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Introduction: Proactive Health Plan Management

Fundamental change is now occurring in the way private health plans¹ manage their medical risk. In the past, these plans operated in a reactive mode.² It is now clear that this approach leads to the demise of the plans that continue to function in this business-as-usual model.

Commercial fully insured plans converted to a proactive³ medical management model over a decade ago. The pragmatic benefit of making this change has become apparent. The proactive approach has delivered significant improvement in the quality of care the health plan's beneficiaries receive. These health plans have also enjoyed progressively improving financial performances.

Quality of Care

When the quality of health care services delivered to reactive vs. proactive health plan beneficiaries are compared, the reactive performance is found not-to-be acceptable.

The National Committee for Quality Assurance (NCQA) has developed performance standards and measurements called HEDIS⁴ to assess performance by health plans. Compliance with HEDIS quality standards is required for a health plan to become accredited by the NCQA as a qualified plan. Most qualified health plans meet these quality-of-care standards⁵ by scoring above 70 percent

¹ Self-funded and administered health plans, primarily ERISA and Taft-Hartley multiple employer trusts.

² A reactive medical management model pays claims after medical services are delivered. The plan then adjusts its design and financial model on an annual basis based upon experience.

³ A proactive approach identifies those beneficiaries at risk for developing catastrophic complications before they occur and intervenes to prevent such an occurrence.

⁴ Health Plan Employer Data and Information Set (HEDIS)

⁵ HEDIS quality standards evaluate a health plans ability to deliver nationally accepted standards of care of various chronic diseases that generate most of the medical cost for a health plan.

compliance with each criterion. The top performing plans will exceed 85 percent compliance rates.

The following table demonstrates the relative rate of compliance with these quality criteria by qualified health plans and private health plans.

Quality of care compliance by health plan



Health Plan Employer Data and Information Set (HEDIS®)

Proactively managed commercial health plans	70% +
Self funded health plans*	35% +

*Source: Illumination Medical & D₂Hawkeye data

It should be noted that not meeting these quality of medical care criteria disproportionately accelerates the overall cost for the health plan. A relatively small number of beneficiaries⁶ suffering from chronic disease with predictable evolving complications generate most of the future cost for the health plan as demonstrated in the following table:

Member Distribution	# of Memb	Total Costs for Cohort	Avg. Cost / Memb	Cost Distribution:
1%	198	\$10,413,502.94	\$52,593.45	33.70%
2-5%	792	\$9,057,458.23	\$11,436.18	29.40%
6-15%	1,981	\$6,932,993.10	\$3,499.74	22.50%
16-30%	2,970	\$3,241,723.20	\$1,091.49	10.50%

⁶ 1% produce 33.7% of the cost. 5% produce 63% of the cost.



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31-60%	5,941	\$1,209,681.91	\$203.62	3.90%
61-100%	7,922	\$1,654.33	\$0.21	0%

Source: Taft-Hartley Plan in Las Vegas

Financial Performance

A recent study published by the Harris Interactive Survey⁷ demonstrated that health plan managers saw substantial reductions in inflationary trends (20 percent reduction in trend over a two year period) when their health plan proactively addressed and targeted interventions for the small minority of health plan members afflicted with chronic diseases.

Conversely, managers that ran reactive health plans saw substantial increases in their inflationary trends (22 percent increase) during the same period.

Illumination Medical

Illumination Medical is a specialized consulting group that assists private health plans in rationalizing their health care spending. We analyze two years worth of medical and pharmacy paid claims data generated by the health plans medical and pharmacy benefit administrators.

Using this information, our team of physicians, nurses and pharmacists bring well-established methods for identifying specific beneficiaries with significant clinical problems to our client health plans. Illumination will use the actionable information we generate to contact at risk beneficiaries and/or their attending physicians to see to it that the quality issues we identify are addressed and corrected.

Early Quality Indicators

We now have early indicator data from our more mature health plan clients that indicate an improvement in the quality of health care their beneficiaries are receiving. We have concentrated on problems that lead to either mortality or serious morbidity during the early involvement with these clients. While we have not reached industry norms for compliance levels for HEDIS scores relating to diabetes, coronary artery disease, atrial fibrillation or asthma; we are moving the trends toward acceptable numbers.

⁷ Harris interactive survey of 100 health plan managers, Oct. 11, 2001



Early Financial Indicators

Quality health care delivered in a timely fashion to the appropriate patient results in lower overall cost for the health plan. Illumination is now demonstrating that actively monitoring the medical performance of our client's health plan support the above.

The data generated from our established account demonstrate cost trends that are consistent with national trends for proactively managed health plans. Utilization data for the emergency room, admissions to the hospital, hospital bed utilization and high cost technology (MRIs) are all trending downward on a 20% or greater slope.

Illumination Medical Services

The following will summarize some of the services Illumination Medical performs for its client health plans:

1. Evaluate the paid medical and pharmacy claims data for every beneficiary within the health plan.
2. We inventory the disease load within the health plan and thereafter prioritized the targets for intervention based upon acuity, medical risk and likely return-on-investment for initiating an intervention.
3. We estimate the influenceable cost within the health plan using data from the peer reviewed literature. We then provide our client with an estimate of the financial benefit that will accrue to the plan if the targeted problems are successfully addressed and corrected. This projection of financial return to the health plan is provided on a quarterly basis.
4. Our clinical team will then initiate calls to targeted beneficiaries and/or their attending physicians.
5. The team will supplement future health care services to the targeted beneficiaries by:
 - a. Providing pharmacy consultations for beneficiaries at risk for drug interactions or suspected compliance problems.
 - b. Referral to local patient education resources if available.
 - c. Referral to disease management and/or case management if these services are contracted with the health plan.
6. Illumination will assist all of the health plan's current vendors to perform optimally. For example, many health plans have a specialty pharmacy contract. Unfortunately, these contractors do not have access to the medical claims data. Thus, they are not knowledgeable as to which



beneficiaries are receiving specialty medications. Illumination provides a quarterly listing of these patients. The same process is applied to employee assistance vendors, network managers and specific disease managers.

7. Illumination Medical will initiate, as directed by the client health plan, specific preventive initiatives for the health plan such as women's health or pediatric immunizations.
8. We can identify beneficiaries where subrogation of benefit issues likely exists between the health plan and the employer's workers compensation carrier.
9. Illumination can identify networks of patients and providers where fraud is likely to be occurring. It is now conservatively estimated that between 15 and 20% of all health care dollars are diverted into organized crime and fraud.
10. Illumination will re-inventory the entire health plan on a quarterly basis and report back to the client on progress made in addressing identified problems from the previous quarter.
11. Illumination is able to work with the client health plan's other consultants to fine tune benefit design, identify catastrophic cases that influence annual reinsurance negotiations and feed anticipated modified trend information to the health plan's actuaries.

Conclusion

Illumination Medical represents a valued addition to the consulting team that supports your health plan. We serve as the critical change agent to move the plan from a reactive to a proactive management approach to medical risk. We assist the health plans existing clinical assets to perform optimally and we enhance the capability of the plan's consultants to structure and price the plan in the future.

