

Empowering Employees to Become Informed Purchasers of Health Care

Background

Healthcare is no longer just a compound word that simply describes the means by which a person maintains his or her body, mind and positive wellbeing. It is a word that can literally make or break the entire spectrum of stakeholders in its realm from individuals to large corporations. It is a word that often represents *the* deciding factor in such monumental decisions as early retirement, business expansion, individual ventures, career changes and further education. . . a word that is looming over the heads of everyone in this country from CEOs to vice presidents and managers, to accountants and financial advisers, to subordinates and to all who are unemployed. As healthcare costs continue to rise at astronomical rates, we are forced to find an answer to the question: Will healthcare rates continue to rise at these levels? The answer is: Yes!

According to the Kaiser Family Foundation, individual healthcare spending was \$7,110 in 2006, but will climb to \$12,320 per person in the year 2015. This represents 16% of the current Gross National Product rising to an unbelievable 20% in the year 2015; more than doubling that of the rate or 7.2% in 1965. Double digit increases have been the norm with no decrease in the foreseeable future. Assuming an annual increase of just 10% in healthcare expenses, an individual's expenditures for healthcare will increase in cost at an average rate of \$60 per month, each and every month! Those increased costs are for the most part being absorbed by employers. However, many employers have found that they no longer can absorb the increases and have passed a portion or all of the increases on to their employees. It is clear that a time will soon come when employees will no longer be able to pay for the increases in healthcare costs either. Sadly, some employers have given up their health benefit coverage altogether.

What is the reason healthcare costs are increasing so much each year? One might argue that there is an increasing demand for medical services, that there are new technologies which have added costs or that there is an aging population that is using more medical services each year. However, in other industries, when demand and volumes go up and technology surges forward per unit prices almost always go down. The new technology soon becomes less expensive and more productive than what it replaced. Economic forces bring new entrants into the market and competition keep prices in check.

Healthcare costs have reached this untenable situation in a large part because the economic forces that keep prices under control in other industries do not apply to the healthcare industry. When we make a purchase in any other industry, we consider at least three types of information in making our decision: First, we know why we are purchasing something and the alternative substitutes we might consider. Secondly, we know the price of each alternative. Third, we have information as to the quality aspects of each alternative. We consider all three pieces of information and make a decision on who, what and where we buy based upon what is best for us.

The healthcare industry does not work like other industries. First, the payer of healthcare services is not the receiver or decision maker. In other words, a company paying for an employee's healthcare benefits is very rarely involved with deciding where the employee seeks medical care. Secondly, the receiver/decision maker (the employee) does not know the price, alternatives available or the differences in the quality aspects of those rendering the medical service. These two anomalies in the economic forces of the healthcare benefits industry have created two new buzz words to describe needed changes in the way healthcare is purchased. "Financial Accountability" is a program that places more financial responsibility on the receiver/decision maker, (e.g. employees sharing in the medical costs through higher deductibles). "Transparency" is a method by which the receiver/decision maker can obtain information that will assist in the making of more informed medical decisions, (e.g. employees knowing the price, alternatives and the quality

aspects of a medical service purchase). Essentially creating a transparent environment where the employee/patient can see through the cloud of the medical industry and make informed decisions about price and quality.

Many have concluded that without fundamentally changing how healthcare is purchased, the healthcare costs will continue to rise unchecked until the point comes when no one will be able to afford healthcare coverage any longer. Secondly, they recognize that the focus must be on providing resources to enhance the employee's ability to make more informed decisions. Third, they believe the gathering of information must be simple enough, comprehensive enough and compelling enough for the employee to take action.

For the past few years employers have been addressing financial accountability by passing along increases via higher deductibles in their benefit packages to offset part of the increased cost of providing health benefits. However, creating a transparent environment where employee/consumers of healthcare can see with clarity the differences in cost, medical alternatives and quality has been much harder to implement.

Although increasing the employees' awareness of costs through *financial accountability* measures has drawn the attention of the employees, without employees being educated through specific information with regard to medical costs, quality and alternatives, the employees' purchase habits have tended to remain the same. In some cases, the tendencies have been for the employee to worry so much about how much a medical service will cost them personally they decide not to get a needed service. This kind of situation, of course, could represent the worst kind of outcome stemming from the simple fact that the patient did not have the kind of information needed to make a financially comfortable and rational decision. It is clear that to bring the healthcare industry's economic forces into balance, the employees must have transparency information to make intelligent decisions.

The implementation of *transparency* programs has been extremely difficult. Information regarding quality has been limited to hospital infection rates, (e.g. hospital infection rates are readily available, but rather meaningless, if the physician's complication rate and other physician quality information is not available as well.) Quality information requires interpretation and needs to be specific to the procedure being done. A physician's overall rating does not necessarily reflect his level of experience performing certain procedures. For example, a doctor might have the highest overall rating of all the orthopedic surgeons within a certain geographical area, but he may not have the lowest complication/mortality rates when performing hip replacement surgeries. There is also a cost element when factoring in specific procedures to a doctor's quality rating: the more often a physician has performed a procedure, the less likely a complication, the lower the cost. Quality medicine is less costly. Not only do the statistics offered to an employee need to be procedure-specific, but the information needs to be in a format that the employee will use. Medical information is very complicated, spawns questions and requires education far beyond the understanding of the average individual or some statistics on the internet. The information needs to be timely and credible. The information must be available when the decision is being made and be from such a credible source that the employee is willing to challenge the medical system's rush to act.

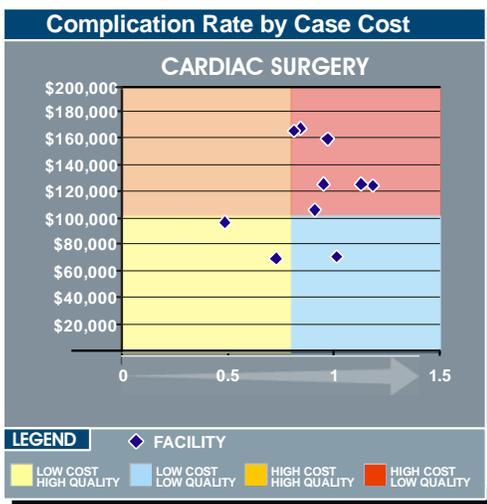
The need for change is imminent! The overall structure of healthcare must change before costs rise to levels that force employees to go without medical coverage altogether. Companies have to both find a solution to motivate action through *financial accountability* as well as empower through *transparency* information their employees to make informed decisions about their healthcare. We at Delphi have found the solution!

[Medical Advocate Program](#)

Delphi of FloridaSM has developed a Medical Advocate Program, "MAP," that provides the *transparency* information employees need to become informed purchasers of healthcare. The program was developed by two Ex-CEOs of United Healthcare to assist employers educate their employees on healthcare issues. Their proprietary data base is extensive and includes performance profiles on almost every specialist and medical facility in the United States. The information is conveyed to employees through a phone call to one of Delphi's MAP nurses. The nurses discuss medical issues with the employee on a confidential basis. The MAP nurse answers questions, communicates medical alternatives, finds the best doctors, recommends and arranges second opinions, communicates the facility cost differences, and helps the employee navigate through their medical episode of care.

Delphi is completely and independently owned and managed company that has no affiliation with any insurers or medical providers. Therefore, the MAP nurses' sole purpose and goal is to help the employee get the best care available.

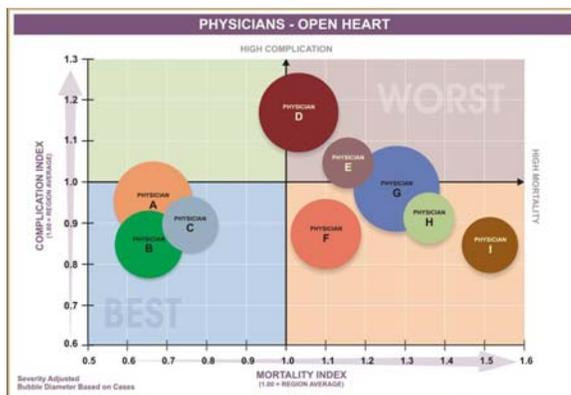
How MAP finds the best Physicians and Facilities



The MAP goal is to assist employees find the highest quality physicians and facilities available. Delphi has found that by seeking the highest quality physicians and facilities that the overall cost of the care will actually be less. The following chart is an example of how the highest quality physicians and hospitals actually cost less. Each of the blue diamond dots represents a hospital. Going up on the left side is the cost that each hospital charges for open heart surgery in the Tampa Bay area in Florida. Going from left to right at the bottom of the graph is the increasing complication rate of each hospital.

As can be seen, the two hospitals to the lower left are not only \$60,000 per procedure less than the others, but have almost half the complication rate of the others.

Although hospital quality is important, it typically is a reflection of the physicians who practice there. Delphi believes that the most important measure is the complication rate and mortality rate of the physicians as compared to each other.



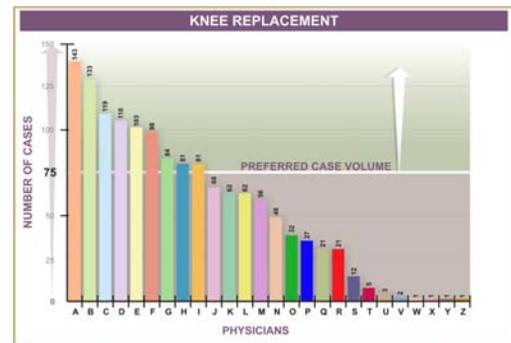
This chart is a comparison of the open heart physicians in the Tampa Bay area. Going upward on the left is the scale of increased complication rate per procedure per physician represented by a colored dot. Along the bottom and to the right is the increase in mortality rate.

From the chart above the best choice would be one of three physicians on the left that have a lower complication rate and a lower mortality rate.

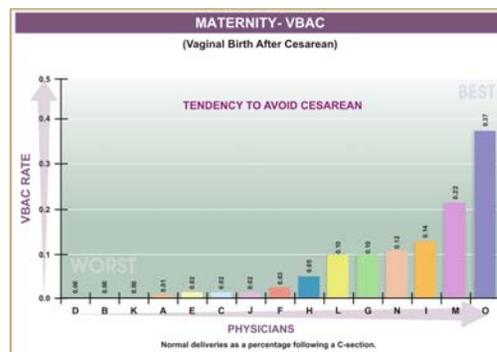
The information in the charts indicates that there is a large difference in performance among physicians (almost half the mortality rate). Each of the above physicians and the cases compared are adjusted for any differences in the number of complicated cases so that each is fairly represented.

One of the performance differences is the volume of cases that are performed in a given period of time. Like any other profession, those that do a single task more often within a given period of time will usually perform the task with fewer mistakes and more efficiently. Certain Guidelines criteria have been established for the volume of cases that are necessary to demonstrate minimum proficiency for a given procedure.

The following diagram represents the volume criteria we use to determine which physicians are proficient enough to recommend. As can be see from this chart, our criteria for knee replacements are 75 knee replacements per year. We have found that volume plays a large role in complication rate results. As a part of the selection process, we first compare all of the physicians within a given area according to the volume of the specific proposed procedure each physician performs per year. We then compare those that meet the minimum criteria with each other and choose three that we can recommend.



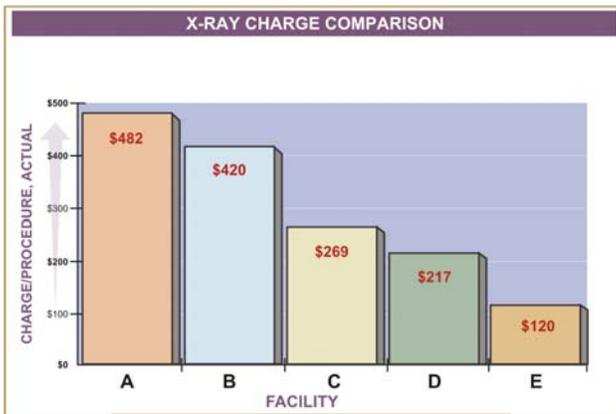
Complication data and volume proficiencies are two of the most important aspects of finding the best physicians, but we also look at the physician's tendencies as well. For example, it is commonly agreed that a cesarean is more dangerous and more costly than vaginal births. As evidenced from the below graphs, some physicians tend to have a significantly higher cesarean rate than others.



It is also interesting that in the Tampa Bay area those OB/GYNs who have a low cesarean rate, also have a high Vaginal Birth rate After Cesarean rate (VBAC). We believe this indicates a tendency that is important for a Mother to know when selecting the physician who will deliver her baby.

Whenever physicians are selected, we typically choose three physicians to recommend within the network. Our analysis will look for malpractice and disciplinary actions, academic qualifications, board certifications and physician's flexibility in scheduling appointments.

In addition to the physician, we have cost information on almost every medical facility in the United States. This information can be used to find the most cost effective facility for an inpatient stay or to obtain a lower cost X-ray. The graph below is a comparison of the facilities cost for a simple two view chest x-ray among five hospitals in Des Moines, Iowa.



The charges range from \$120 to \$482 depending upon which hospital an employee chooses to get their x-ray. Medicare pays about \$25 for the same x-ray in each of these hospitals. It is not uncommon for Hospitals across the street from each other to charge as much as 40 to 50 percent more for the same procedure. Clearly it is important to be able to distinguish one facility from the other with regard to the price that is going to be charged.

The combination of getting the best physicians to perform in the most cost effective facility setting is the key to lowering the risks and costs of a health care episode.

How MAP Organizes the Care

Obtaining medical care is complicated and confusing. The medical industry is not organized into a logical matrix that has compartments identified with names and instructions. Navigating the medical maze is frustrating and expensive. Often patients get lost and find it difficult to get back on the right path. Each misstep, for example going to the wrong type of physician first, is estimated to cost \$3,500. Often diagnostic tests, labs and x-rays are duplicated over and over again as a patient passes from one setting and physician to another. Each development in an episode of care is a new mystery to the patient with no one to explain what is or has transpired.

MAP members have the assistance of a nurse to help them decide where to start. The nurse tracks the patient through the entire episode of care, explaining what is happening, and what the next steps will be. Nurses often coach the patient on what to ask and be sure to tell the doctor about their symptoms. Nurses inform the patient of what medical alternatives are available and may want to discuss with their doctor. If the medical problem dictates a second opinion, the nurse will help the patient arrange an appointment.

How MAP Gives the Patient Peace of Mind

One of the hardest parts of medical care is that the patient is often left in the dark about what is happening to them. Confusion and fear are often as much of an enemy as the ailment itself. Much of the medical community is not geared to provide emotional stability during a trying time. The MAP nurses help the patient keep calm by answering questions and giving encouragement and empathy. The nurses also, if directed by the patient, will talk with immediate family members. All of our nurses have many testimonial letters from members and families thanking them for being there through all of the ups and downs of the episode of care. Our nurses will help members get the care they need when they need it. Often the nurse will be able to get through the physician's front office and make sure timely access to the doctor is obtained.

How MAP Saves the Employer Money

MAP's primary goal is to find the best quality medical care possible. Fortunately, the best care is also the most cost effective as well. By choosing those physicians who have fewer complication rates, our employers experience fewer complications. Each complication that occurs increases the overall cost by at least 30% and could cost over 200% more than the same procedure without a complication. Finding the most cost effective facility could save as much as half of the facility costs. Avoiding missteps saves \$3,500 per occurrence.

Getting into a large medical case early allows the MAP nurse to influence the direction of the case and organize the care to a successful outcome. MAP works with the patient and their families. The MAP nurses gain a great deal of trust. That trust creates an impact on the patient's method of purchasing healthcare.

Our results have been spectacular. MAP has made the difference between healthcare costs going up or down. For those employers who have had MAP for a year or more the average cost went down by 9% instead of usual double digit increases others are experiencing.

Summary

Employers must act now to fundamentally change the way their employees purchase healthcare in the future. The solution can not be just passing along increases to the employees. Employees must know quality and cost to make intelligent decisions about the medical care they are purchasing. The medical information has to come from a reliable and trusted source. The information must be available in a form that is easy to obtain and one that can answer questions and assess the patient's individual circumstances. Medical facilities will continue to raise their charges higher and higher if their consumers don't know the differences in cost. MAP provides the information and level of trust to give employees what they need to change their healthcare purchasing habits. MAP also provides the much needed human touch that is missing from the medical community. Employees want and deserve the highest quality care. High quality care costs less. MAP saves employers money, but more importantly provides a tool to change the direction of their healthcare benefit program.

Jon Wittorff
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