

Confessions of A Value-Based Purchasing Junkie

EBRI-ERF Policy Forum

Steve Wetzell

Executive Vice President, Health Care Initiatives

Health Care Policy Roundtable

Confession #1



I have been accused of being skeptical
because I am

2

One Man's Personal History

| | |
|------------------|---------------------------------------|
| 1989: | The Great Red Wing Picket Incident |
| 1993 – 1999: | Rebellion of the Minnesota Purchasers |
| 2000 – 2002: | Attack of the Frogs |
| 2003 – 2005: | Strange bedfellows |
| 2006 to Present: | Talkin' about my generation |

3

Mom Was Always Right

"I still don't understand what you do for a living, but whatever it is, you are overpaid."

Source: Family Thanksgiving table discussion, 1995

4

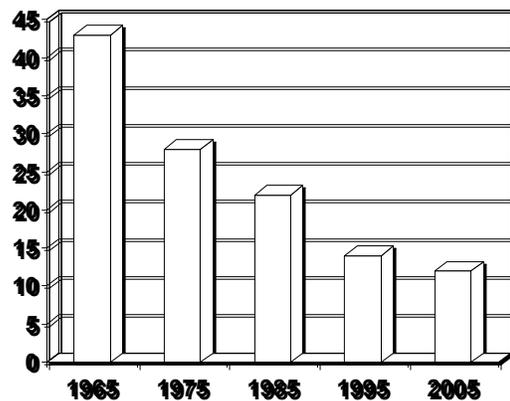
Does ANYONE Here Know:

How cost effective your doctor or hospital is compared to their competitors?

Where you would take your sister-in-law to give her the best chance to beat stage 3 ovarian cancer?

5

How's This for Engaging Consumers?

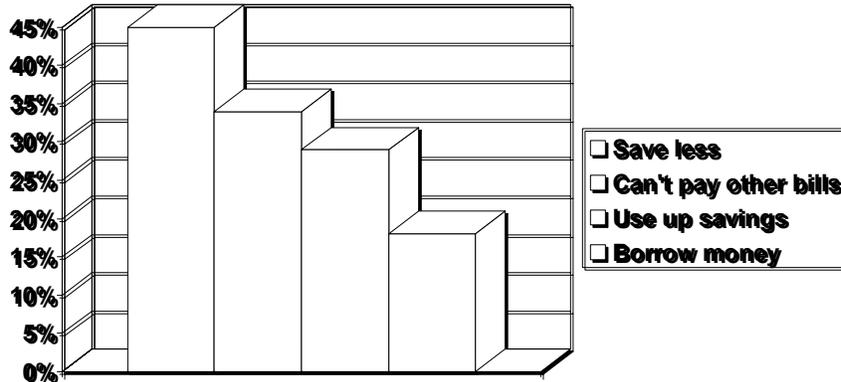


□ % of Health Care Costs Paid by Consumers

Source: Office of the Actuary, Centers for Medicare and Medicaid Services

6

Solving the Problem with Blood from the Turnip

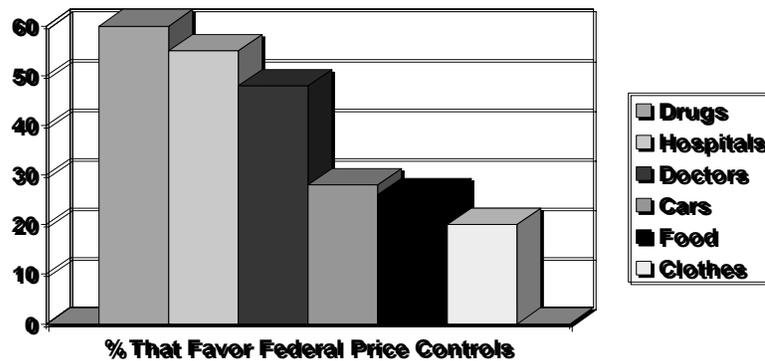


Impact of health care costs on consumers

Source: Employee Benefit Research Institute

7

Not Exactly a Wringing Public Endorsement for Market-Based Solutions



% That Favor Federal Price Controls

Source: Harris Interactive Poll

8

If CDHPs are the Solution, We Have a Long Way to Go

Only 16% of all firms are very interested in offering high performance networks if employees have to change doctors

As of 2007, 13% of all workers are in CDHP and HDHP plans

9

A Report Card that Every Kid Would Hate to Bring Home

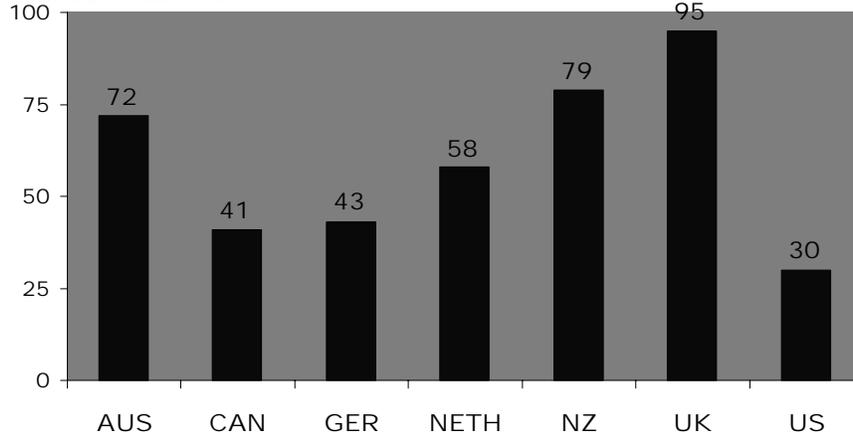
| Measure Type | Hospital NQF Endorsed Measures | Physician NQF Endorsed Measures |
|----------------------|--------------------------------|---------------------------------|
| Safety | √√√ | √ |
| Timeliness | √√ | √ |
| Effectiveness | √√ | √ |
| Cost-efficiency | ∅ | ∅ |
| Equity | √ | √ |
| Patient Centeredness | √√√ | √√√ |

Source: Consumer Purchaser Disclosure Project

10

Pay for Performance Advances at a Glacial Pace

Percent of primary care doctors reporting any financial incentive



Source: 2006 Commonwealth Fund International Health Policy Survey of Primary Care Physicians.

11

Fiddling While Rome Burns: Growth in Federal Entitlement Obligations



| | 2000 | 2007 | % Increase |
|------------------------|---------------|---------------|-------------|
| Future Social Security | 3.8 | 6.8 | 178% |
| Future Medicare Part A | 2.7 | 12.3 | 455% |
| Future Medicare Part B | 6.5 | 13.4 | 206% |
| Future Medicare Part D | -- | 8.4 | -- |
| TOTAL | \$13.0 | \$40.8 | 213% |

Source: GAO; dollars are in trillions

12

Can Consumerism Fix This?

| | |
|----------------------------|-----------------|
| Total federal exposure: | \$52.7 trillion |
| Total household net worth: | \$58.6 trillion |
| Burden to net worth ratio: | 90% |

Per capita burden

| | |
|------------------------|-----------|
| • Per person | \$175,000 |
| • Per full time worker | \$410,000 |
| • Per household | \$455,000 |

| | |
|-------------------------|----------|
| Median household income | \$48,201 |
|-------------------------|----------|

Source: GAO

13

View From the C-Suite

81% System cannot be sustained

47% Employment based coverage should be strengthened and sustained

13% Will provide health benefits in the same way in 2012

Source: HR Policy Association CHRO survey

14

So What Can We Do?

15

Employers and Plans Should Keep Pushing,
but We Need to Recognize Our Limitations



16

Washington Must Act

Medicare and Medicaid payment reform
National standards with ERISA protection
Mandatory transparency
HIT
Technology assessment with some teeth
Responsible consumer engagement through
education and benefit design

And everyone needs to turn off the TV and eat
a few less cookies...

