

HCM 2008

YALE SCHOOL OF MANAGEMENT

**WHOSE HEALTHCARE IS IT ANYWAY?
UNDERSTANDING THE PATIENT AS A CONSUMER**

Executive Panel

Whose Healthcare is it Anyway? Understanding the Patient as a Consumer

Yale School of Management
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Jeffrey Kang, MD
Chief Medical Officer
CIGNA Health Care



Consumerism is Code Word for Harnessing the Power of Market Competition

- US markets with an active consumer market place have experienced improved quality of services with lowered costs.
- In healthcare, the fee for service payment system leads providers to compete on revenue maximization not on value
- Competition for revenue occurs based on “reputation.”
- Lack of “consumerism” reinforces competition on the wrong dimensions
- Redefining Health Care ... competition can create tremendous change (Porter/Teisberg)



The Points of Consumer Choice in a Competitive Health Care Market Place

- Choice Health Plan
 - ◆ Benefit packages and premiums
 - ◆ Clinical quality scores (HEDIS), Accreditation,
 - ◆ Member satisfaction scores (CAHPS)
- Choice of provider (physician, hospital, outpatient surgical center, dialysis facility, nursing home, home health agency, etc.)
 - ◆ See next page for dimensions of competition
- Choice of item or service – diagnostic test, therapeutic procedure, pharmaceutical, durable medical equipment, etc. This is the focus of “comparative effectiveness” legislation.
 - ◆ What’s the benefit
 - ◆ What’s the risk
 - ◆ What’s the cost
- Choice of Lifestyle (behavioral risk factors)
 - ◆ What are the benefits of a healthy lifestyle
 - ◆ What are the costs of an unhealthy lifestyle.



Instead of Reputation Based Competition, What Dimensions of Care Should Providers Compete On?

- Clinical Quality
 - ◆ Clinical processes
 - ◆ Outcomes – mortality, morbidity (complications), functional status
- Experience with care
 - ◆ Satisfaction
 - ◆ Communication
 - ◆ Respect
- Access (Hours, Convenience, Parking, etc.)
- Efficiency
 - ◆ Not labor (physician professional fees) or unit cost
 - ◆ Total cost of care for an episode



What Provider Information is Available to CIGNA Members Nationwide

- Hospitals - nationwide, for 29 most common admissions
 - ◆ quality based on JCAHO, Leapfrog, CMS measures and risk-adjusted, all-payor, mortality and complication rates
 - ◆ Risk-adjusted total hospital costs per admission
- Physicians - nationwide, for 21 most common specialists
 - ◆ Quality based on NQF and/or AQA measures. Board certification and NCQA physician recognition
 - ◆ Total episode cost – ETG groupers
- High tech radiology – nationwide, price transparency for CT, MRI and PET scans
- Ambulatory procedures – nationwide, price transparency for 16 most common ambulatory care procedures
- Pharmacy – nationwide, price transparency for all CIGNA pharmacy drugs – both employer’s cost and member’s cost



What is Provider Competition on the Right Dimensions Worth?

- **Specialist physicians who are designated high performing (CCN) based on quality and cost efficiency consistently outperform non-CCN specialists**
 - ◆ 8-12% decrease in total medical costs
 - ◆ 4-5% improvement in clinical quality indicators
 - ◆ 29% reduction in re-admission rates
- **Hospitals designated as Centers of Excellence (COE) based on quality and cost efficiency consistently outperform non-COE hospitals.**
 - ◆ 30% fewer deaths
 - ◆ 28% fewer complications
 - ◆ 39% better costs per procedure



Discussion



Total Hip Replacement, 25 mile radius from zip code 20005

Hospital	Estimated Average Facility Cost Range	Estimated Average Out Of Pocket Cost Range
Virginia Hospital Center Arlington Patient outcomes: ★★★ Cost efficiency: ★★★	\$5,994 - \$10,995	\$4,199 - \$4,700
Washington Adventist Hospital Patient outcomes: ★★★ Cost efficiency: ★★★	\$10,995 - \$15,997	\$4,700 - \$5,200
George Washington University Hospital Patient outcomes: ★★ Cost efficiency: ★★	\$17,199 - \$23,269	\$5,320 - \$5,927
Washington Hospital Center Patient outcomes: ★★ Cost efficiency: ★★★	\$5,994 - \$10,995	\$4,199 - \$4,700

