



High Medical Cost, Benefit Strategies, Disease Management and the Self-Funded Health Program

By Lilli DuVal, Illumination Medical, Inc.

The primary issue facing any health program is the rising cost of medical care. The challenges become even more significant when the risk bearer is the employer and employees themselves – the self-funded market. As the Baby Boomers are now reaching the higher medical risk categories, with biologics invading the market at astonishing rates, and with general healthcare costs moving upwards annually, without an effective cost management strategy, the costs for coverage will escalate and may result in making self funded programs unaffordable to continue in the very near future.

In response to this concern, the healthcare industry has embraced the idea of disease management. This concept is simple...Healthy people cost less¹. Today, the industry of disease management has become a focal point in health plans, with nearly 70% of all health care expenditures revolving around five specific disease states (cardiovascular, diabetes, asthma, behavioral, and pain management). Despite the general agreement of the value of disease management, most self-funded programs have been slow to adopt the concept due to the difficulty in measuring value, the ability to promptly show a return on investment, and confusion related to the various market vendors.

This paper discusses:

- A description of disease management programs
- The difference between a disease management program and a case management program
- Problems associated with disease management programs for Self-Funded Employers
- A balanced Approach through Illumination Medical

Disease Management Programs

The Disease Management Association of America (2002) defines disease management as, “a system of coordinated healthcare interventions and communications for populations with conditions in which patient self-care efforts are significant. Disease management:

- Supports the physician or practitioner/patient relationship and plan of care;
- Emphasizes prevention of exacerbations and complications utilizing evidence-based practice guidelines and patient empowerment strategies; and
- Evaluates clinical, humanistic, and economic outcomes on an ongoing basis with the goal of improving overall health”

Disease management is a systematic, population-based approach to identifying patients with a condition (or at risk for a condition), implementing interventions through the use of evidence-based guidelines, and measuring outcomes after intervention has occurred. Unlike care traditionally delivered by individual practitioners, disease management is an organized model in which members of a health care team work together in a coordinated and cooperative manner to improve outcomes for patients with a specific condition.²

¹ Buying Disease Management: Criteria and Comparisons, Disease Management Roundtable Series, American Healthways

² Disease Management Association of America (2002). Definition of disease management.

Disease Management vs. Case Management

Disease management is often confused with case management, utilization management, or health education. A case management program is responsible for patients who have an acute and critical condition. They provide specialized referral, patient consultation, and pre-admission to hospitals, Post surgical follow-up care and prepayment approval of specific referred services. They also have the responsibility for relocating, coordinating, and monitoring all medical care on behalf of a member who is enrolled within a contracted health program. Their primary involvement revolves around conserving and extending healthcare resources for the critically ill member.

In contrast, disease management is typically focused on the chronically ill patient that does not require hospitalization or hospital services. As noted in its definition, disease management programs are generally implemented for high prevalence conditions (e.g. cardiovascular disease, depression) or complex conditions associated with significant variation in clinical practice, (e.g. diabetes), or for conditions comprising high volume (e.g. high risk pregnancy and asthma), or high cost (end-stage renal disease, congestive heart failure). "Conditions selected for disease management must be amenable to intervention, with a potential for treatment or lifestyle modification to improve the outcomes".³

There are hundreds of variations of disease management programs currently functioning; a few examples are listed below:

- Disease Specific programs – Focuses on one specific chronic disease, Diabetes, Cardiovascular, Asthma
- Total Population programs – Broad based approach, all major chronic diseases
- Pharmaceutical Company or Pharmacy Benefit Manager programs – Pharmacy claim focused
- Medical Device programs – Examples are wound care, orthotics based programs

Endorsing Disease Management for Self-Funded Programs

The hesitancy from self-funded programs and their consultants to adopt disease management programs appears too grounded within the following issues:

- Most Disease Management programs require an "up-front" investment with little evidence the programs will be effective
- The investment is for a long term result, and
- Various methodologies used to validate their effectiveness result in client confusion
- Employee turnover within some programs creates a reduction in the calculation of a return on investment
- Unavailability of such programs to self-funded health programs who are under a certain employee number
- Abundance of vendors, with varying programs and methodologies for modeling and measurement of value.

These issues show no sign of being addressed adequately for the self-funded health plan and therefore, a general reluctance to embrace these programs has resulted. Unfortunately, the price tag of healthcare continues to increase and a general consensus is building that the only way to manage the cost is to manage the individual health risk within a given population.

³ Gurnee, M., DaSilva, R (1997) Constructing disease management programs. Managed Care, 6, 67-70, 75-77.

A Balanced Approach

Illumination Medical provides specialized clinical consulting services to self-funded health plans, serving as a Medical Advisor to a program. Our Physician consultants provide independent clinical evaluation related to the health of the membership in a plan and offer strategies to approach the risk with effective solutions.

Managed care programs have long embraced the strategy of utilizing a team of both financial and clinical advisors to oversee their programs risk and develop proactive solutions to healthcare hazards resulting in a total approach to program management. The effectiveness of this strategy is evident with the growth and profitability seen in many of the managed care systems today. Unfortunately within the self-funded markets, the approach has been a one-sided team of actuaries and benefit executives without clinical expertise to guide the decision process and assess upcoming clinical issues and innovations on the horizon which will negatively impact members with a plan. The result is that most self-funded programs are at critical stage with sagging reserves and an unmanaged risk of baby boomers moving into the high medical risk category. The programs have placed more financial burden on the individual member and given minimal attention to the long term result of that cost shift for future claims in moderate to high risk members.

Current Self-Funded Consulting Approach



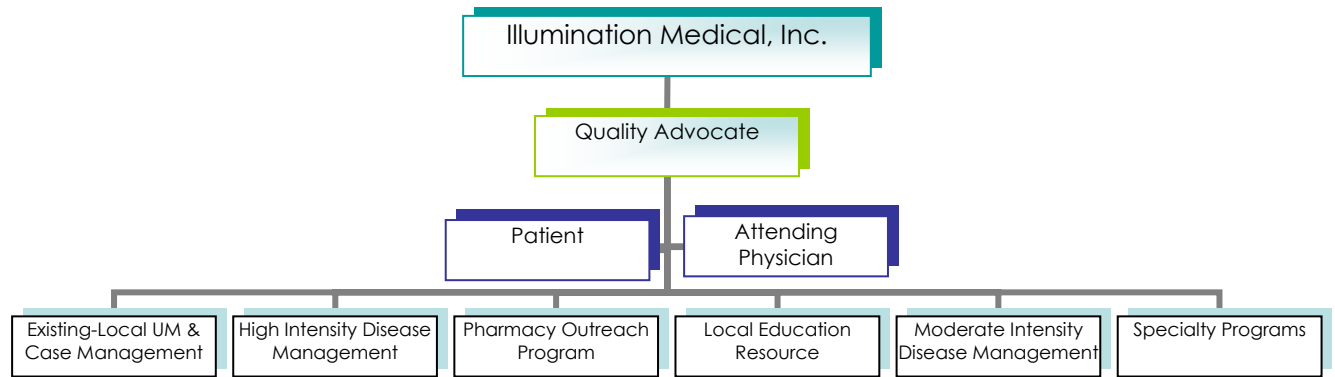
Integrated Financial and Clinical Consulting Approach



Illumination utilizes predictive modeling tools, coupled with physician analysis and patient-provider advocacy to evaluate our clients' medical risk and develop proactive risk strategies. Through this process, we have found an opportunity to not only effectively help guide clients to the right Disease Management program for their particular membership needs, but have also created alternative approaches through local medical resources, often resulting in costing less and providing a measurable return on investment in either savings or enhanced quality of member care.

Following the evaluation of the medical risk within a health plan, the Illumination team verifies its findings with the patient and providers and then directs those patients to medical resources where their particular risk condition can be improved.

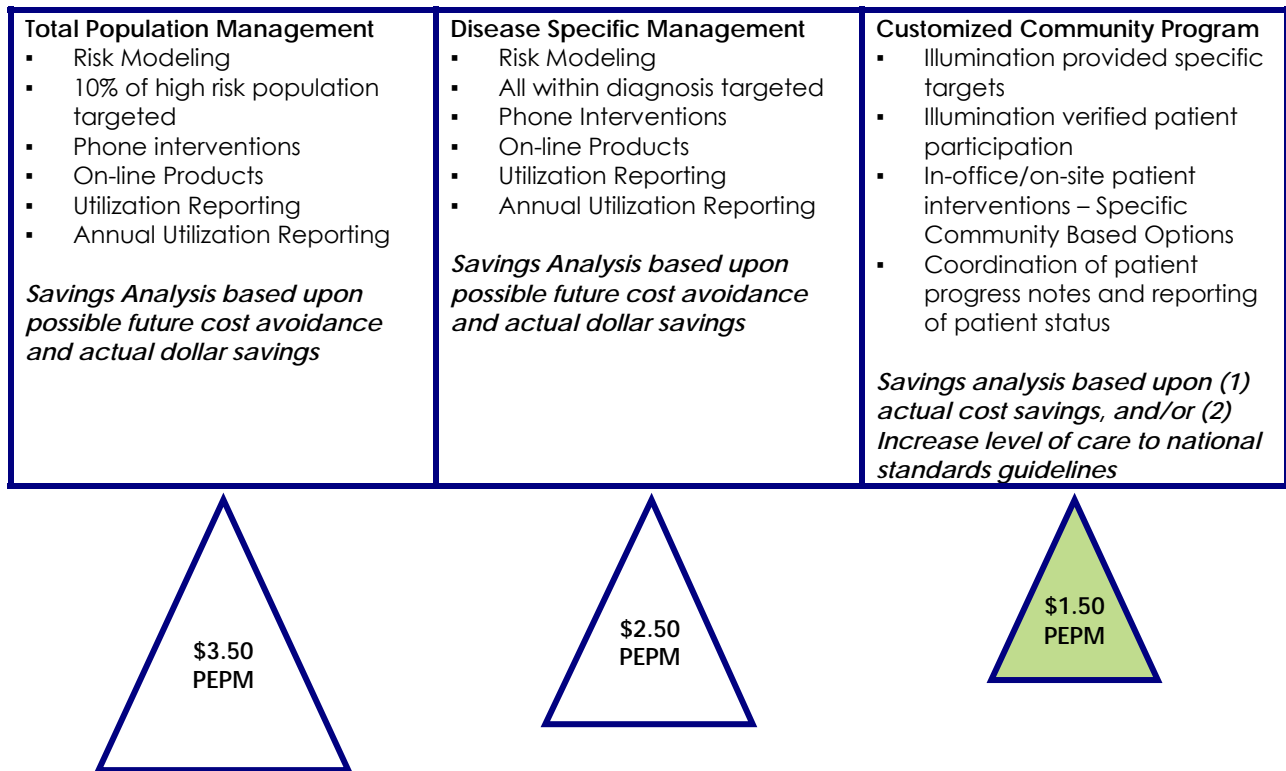
Illumination Medical Customized Disease Management Option Work-Flow



Our consultants then monitor medical and pharmacy claims information quarterly and coordinate that information with the status reports of the various medical resources (Quality Advocate, disease managers, case managers, pharmacy consultants, physicians, etc). Quarterly we provide an update of our findings and annually we offer a comprehensive evaluation of year-to-date activity along with specific recommendations. Utilizing this methodology we can quickly adjust disease management strategies that are not proving to be effective and provides the health plan the ability to manage the process with a complete understanding of the value propositions each medical manager provides its membership.

Illumination evaluated three scenarios of disease management for our client of 5,000 employee lives, the chart below illustrates the variances in services and approaches and the available cost savings. Our clinical team found that when identified high risk members were contacted, their disease status did not warrant long term or extensive case or disease management. Many of these individuals were evaluated to benefit by a single pharmacist or physician consulting visit to coordinate medications, immunizations, or lab tests, or were candidates for an educational program, some of which were available at very reduced costs within the community. Further for the high risk members who would benefit by an aggressive medical management program, many opted out, which reduced the number of individuals actually benefiting from the monthly fixed costs of a total population based approach. This information led our team to suggest a strategy of phasing in specific disease management programs which were likely to offer the highest level of return in a short term setting, and then moving to programs where less immediate savings would be reached, but where a long term patient care strategy was appropriate. By providing options to this client, it endorsed moving into the disease management arena without concern of the value the programs would provide.

Savings Analysis



Utilizing an independent medical consultant to assess, develop and monitor the disease management strategy for the self-funded program provides the following advantages:

- Self-Funded Program Understands where its risk population resides and which of those patients will respond to interventions,
- This knowledge allows for strategic development of benefit design options and disease management programs.
- Enhances the success of the benefit design and disease management programs
- Provides a level of expectation for performance and communication with the medical management providers

- Sets measurable financial and quality goals on endorsed programs
- Provides proactive information related to emerging and new medical technology or treatment which will impact the program and evaluates benefit structures as to how changes have or will effect the moderate to high risk membership
- Provides independent guidance on the success or failure of benefit strategies deployed, allowing for immediate correction

In summary, the self-funded plan sponsor must place equal attention to the health status of its membership as it does to the financial outcomes of its programs. Positively identifying and influencing positive behavior in the moderate to high risk member enhances the quality of care for its members must be a priority in order to maintain the health care benefit for the future. Understanding your clinical liability is critical before implementing benefit structures and disease management strategies. Adding medical experts to your benefit consulting team will assist in making informed decisions essential to gain control of spiraling medical costs.