Health Care Reform and Your Organization's Best Response

OR…

What The Heck Do I Do Now?

Robert Galvin, MD
NY Leadership Summit
November 17, 2010

Today

- Reform is complicated but employers have only a limited number of decisions
- One way or another employers will continue to fund the US healthcare system
- Your decisions have as much to do with company culture as they do with healthcare

A BRIEF HISTORY OF REFORM

Health spending rises at blistering pace

Companies Trim Health Benefits

Congress is about to become very interested in the health care system. Business leaders should be ready with ideas.

Resolving To Reimagine Health Costs

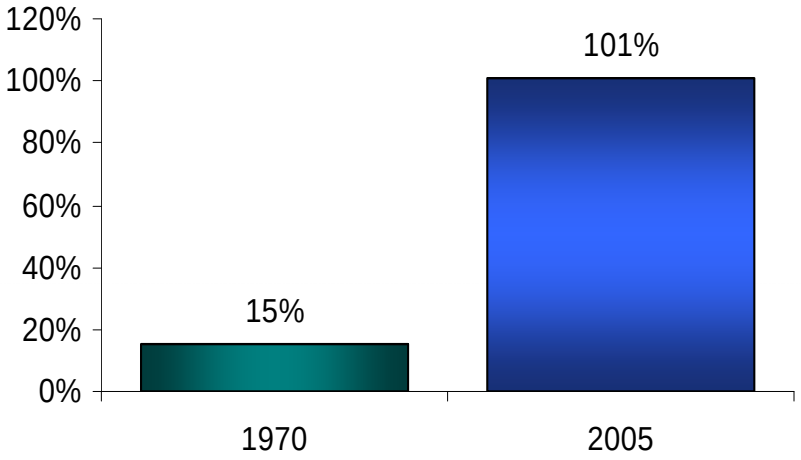
OPEN YOUR WALLETS

20% of GDP could go toward care by 2015

By Julie Appleby
USA TODAY

Health Care: Let's Face Reality

High Costs Lead To Uninsurance…



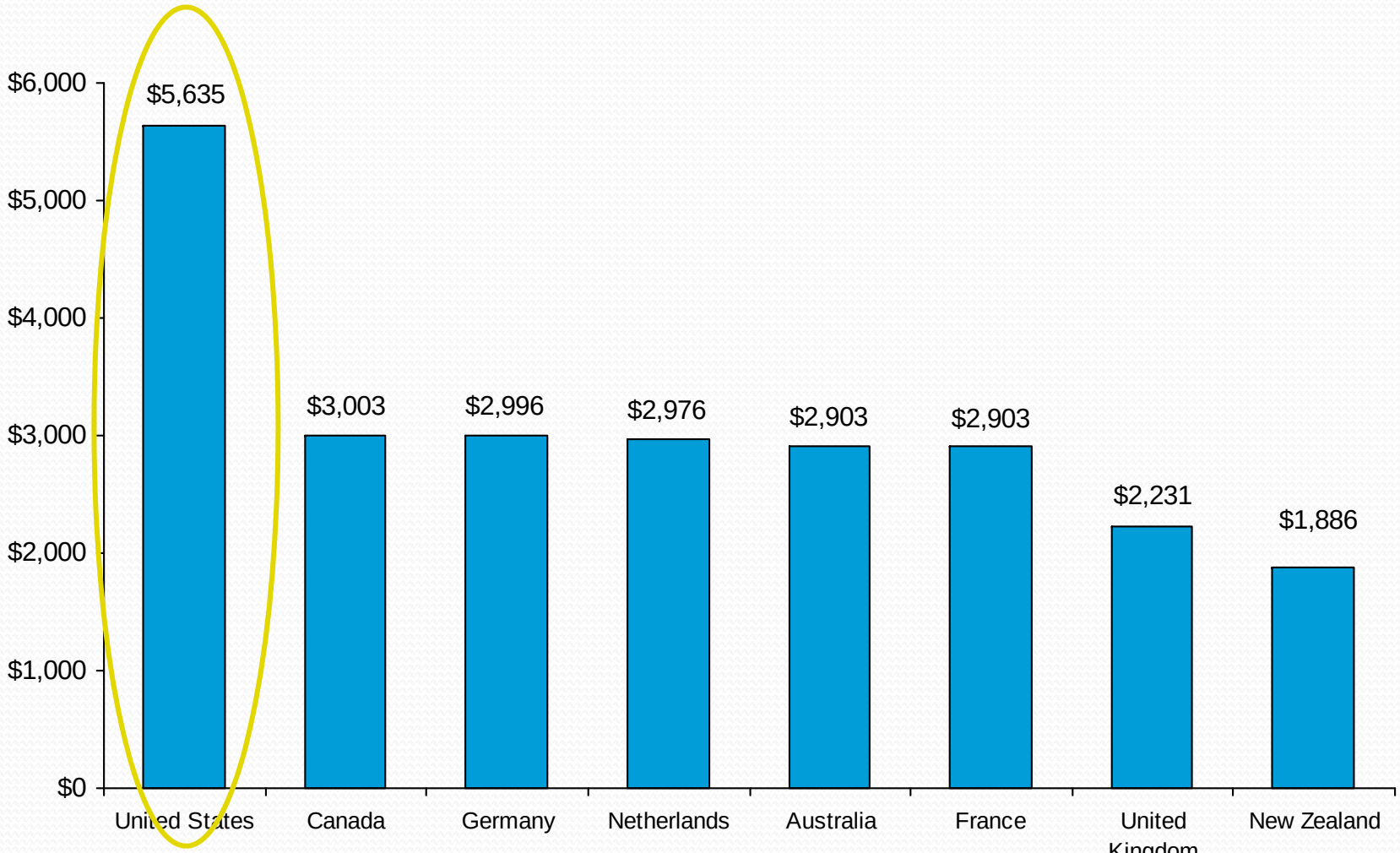
Premium as Percent of Minimum wage

- **Close to 50 million uninsured**
- **Only developed country with the issue**

..Uninsurance Leads to Illness and Early Death

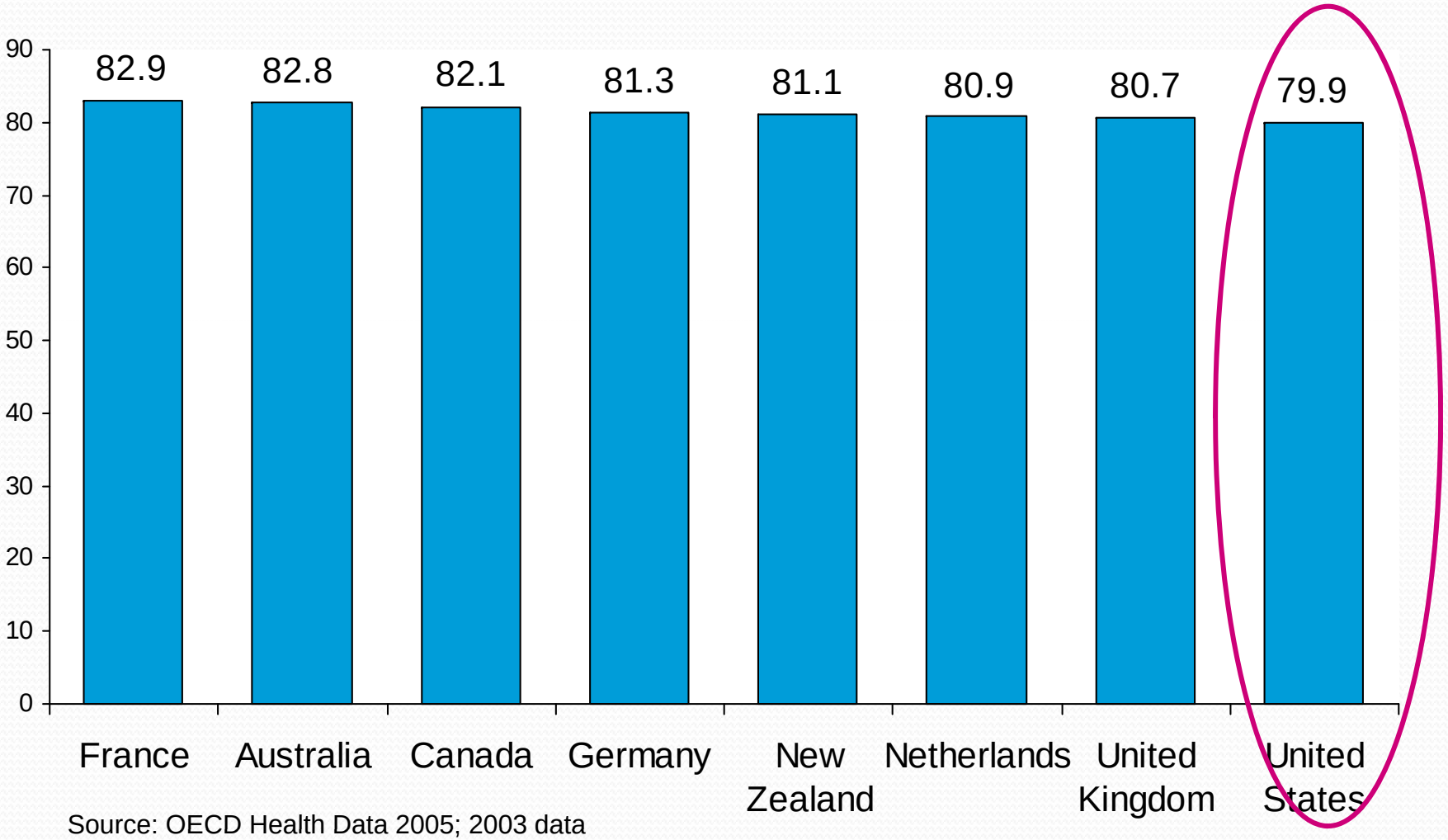
DOESN'T THE U.S. HAVE THE BEST HEALTH CARE SYSTEM IN THE WORLD?

We Spend Much More Than Other Countries



Source: OECD Health Data 2005; AIHW Health Expenditure Australia 2003–04.
Adjusted for differences in cost of living

But We Are Last In Life Expectancy



Source: OECD Health Data 2005; 2003 data

To Reform or Not to Reform?

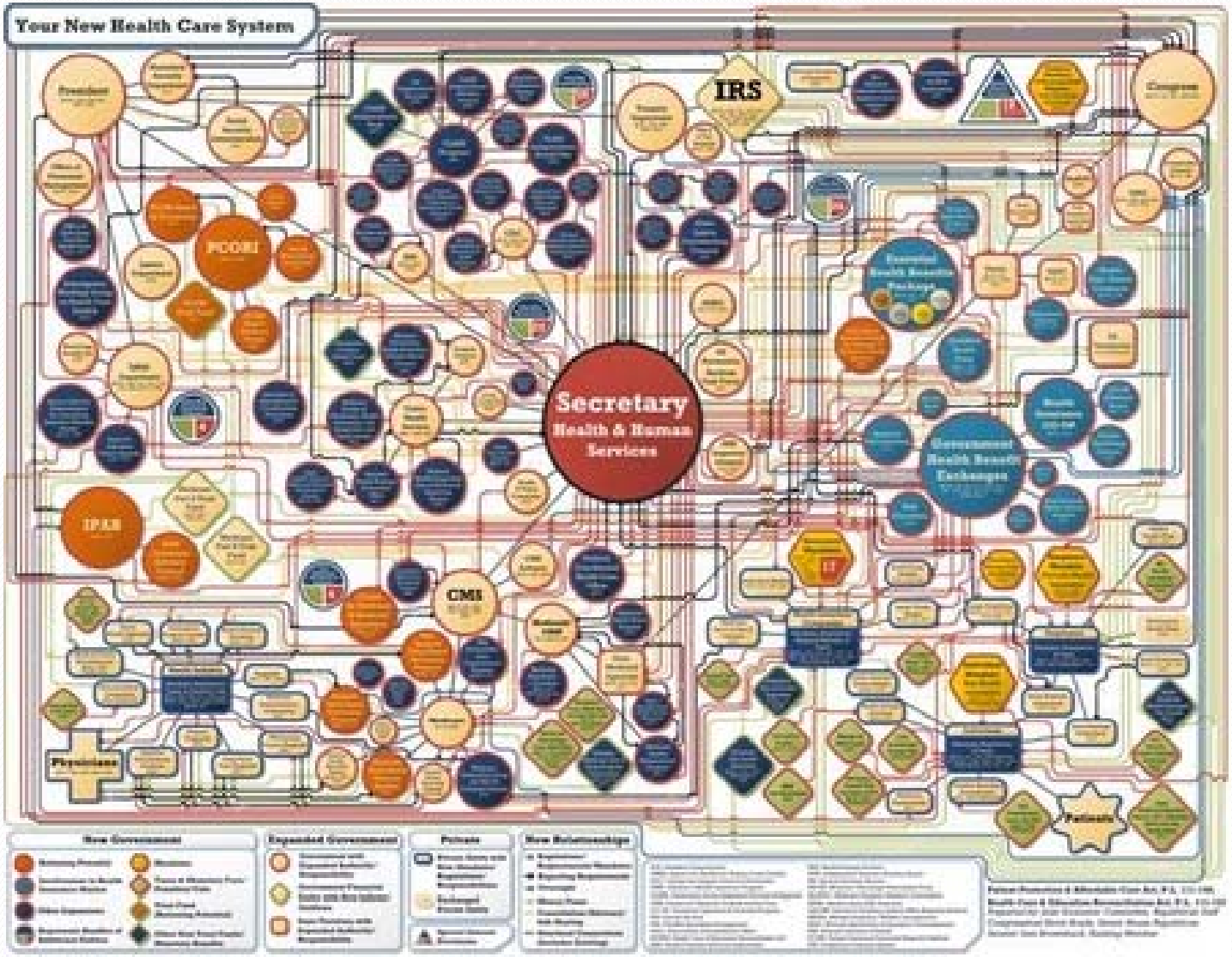
Uninsured

- I believe everyone should have health insurance — 90%
- I would be willing to pay — 47%
- More to cover the uninsured

Costs

- An independent, scientific body should determine cost-effectiveness of new treatments — 70%
- I am willing to have some treatments ordered by my doctor excluded — 32%

The Plan

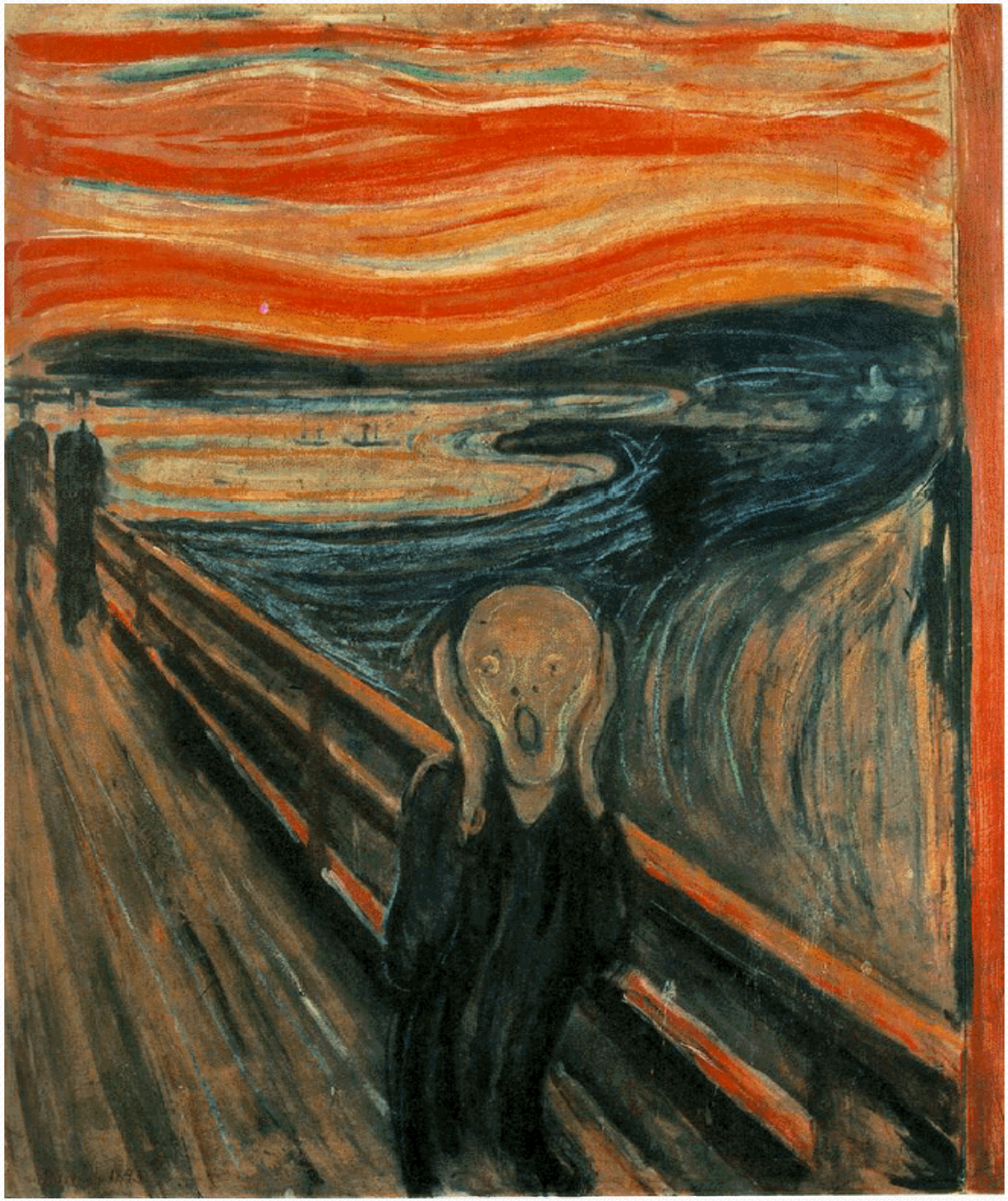

Your New Health Care System
IRS
PCORI
Secretary
Health & Human Services
IPAB
CMI
Physicians
Patients

Town Hall Face

History is Made

WHAT THE HECK DO I DO NOW?

HR Leader Initial Response



HR Leader After Calming Down

- READY
- AIM
- FIRE


READY

What's Reform Really About?

- Cover the Uninsured…….A-
- Bend the Cost Curve…….D

Myths About Reform

- Employee health care will not change
- Health reform “saves money”
- The bill will be repealed
- Employers have an easy ‘exit strategy’
- With so much uncertainty the best strategy is to put programs on hold and wait to see what happen

Highlights of Reform

COVERAGE

- Individual mandate with low-income subsidies
  - State-run exchanges or Medicaid
- Employer pay-or-play
- Minimum benefit packages

FINANCING

- Lower Medicare payments to hospitals
  - Results in cost shift to employers
- Taxes on wealthy individuals
- Taxes on “Cadillac” employer plans


AIM

KEY MILESTONES

- **2011**: A COUPLE OF COVERAGE MANDATES
- **2014**: EXCHANGES/SUBSIDIES FOR
  FIRMS <50 OR EMPLOYEES WITH HIGH COST SHARE
- **2017**: EXCHANGES OPEN TO ALL FIRMS
- **2018**: 'CADILLAC' TAX

EMPLOYER DECISIONS

MICRO STUFF

- Should I 'grandfather' my current benefit design?
- What to do about part-timers? Retirees?

MACRO STUFF

- Stay in the game or find an exit?
  - Should I encourage employees to individually join the Exchange in 2014?
  - Should I move company as a whole to the Exchanges in 2017?
  - If I stay in, how do I prepare for the 2018 Cadillac tax?

One Example: The 2014 Exchange Exit

- Employees paying large cost share can access benefits through the Insurance Exchanges
- They get subsidy if make $88K or less
- Employer would pay $2000 or $3000 fine
- Far less than the $8K paid today
- Why wouldn’t I do this??

IF IT SEEMS TO GOOD TO BE TRUE…

- Two-tiered benefits and employee morale
- Labor competitiveness
- Fines will certainly increase
- Once salaries are increased to make the Exchange affordable and the loss of the health care tax break is factored in, savings is less attractive


FIRE

The CEO Elevator Speech

- Really a bill to address the uninsured
- Biggest impact on firms below 50 employees
- Overall national cost trend largely unaffected and large employer costs will rise
- Large employers have only a few decisions to make
- Stakes are high but biggest decisions are not immediate

WHAT SHOULD YOU DO?

- Every company is unique
- The devil is in the details
- It's worth the resources to stay informed
- It's more than health care and benefits…it's company culture and HR strategy
- DO NOT….lose a beat in using innovation to manage your company's health care today

MANAGING YOUR COMPANY'S

HEALTH CARE

Can I Really Make A Difference?

HEALTH CARE PRIMER

Four Myths

- More spending means better care
- Getting sick is a matter of bad luck
- There aren't real differences between doctors and hospitals
- Employees leave companies because of changes in health benefits

What are the biggest cost drivers?

Health Insurance Greed	True	False
Aging Population	True	False
Fraud and Abuse	True	False
Unhealthy Lifestyles	True	False
Malpractice	True	False
Waste . . . duplicate or unnecessary services	True	False

BEST PRACTICES

- Develop a culture of health
- Create active consumers
- Drive accountability
- Use benefit designs to incentivize
- Manage as a supply chain cost

Myth

There aren't big differences in quality among doctors and hospitals.

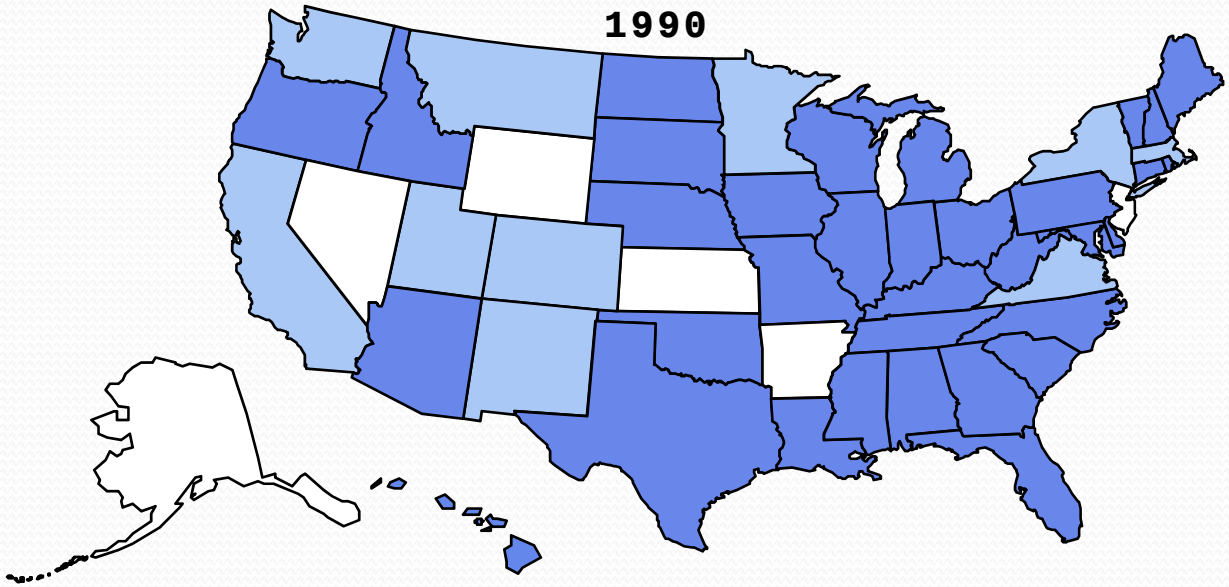
The Case of President Clinton

Hospital	Death rate
Columbia Presbyterian	3.93*
Lenox Hill	2.26
NYU Hospitals Center	1.95
Weil Cornell – NYP	0.95*

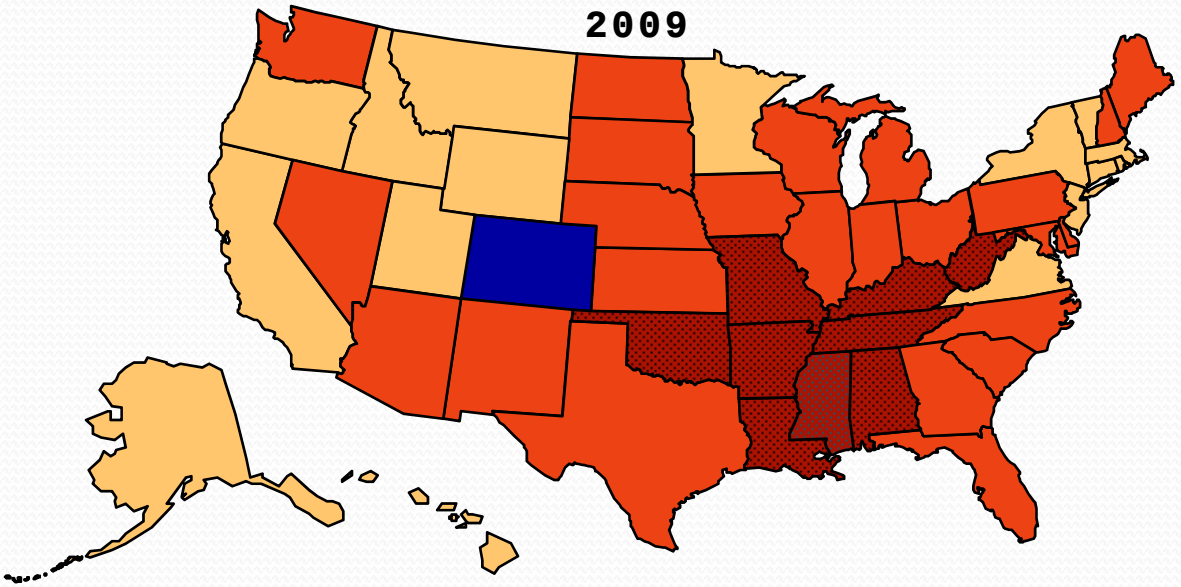
Another Myth

Getting sick is a matter of bad luck

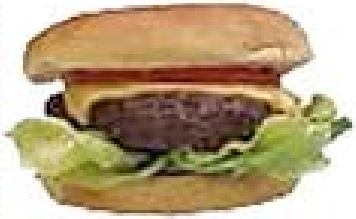
We're Getting Fatter



*Body mass index ≥ 30, or ~30 pounds overweight for a 5'4" person



Has Portion Distortion Made Us A Vast waistland?

	20 Years Ago		Today	
Bagel		**3”inch 140 Calories**		**6” 350 Calories**
Cheeseburger		**333 Calories**		**590 Calories**
Soda		**6.5 oz. 85 Calories**		**20 oz. 250 Calories**

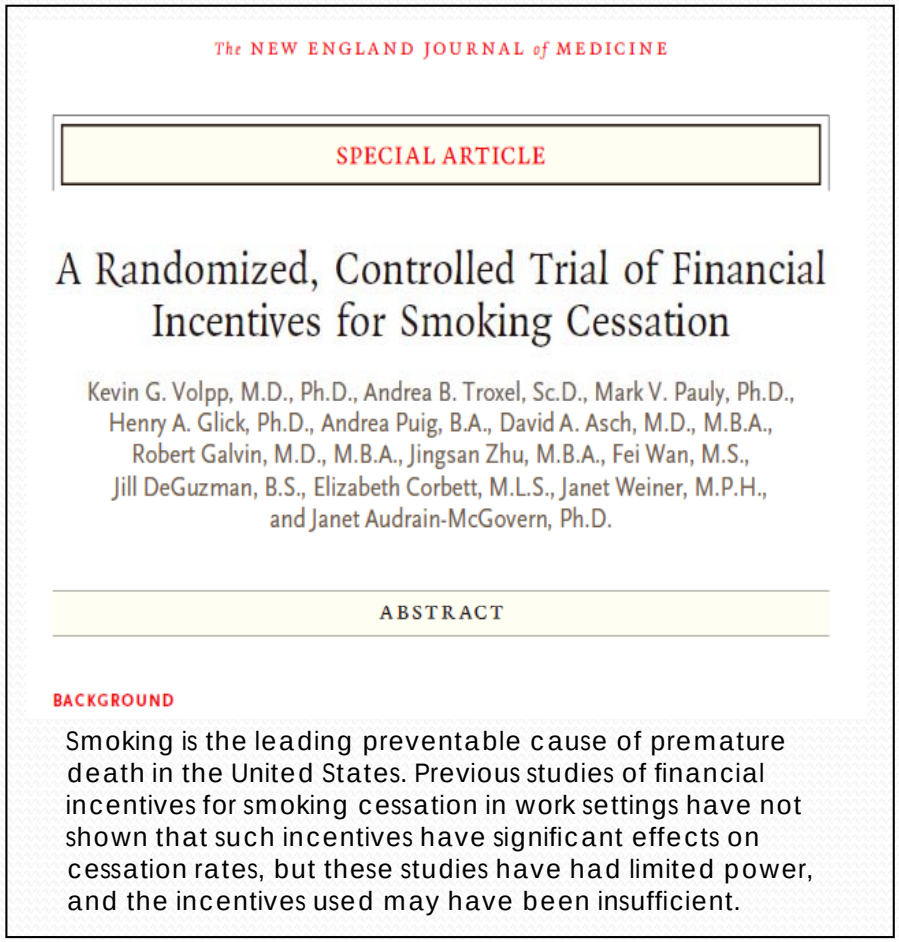
Another Lifestyle Choice to be Avoided!

SOME BEST PRACTICES

Start With The Worksite

- Mandatory Site Certification
  - Tobacco-free
  - Healthy foods subsidized
  - **NO** unhealthy foods at meetings
  - Exercise: on-site or vouchers
- CEO-Driven Initiative-Site Manager Accountable
- Site teams with funding and time off for meetings

Incentives Matter



The NEW ENGLAND JOURNAL of MEDICINE

SPECIAL ARTICLE

A Randomized, Controlled Trial of Financial Incentives for Smoking Cessation

Kevin G. Volpp, M.D., Ph.D., Andrea B. Troxel, Sc.D., Mark V. Pauly, Ph.D., Henry A. Glick, Ph.D., Andrea Puig, B.A., David A. Asch, M.D., M.B.A., Robert Galvin, M.D., M.B.A., Jingsan Zhu, M.B.A., Fei Wan, M.S., Jill DeGuzman, B.S., Elizabeth Corbett, M.L.S., Janet Weiner, M.P.H., and Janet Audrain-McGovern, Ph.D.

ABSTRACT

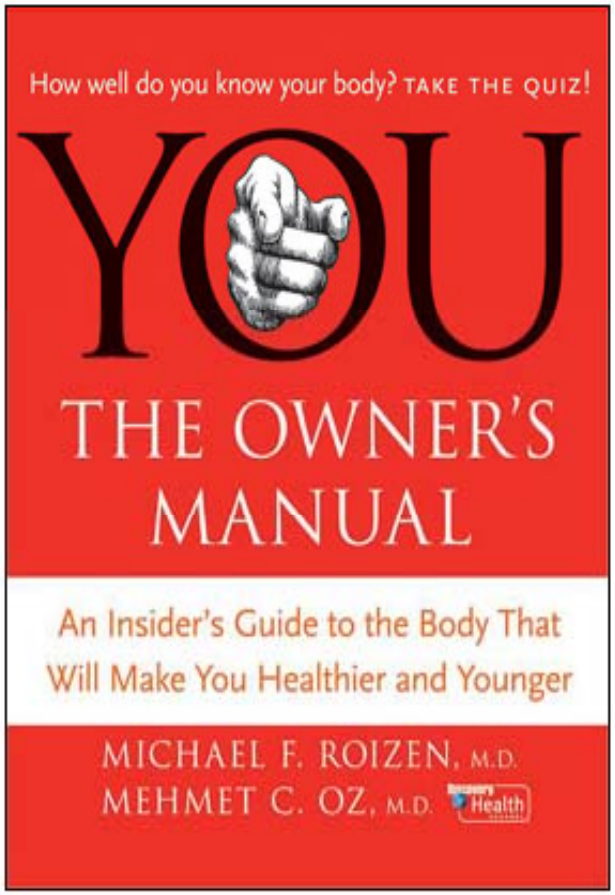
BACKGROUND

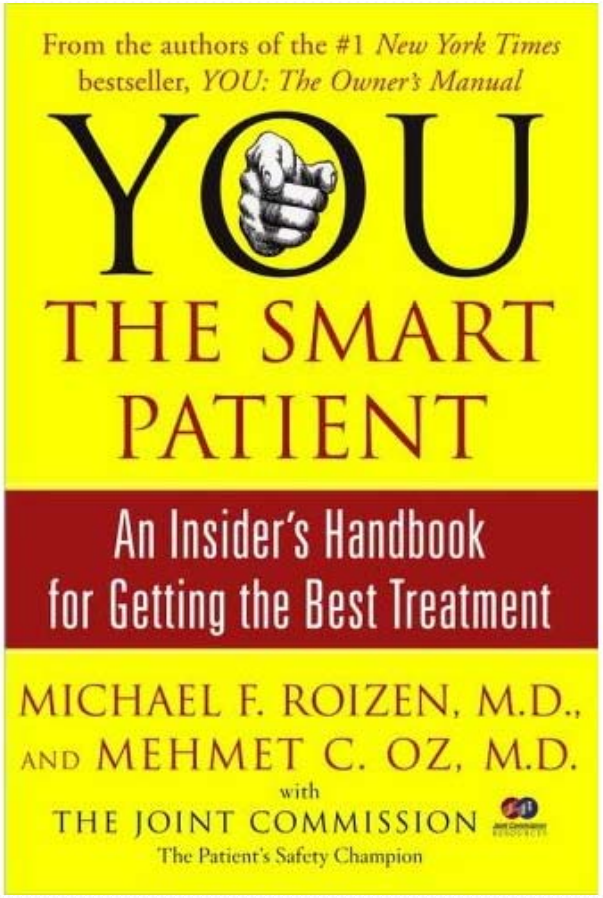
Smoking is the leading preventable cause of premature death in the United States. Previous studies of financial incentives for smoking cessation in work settings have not shown that such incentives have significant effects on cessation rates, but these studies have had limited power, and the incentives used may have been insufficient.

- $750 Cash Incentive If No Smoking After One Year
- Statistically Significant Cessation Rates – Best Ever in Peer-Reviewed Setting
- In 2010, GE Will Give a Substantial Credit Reduction for Non-smokers

Make Prices Visible

- Exam by your in-network primary physician $65
- In-network Urgent Care Center $90
- Out-of-network Urgent Care $130
- Out-of-network specialist $325
- ER visit $800


How well do you know your body? TAKE THE QUIZ!
YOU
THE OWNER'S MANUAL
An Insider's Guide to the Body That Will Make You Healthier and Younger
MICHAEL F. ROIZEN, M.D.
MEHMET C. OZ, M.D.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