Presentation overview

- Forces expected to shape future changes
- Social factors driving change in the healthcare system
- Describe probable changes in the future healthcare
- Explain the trends in the past century
- Forecast future options using predictive model
- Explain consumer-driven healthcare as an option
- Explain role of politics and public policy in shaping the future healthcare market

Forces expected to shape future changes

A. The preferences of consumers
B. Changing demographics
C. Individual and environmental behaviors versus health services relating to health outcomes
D. The high price of health care
E. Access and the uninsured
F. Employer reaction to employee benefits and coverage
A. The Preferences of consumers

What is the key driving influence in health care?
- Market forces? or
- Preferences and ideology of the public?
  - A preference for flexibility and choice

B. Demographics

- Aging population
  - Increased demand on both the system and the policies governing the system
  - Disproportionate (to population) demand for health care resources by the elderly
  - At the same time, supply of non-institutional care will decline
- Ethnicity
  - Caucasian population will increase in absolute terms but not in relative terms
  - Non-Hispanic African Americans will increase
  - Size of the Hispanic population will triple
  - Asian groups will more than triple

C. Health and Behavior

- Mortality due to individual behavioral and environmental factors is significant:
  - Use of alcohol, tobacco and other drugs;
  - Diet habit
  - Activity patterns
  - Microbial and toxic agents
  - Firearms
  - Sexual behavior and
  - Motor vehicles

(Annual cause of death in US: AMA)
Mortality in the US: Why Adults Die?

Leading Medical Causes of Death
1. Heart
2. Cancer
3. Injury

Leading Actual Causes of Death
Behavior or Event
1. Smoking
2. Fatty Diet
3. Inactivity
4. Auto Crash
5. Work Accident

Info Source: LSU Health Sciences Center presentation

Mortality in the US: Why Youth Die?

Leading Medical Causes of Death
1. Injury
2. Cancer
3. AIDS

Leading Actual Causes of Death
Behavior or Event
1. Alcohol

Info Source: LSU Health Sciences Center presentation

Actual causes of Death in the U.S.

JAMA 1993: The situation didn’t change a lot till this day. Read causes of death by y:
Examples of behavioral related deaths (U.S. Total)

<table>
<thead>
<tr>
<th>Behavioral Cause of Death</th>
<th>Number</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Disease</td>
<td>725,192</td>
<td>CDC 1999</td>
</tr>
<tr>
<td>Sudden Cardiac Arrest</td>
<td>250,000</td>
<td>NBC news, March 19, 2000</td>
</tr>
<tr>
<td>Smoking</td>
<td>400,000</td>
<td>USA Today, March 13, 2000</td>
</tr>
<tr>
<td>Motor vehicle accident</td>
<td>44.8/100,000</td>
<td>CDC 1994</td>
</tr>
<tr>
<td>AIDS</td>
<td>41,930</td>
<td>CDC 1994</td>
</tr>
<tr>
<td>Road rage (angry motorists killing each oth)</td>
<td>1,000</td>
<td>NBC news, Feb 1997</td>
</tr>
</tbody>
</table>

Source: http://ballew.org/deathsum.html

D. Growth in Health Care Costs

Incomes and the cost of insurance
Key Health Care Cost Drivers

**SHORT TERM**
- Retreat from tightly managed care
- Growing provider leverage
- Labor shortages
- New drugs and advertising costs
- Poor incentives of insurers

**LONG TERM**
- New Technology
- Aging population
- Poor incentives of insurers

Employee Health Costs

- Major overhauls are unlikely
- Making workers more aware of the costs of care
  - Raising deductibles and co-pays, and increased application of coinsurance (% of bill)
- Employers considering new insurance products
  - Medical Savings Accounts
  - Tiered benefit structures for prescription drugs

Health Care Costs: Future Outlook

- Cost trend outlook is uncertain
- Consumers likely to continue to face increasing financial burden and experience loss of coverage
  - New round of price competition likely
  - Number of uninsured will likely continue to rise
- Two components to watch
  1. Pharmaceuticals
  2. Hospital Services
Characteristics of Health Care Quality:
What people want: From a survey

- Key aims, goals and results of an effective health care system as defined by the Institute of Medicine:
  - Safe
  - Effective
  - Timely
  - Efficient
  - Patient-Centered
  - Equitable Health Care

Patient Centered Care

Should health care be patient centered to be of high quality?

Past trends and their role for the future

Managed Care
**Issues in the new millennium**

- Evolution of managed care and medical/disease management tools.
- Innovative technologies emerging in the industry.
- “Best Practice” applications of predictive modeling.

**Managed Care Evolution**

- Limited benefits/networks
- Expensive co-pays and/or deductibles
- Administrative barriers to entry
- Retrospective UR (utilization Review)
  /administrative review
- Price-driven response to FFS

- Clinical intakes
- Treatment planning
- Use of full continuum of care
- Discounted/capitated networks
- Improved benefits/access
Managed Care Evolution

1st
Managed Access

2nd
Managed Networks

3rd
Managed Outcome

4th
Managed Information

- Emphasis on quality management
- Outcome accountability/guarantees
- Evidence-based medicine
- Intensive care management
- Disease management
- Consumer tools

The New Generation

1st
Managed Access

2nd
Managed Networks

3rd
Managed Outcome

4th
Managed Information

- Application consolidation
- Data-driven clinical outcomes
- Focused DM (data management) resources
- Health optimizing: early detection/prevention
- Patient profiling
- Connectivity/data security

A One-Time Event?

Health Plan Cost Increases

Source: National Survey of Employee-Sponsored Health Plans, William M. Mercer, Inc. (all employers with 500+ employees)
Other drivers of future costs

Chronic conditions drive the bulk of healthcare costs.

Direct Health Care Spending

- Population
- Chronically Ill
- All others
- Chronically Ill

Source: Cap Gemini Ernst & Young (AHCPR, 2001)

How do you manage the 24% of Americans driving the 86% of direct healthcare spending?

Retain healthy members by increasing value of products

- 76% (218 million)

1. Identify those members
2. Predict future costs
3. Manage their conditions

Match the right intervention

- 24% (54 million)

- 86% ($735 billion)
- 24% ($54 million)
- 14% ($109 billion)
- 76% (218 million)
- 24% (54 million)
- 14% ($109 billion)
Problems/Issues that would contribute the future shape of healthcare:

- Prescription drug development
- Technology
- Administrative complexity
- Consumer backlash
- Policy/legislation

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The Right Mission

The Right Care:
- Industry-wide standards of care
- Documented diagnoses
- Evidence-based effective care

In the Right Place:
- Safest
- Least restrictive

The Right Way:
- Evidence-based practice guidelines
- Reduced variation in care patterns

At the Right Cost:
- Reasonable rates
- Value (based on data) outcomes

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The Wrong Culture

The Wrong Incentives:
- Detached consumer
- Payer/provider/patient conflict
- Fight for public opinion

The Wrong Systems:
- Fragmented enterprise
- Unclear priorities
- Complex legacies
- Disconnected users

The Wrong Priorities:
- Agenda-driven outcomes
- Slow adoption of innovation
- Inconsistent decision-making
- Not 80/20 oriented

The Wrong Philosophy:
- Who's the customer?
- Choice as a right
- Get what you pay for
The road to covering the uninsured!

Why cover the uninsured?
1. Financial and physical externalities
2. Inefficiencies in labor markets from job-related coverage
3. Short-sightedness and paternalism
4. Income redistribution to lower income groups

Covering the uninsured.
1. Expanding existing (or creating new) public health programs
   - Crowding out
2. Expanding coverage to private pooling to purchase coverage
   - Subsidies to employment based
   - Subsidies to non-employment based
3. Subsidizing purchases in the private market
4. Mandating individual (purchases) coverage
U.S. Healthcare needs to be renovated
Current structure has no chance in shaping an effective healthcare system
Day by day healthcare is unaffordable
Resistance from interested quarters – Insurers and Pharmaceuticals
Political commitment – special interests versus public interests
Babies and Bathwater