

You are part of the equation.

$$\text{Value} = \frac{\text{Quality}}{\$}$$

(in Health Care)



Escalating Health Care Costs



The Presidents' Partnership

September 20, 2011

Rising Cost of Health Care in the U.S.

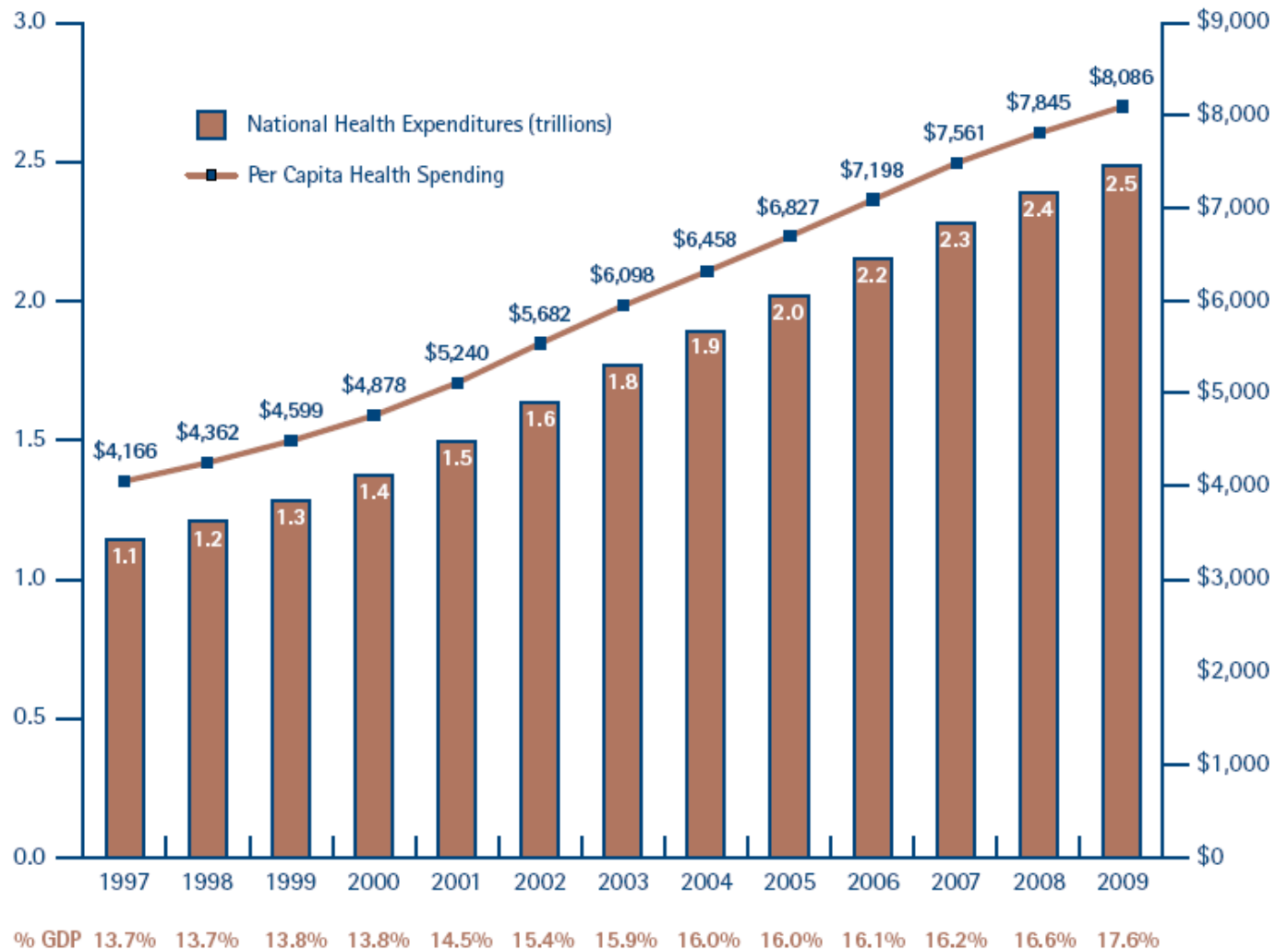


\$8,086
per person
per year

17.6% GDP

Expected
7.2% rise
next year

FIGURE 1. NATIONAL HEALTH EXPENDITURES, TOTAL, PER CAPITA, AND AS A PERCENT OF GDP, 1997-2009



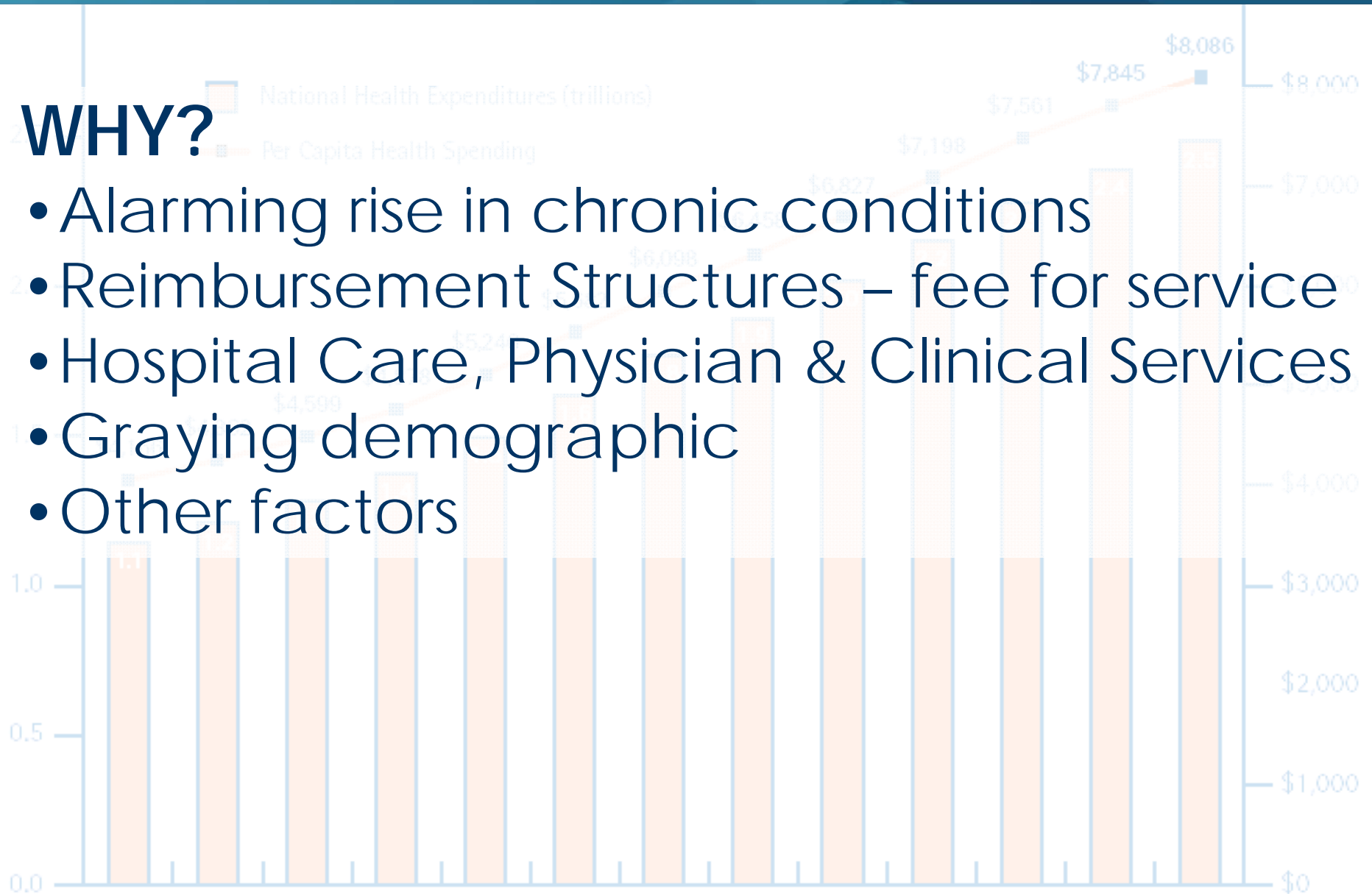
Source: NIHCM Foundation analysis of data from the National Health Expenditure Accounts, available at <https://www.cms.gov/NationalHealthExpendData/>.

Rising Cost of Health Care in the U.S.



WHY?

- Alarming rise in chronic conditions
- Reimbursement Structures – fee for service
- Hospital Care, Physician & Clinical Services
- Graying demographic
- Other factors



Rising Costs

Impact of Chronic Disease

Patients with chronic diseases account for 75% of the nation's health care spending.

During 2009, the U.S. spent almost \$2.4 trillion on health care

Of every dollar spent...



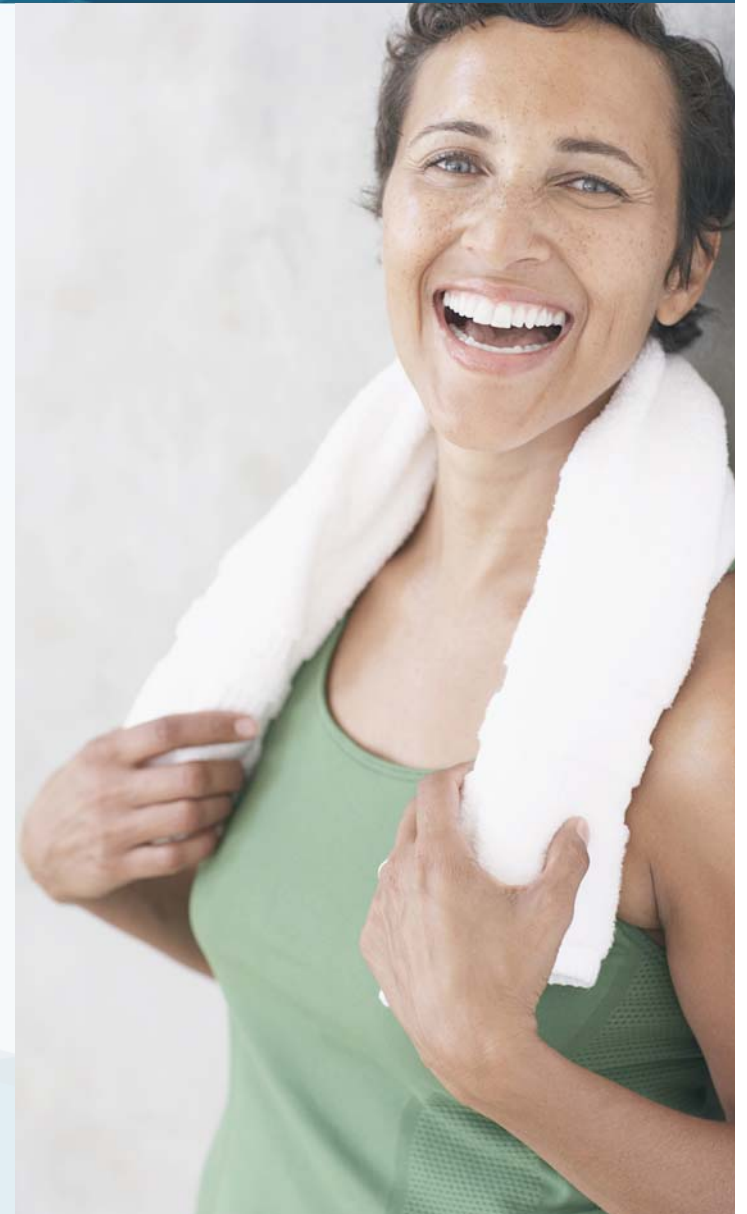
...75 cents went towards treating patients with one or more chronic diseases

Population Health & Wellness

Employee Wellness

- ✓ Know Your Numbers
- ✓ Eat Better
- ✓ Work Out
- ✓ Quit Smoking

Better Management of Chronic Conditions

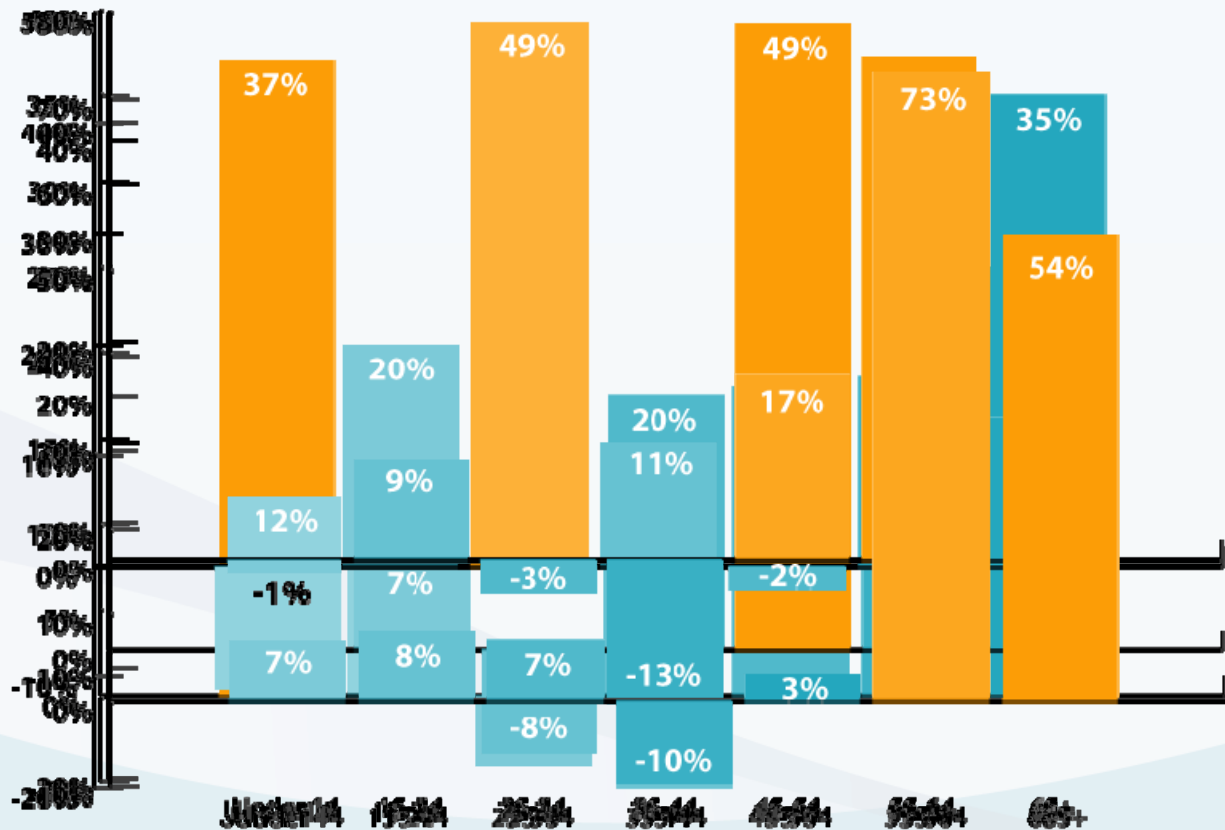


Rising Costs

Baby Boomer Impact

Change in Population Growth

U.S. 2010-2020



Source: U.S. Census Bureau, Population Projections, 2010-2020, Table 1.

Rising Costs ... And More Retirees

7.3



1970

3.9



2000

2.4



2030

Source: Trustees Report Senator William Frist.

...fewer Workers support each Retiree

Fee for Service Payment

- Physicians reimbursed on the number of services provided
- Hospitals pay for equipment and devices per use
- **Moving to Value-Based Purchasing**



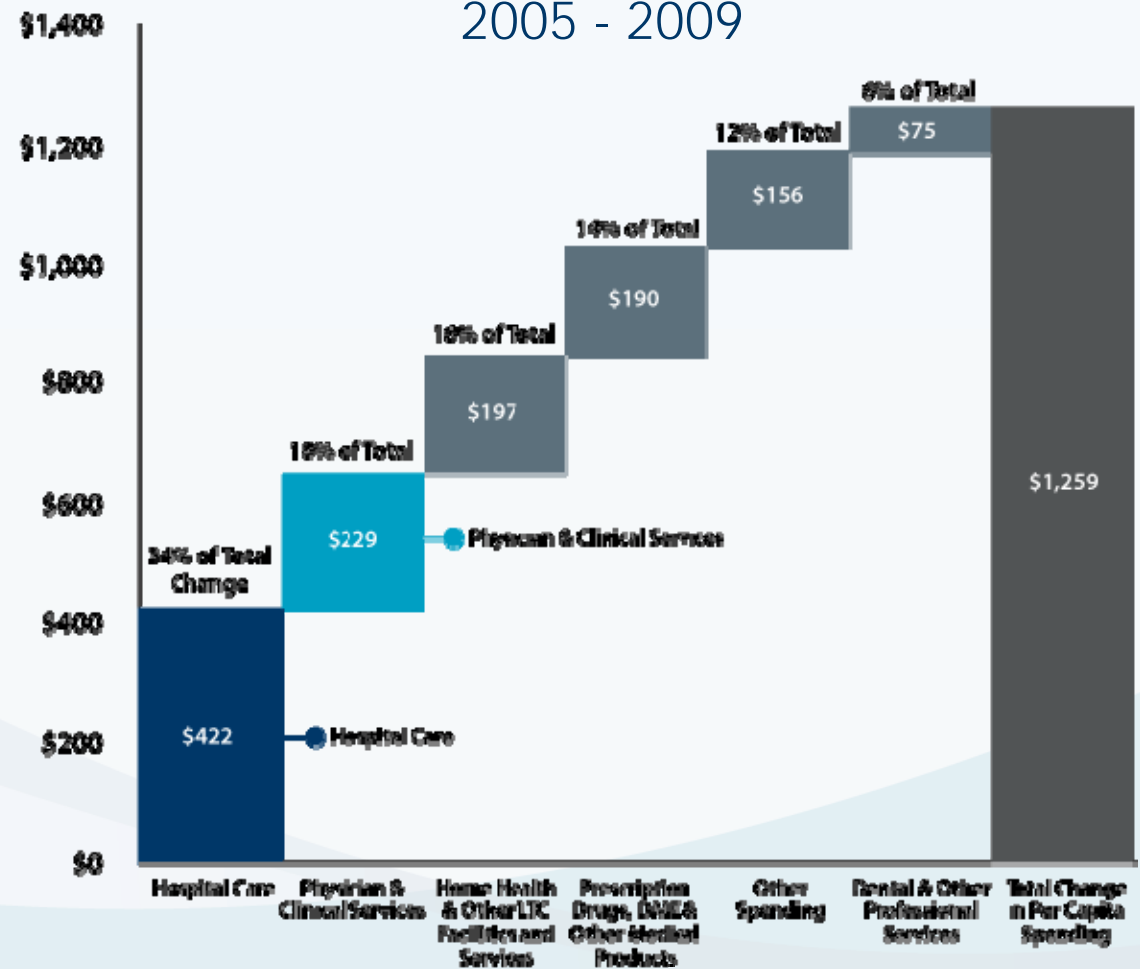
Hospital & Physician Costs

Hospital Care and Physician & Clinical Services contribute to growth in health spending.

So we are:

- ✓ Implementing Technology
- ✓ Aligning with Physicians
- ✓ Reducing Expenses

Sectors Driving Growth in Per Capita Health Spending
2005 - 2009



Expense Reduction – HOW?

A close-up photograph of a hand plucking a petal from a large, vibrant orange flower. The flower is in the foreground, and the hand is on the right side of the frame, with a single petal being held between the fingers. The background is a soft, out-of-focus white.

PLUC

Productivity & Labor Management

Lean

Utilization Management

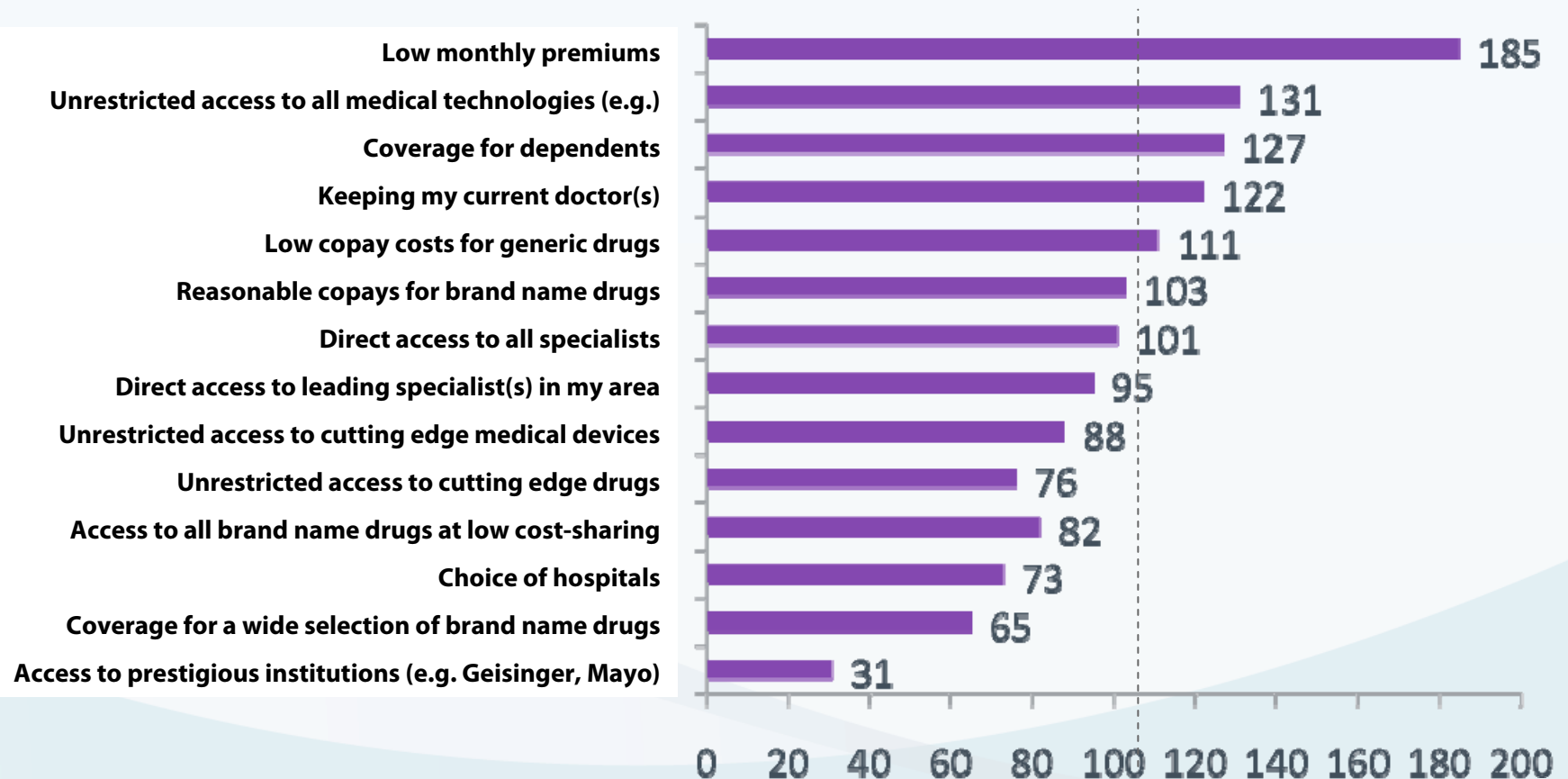
Care Model Redesign

Benefits Realignment



Consumers value lower premiums above broad access

Relative Importance of Feature/Benefits



Base: All Qualified Respondents Under Age 65 (n=2140)

SOURCE: Strategic Health Perspectives 2010 Consumers Survey

Lowering Health Care Costs

Health Care Reform:

- More emphasis on Prevention
- Accountable Care Organizations – population health
 - Pay for Performance
 - Bundled Payments
 - Electronic Medical Records



Young Adults Insurance Provision

Not all Good News with
Health Care Reform:

- 1% health care costs attributable to allowing young adults stay on their parents insurance until age 26



Key Highlights

Health Care Reform Timeline



- New rules for all organizations (AROs) and medical devices
 - Lifetime benefit caps banned
 - Minimum MLRs imposed
 - Prevention mandates
 - Extends dependent coverage to age 26

Key Highlights

Health Care Reform Timeline



2014▶ 2015▶ 2016▶ 2017▶ 2018▶ 2019

- Large employers & multi-employer plans may access health exchanges
- Essential benefits package defined
- Individual mandate to purchase insurance
- State-based health insurance exchanges

To Sum it Up



Coverage
Expansion

Significant

Financing

And Then Some

Delivery
System
Reform

Not So Much

Our Panel's Perspectives:

- Benefits Realignment
- Employee Health and Wellness