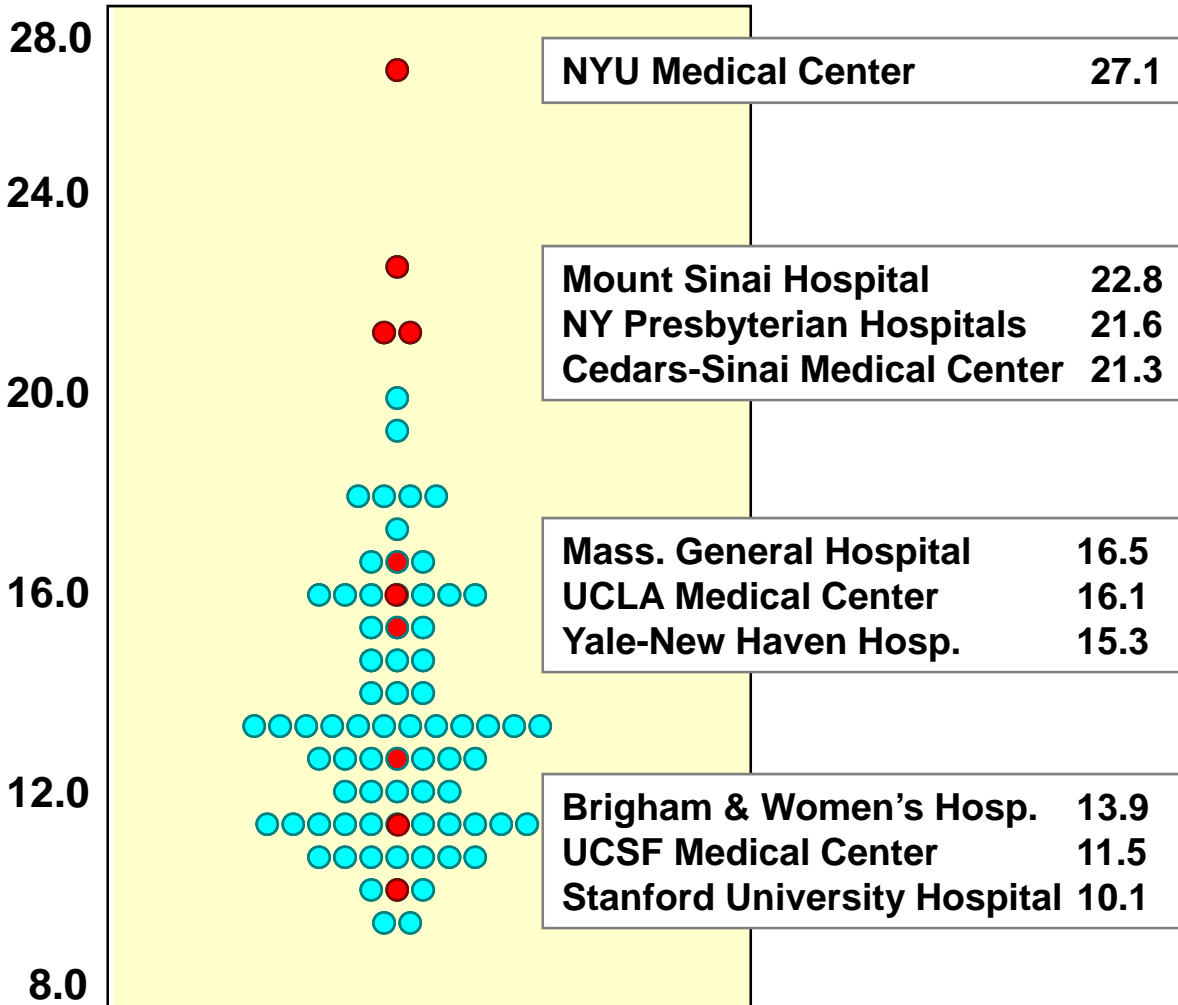
- 67.6% Acute Medical Care**
- 53.4% Chronic Condition Care**
- 40.7% Preventive Care**



Source: McGlynn, E.A, et. al. "The Quality of Health Care Delivered to Adults in the United States." New England Journal of Medicine 348 (26): 2635-45 (2003); Mangione-Smith R, DeCristofaro AH, Setodji CM, Keeseey J, Klein DJ, Adams JL, Schuster MA, McGlynn EA. The Quality of Ambulatory Care Delivered to Children in the United States The New England Journal of Medicine, Vol. 26, No. 5, Sept 2007, pp. 644-649

Approach: Maximizing Health Care Value

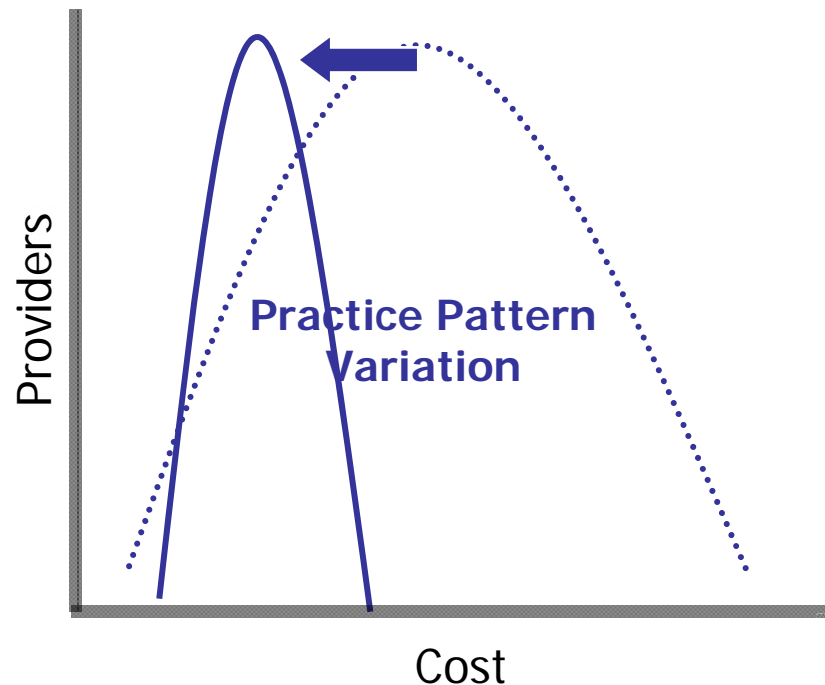
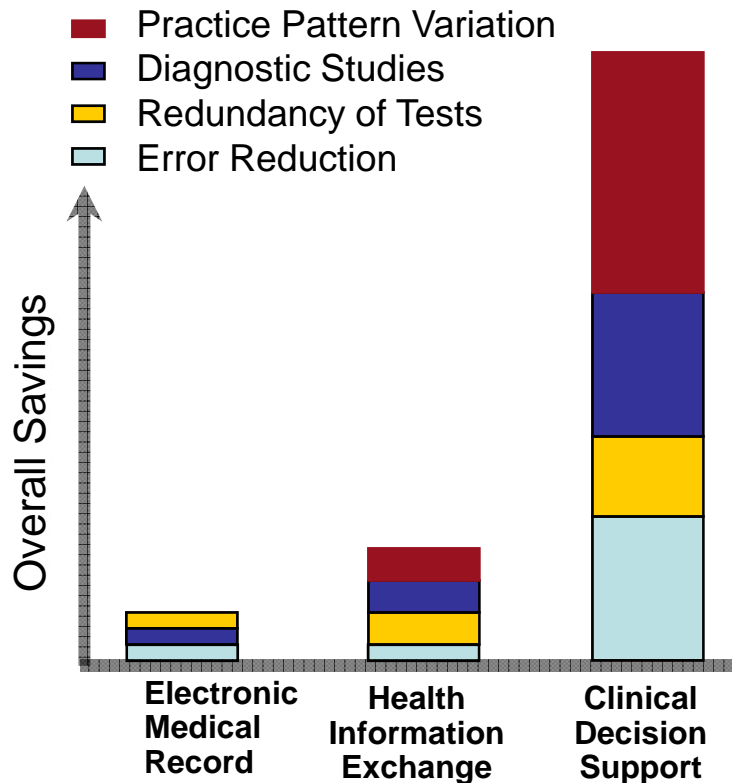
Up to a three-fold variation in use of hospital days during last six months of life. Comparative effectiveness studies which examine real world health outcomes for all treatment options is foundational to maximizing value throughout health care system. This foundation has been launched by the stimulus package's \$6 billion investment



Source: John E Wennberg, et. al.; Use of hospitals, physician visits, and hospice care during last six months of life among cohorts loyal to highly respected hospitals in the United States British Medical Journal 2004 328: 607

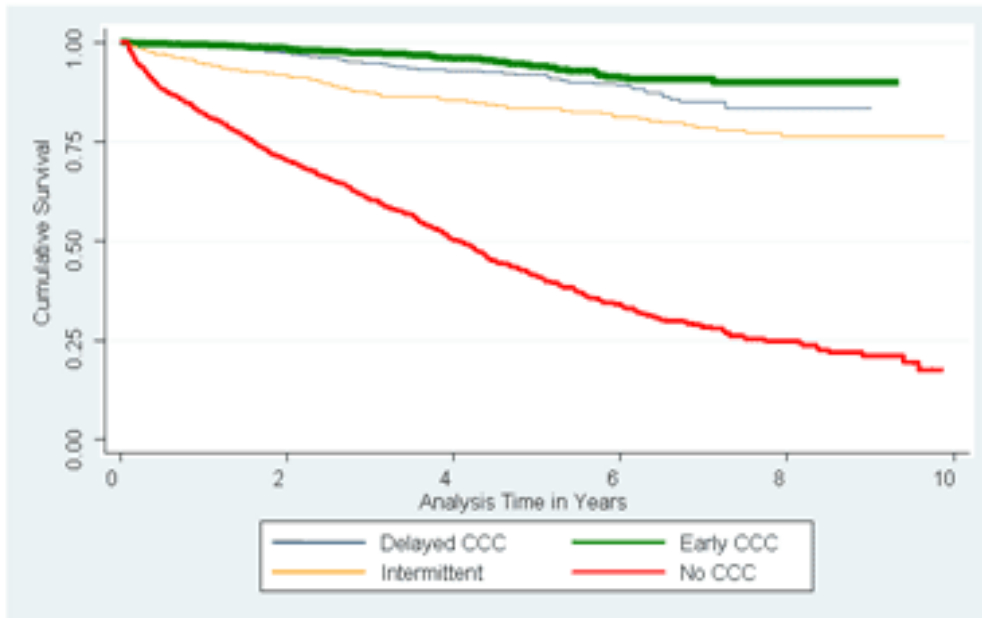
Using Health IT To Transform Care: Clinical Decision Support

Electronic representations of patient health and health history linked to algorithms derived from comparative effectiveness can improve quality and help maximize health care value. Health IT has \$38 billion in stimulus package financing over the next 5 years



Evidence of Success: Pilot Programs Using Health IT Realizing Transformational Gains

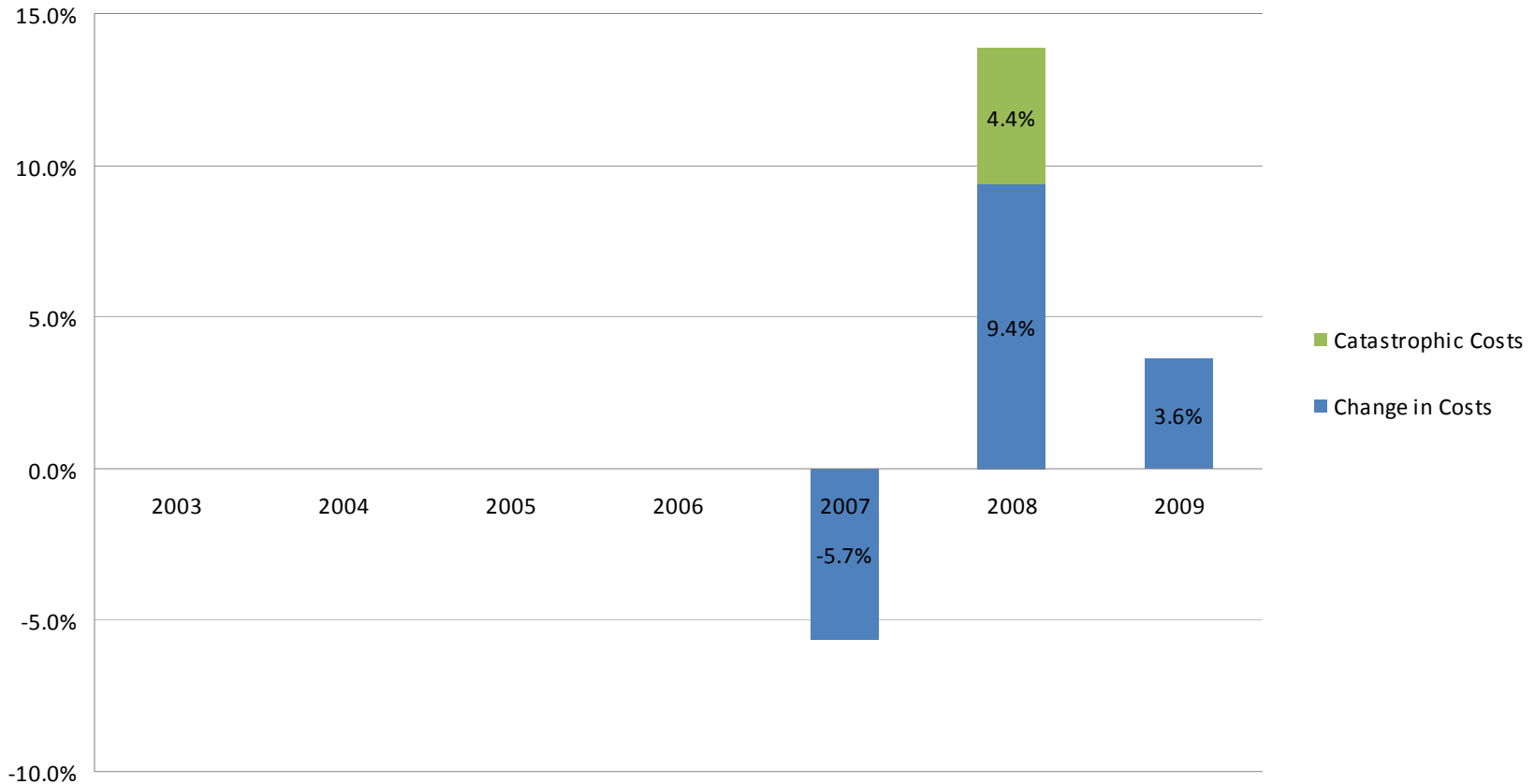
Measure	Health IT User	Health IT Non User	Difference
Colonoscopy	41.50%	25.60%	15.90%
Mammogram	10.50%	-11.20%	21.70%
Pap Smear	12.70%	0.80%	11.90%
PSA	62.50%	24.40%	38.10%
LdL Test	21.70%	1.10%	20.60%
Hemoglobin A1C	13.90%	2.30%	11.60%
Measured in year over year change			



WellPoint has achieved double digit quality gains with Health IT solutions. Other IDS have significantly reduced the mortality rate for patients with heart disease, which is the nation's number one killer for both women and men. Using team-based medical best practices and computer-supported care registries, doctors and clinical care teams reduced overall mortality by 76 percent and cardiac mortality by 73 percent.

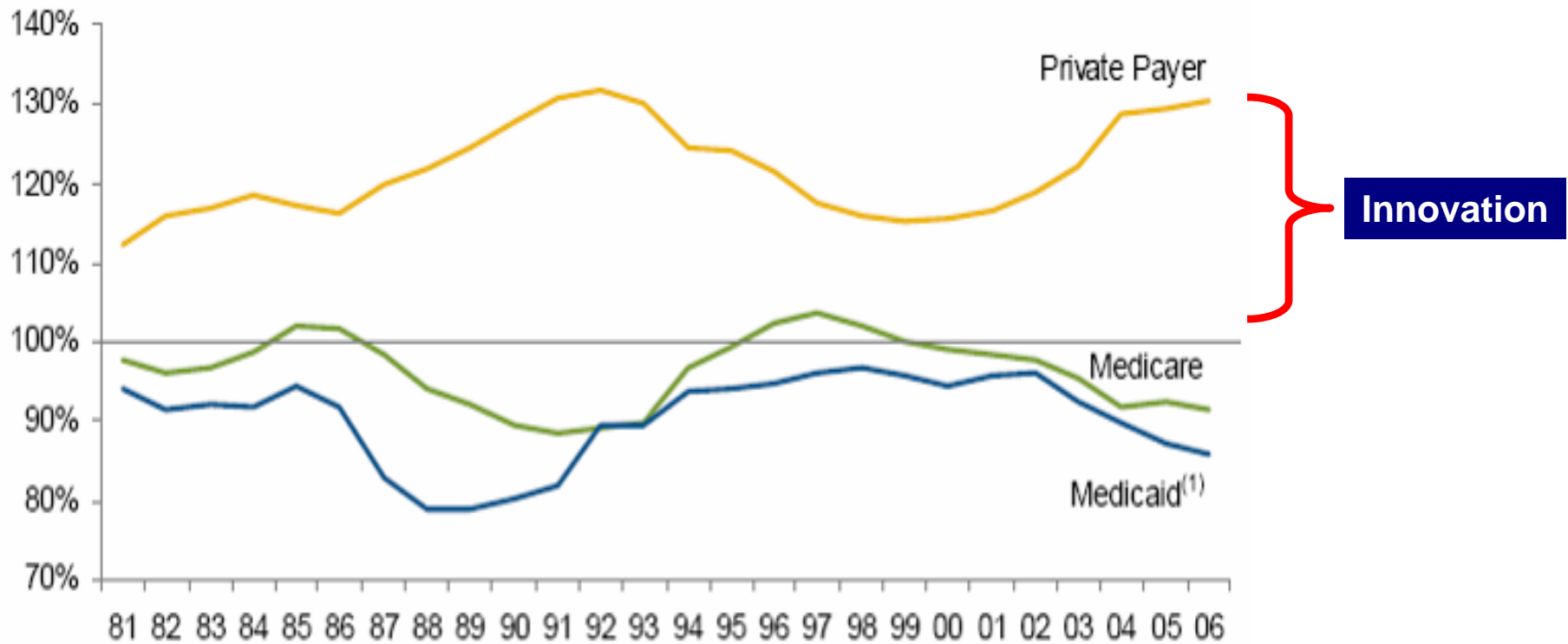
WellPoint's Health IT Pilot— Promising Early Financial Results

Employer Group Health Plan Costs for 10,000 member group



Aggregate Hospital Payment-to-Cost Ratios 1981 –2006–

Private Insurance payments account for public payer cost shift and enable investment and innovation

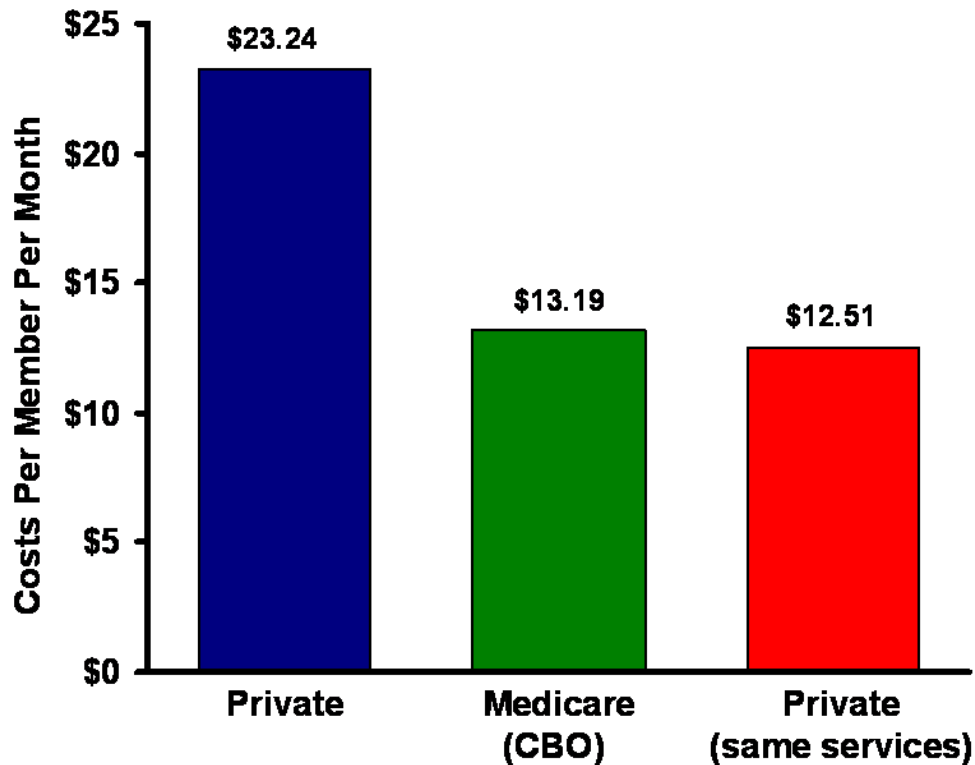


Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

(1) Includes Medicaid Disproportionate Share payments.

Building on the Existing Base: Administrative Expense Savings Falsehoods

Administrative Expense of Health Plans



- WellPoint is a significant Medicare claims processor
- Medicare does not perform all “administrative” services
 - Care coordination
 - Disease management
 - Prevention & Wellness
 - Finance and accounting
 - Rate negotiating
 - Licenses and filing fees
 - Marketing/advertising
- Adjusting for same services, private plans are more efficient
\$408M potential annual savings for 50M uninsured

Source: BCBSA Report: Administrative Expense of Insurance Companies, Sherlock Company (2009)

- 1. Health Information Technology**
- 2. Comparative Effectiveness Research**
- 3. Hospital and Physician Pay for Performance Innovations**
- 4. Clinical Programs which identify gaps in care and notify physicians and patients**
- 5. Care Coordination services which decrease re-admissions**
- 6. Disease Management programs which coach patients on how to better manage chronic disease**
- 7. Drug Safety Sentinel System**