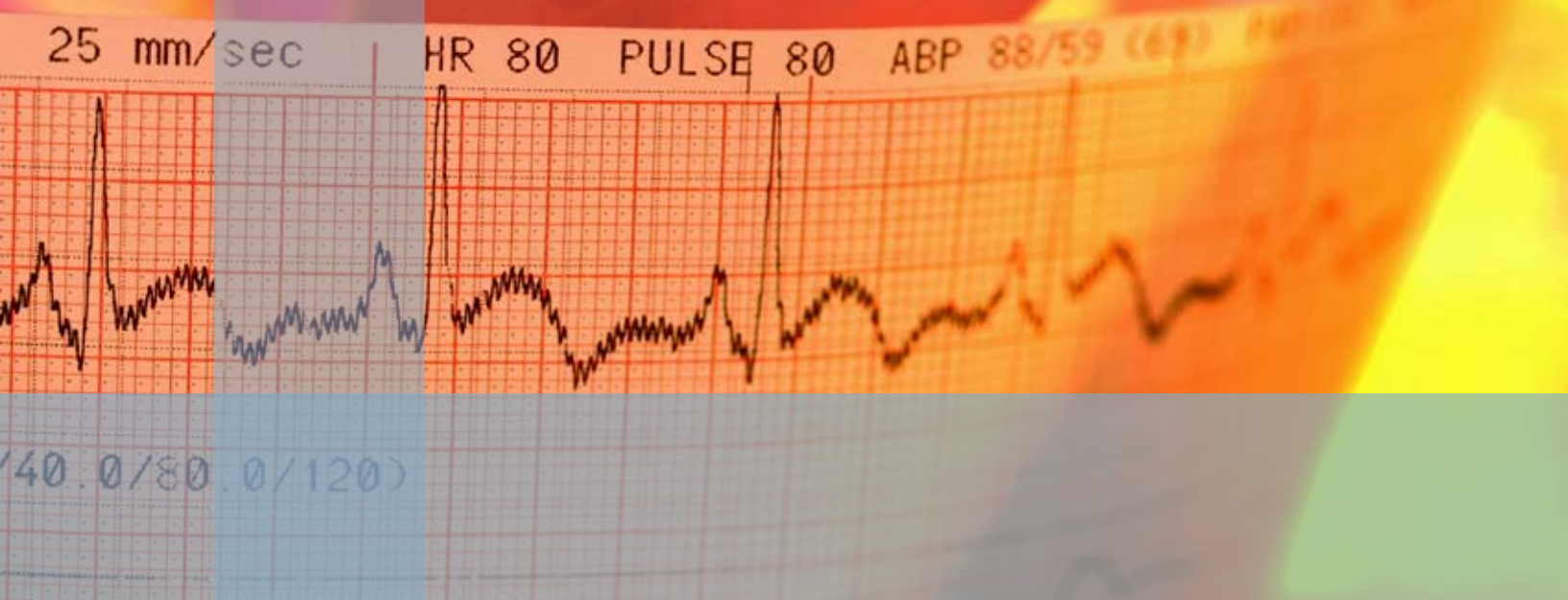


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Health & Life Sciences



# Health Value Solution: Addressing the Coverage and Affordability Crisis

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**H**ealth plans are positioned to bring sustainable market reform, but they will need a new business model to do so.

Half of the U.S. health benefit market is driven by employer funding. Most Americans (165 million) who do not rely on Medicare or Medicaid access the health system through an employer-funded or employer-sponsored product. However, over the past decade, many employers reduced benefits or shifted costs to their employees and some completely cut benefits.

In order to understand the landscape of possible options to address the current coverage and affordability crisis, Oliver Wyman undertook a year-long collaborative assessment. Working with leading healthcare organizations (health plans, information technology, and care management firms) and conducting proprietary research, Oliver Wyman designed a new business model designed to lower the cost of care, improve care quality, and maintain medical trend below 5% while improving consumer, employer, and provider satisfaction. This model applies to a wide spectrum of health plans given its health and wellness foundation and its alignment with many of the current industry trends.

Central to our model is the belief that health plans are well positioned to drive a market-level tipping point. Systemic change is required to keep employers engaged in sponsoring healthcare coverage, to improve the member experience, and to support physicians in playing a larger role in care management.

Broker-led benefit buy-down strategies do not address the root problems and do little beyond easing employer budget pressures within the plan year. Without meaningful change to the underlying cost and quality drivers, many employers will be forced to distance themselves from the benefits agenda. Employers are caught in a quandary—

feeling a social responsibility to offer health benefits while at the same time struggling to keep labor costs competitive. It is difficult for them to continue to offer benefits when there is limited promise of fundamental improvement.

The cornerstone of the model is a health-plan-enabled, consumer-to-provider relationship. The health-value solution promotes and rewards consumer engagement through an innovative consumer experience. It is also designed to motivate and reward providers for partnering with members and embracing care coordination and treatment management. Ultimately the health-value solution model addresses the most influential root cause factors of the healthcare crisis, including:

- **Lack of consumer engagement.** Health plan models are designed to achieve administrative efficiency and to manage insurance risk, and do little to include the consumer as a partner in the health and benefits management processes.
- **Fee-for-service medicine.** The basic economic construct between health plans and providers is a discounted, visit-based reimbursement model that promotes high-volume, transactional medicine with few rewards for appropriate utilization and treatment management.
- **Information gaps.** Accurate, consumer-friendly health- and benefits-related cost and quality information to support consumers in decision making is limited.
- **Significant practice variation.** Providers have been slowly adopting the large volumes of evidence-based medicine and best-practice measures while consumers face variability in information on treatment options.
- **Fragmented delivery system.** Provider fragmentation and limited interoperability inhibit effective care coordination between providers on complex chronic patients.

- **Limited adoption of health information technology.** Providers are just beginning to adopt and use enabling information technology tools while health plans have focused more on transactional efficiency than consumer experience applications.

Once we identified these root cause problems, the next step was to look for ways to address and resolve these problems.

### **A New Business Model**

The health-value solution model has five components connected through a new product architecture designed to align consumer incentives and to promote health and effective use of benefits.

- Market development
- Consumer relationship initiation
- Consumer engagement and management
- Care management and provider integration
- Performance management

The new business model shifts the role of the health plan from insurance, administration, and network contracting, to consumer health, wellness, and financial management. It is also designed to shift employer relationships from annually renewable contracts to five-year partnered programs.

### **Market Development**

The health-value model begins by looking at ways to segment employers based on their attitudes—which employers want to continue doing business as usual, and which are motivated to make changes within their workforce.

Having the employer create a culture of health is essential, because if the employer does not make this commitment with his or her employees, it's less likely that those employees will embrace the new program.

The model also segments brokers in much the same way, by identifying those willing to change their current mindset and subsequently their recommendations in the plan design and selection process.

### **Consumer Relationship Initiation**

The business model proposes to completely revise the current enrollment process. It stresses the importance of building relationships with members and partnering with them on health, lifestyle, and budget issues related to health benefits.

Instead of the standard enrollment process, the health-value solution incorporates a consumer relationship initiation process—working with the member to understand his or her health profile, attitudes and behaviors, health and lifestyle goals, and household and budget realities. Health plans using the health-value solution will use the information foundation to develop a customized health and finance plan for each consumer with specific goals such as weight loss, cholesterol levels, or a monthly budget. Personalization supports engagement, connection, and program participation, which drive improved outcomes and an enhanced consumer experience.

Currently, consumers experience most health plan administration (such as enrollment and health risk assessment) as a one-sided exercise in which the health plan collects information for its own purposes and the consumer receives minimum feedback in return. The health-value solution model promotes the opposite—benefits plans and health and wellness initiatives that are customized and based on a shared perspective of the consumers' needs, preferences, and personal situation.

### **Consumer Engagement and Management**

True consumer engagement and management is largely new to health plans; however, a holistic consumer experience during every interaction with the member is a prerequisite for improving

consumer decision-making and behavioral change. The health-value model envisions the health plan having a single integrated consumer experience team (consisting of claims, benefits, and care management services) capable of meeting all the consumer's needs in one interaction.

The consumer experience should revolve around the consumer's personal integrated plan and goals developed during relationship initiation. As such, each consumer interaction is anchored in a member's health and financial goals. In addition, the health-value solution supports an integrated, multi-channel approach to consumer engagement—where the web, interactive voice response, and member representative interfaces are designed to deliver a consistent, personalized experience.

The new product architecture and programs embrace personalization and incentives. Consumers are invited to participate in health plan programs (chronic care management, wellness, etc.) that support their customized plan and goals. Oliver Wyman research suggests that personalized program and incentive alignment reinforced by an integrated consumer engagement model will improve overall health benefits value and consumer satisfaction.

The health-value consumer engagement model upends the current relationship paradigm from administrative support to trusted health and wellness partner. By investing in the consumer relationship, health plans can earn the consumer's trust and substantially improve overall value.

### **Care Management and Provider Integration**

Partnering with providers and consumers in the health management process is key to the health-value solution. Health plans need to enable and support consumers and providers in the care management process—redefining the provider's role to include education, diagnosis, wellness, treatment management, and care coordination.

Changing the provider economic model serves to motivate and reward physicians for an expanded role in total care management.

Moving away from discounted fee-for-service models is difficult, but acuity-adjusted, episode-based reimbursement models offer a solid starting point along with early-stage reward systems for clinical efficiency and clinical outcomes. Market research shows that consumer trust of physicians is significantly higher than their trust of health plans, suggesting that effective physician partnerships will improve consumer engagement.

Advanced health information technology is critical to enabling the new collaborative care-management models. Electronic medical records, including evidence-based medicine, are key building blocks. The early introduction and use of these tools and best practices are positive developments, but they still need to be adopted more widely.

The provider integration area of the health-value model extends beyond care-collaboration models to include performance transparency, a commitment to evidence-based medicine to reduce practice variability, and adherence to simple practices like informing patients of the full range of treatment options. Oliver Wyman research and market studies suggest that the combination of these programs can reduce the overall cost of care in the short term and curb traditional medical spending over time.

### **Performance Management**

Measurement, management, information sharing (reporting), and aligned incentives are essential to achieving sustainable results. Performance management in the health-value solution represents a notable change from traditional health plan communications such as e-mails and explanations of benefits. The new health plan model is designed to provide consumers with a performance-management scorecard and

integrated rewards that are directly tied to the consumer's personal plan and goals. Without program consistency, easily understood reporting, and a clear line of sight to aligned rewards, consumers are unlikely to engage with the program.

The proposed consumer performance report and rewards program includes health goals for weight, cholesterol, and exercise; disease management goals for chronic conditions such as diabetes HbA1c; and household budget goals for effective use of benefits and related health-buying decisions. Each performance category comes with an appropriate integrated reward—and all categories tie in with the consumer's personal plan.

### **Moving From Concept to Impact**

The coverage and affordability crisis threatens the employer-sponsored health benefits marketplace. Employers are frustrated with short-term solutions focused on benefit buy-downs and are looking for a fresh approach to health management. Health plans may be in the best position to drive innovation and market change and thus to provide long-term stability in the private U.S. health care system.

This new market paradigm—the health value model—can help health plans move from concept to real impact. ❖

## About Oliver Wyman

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC].

Oliver Wyman's Health & Life Sciences practice serves clients across the health sector with strategic, operational, and organizational advice. Deep healthcare knowledge and capabilities allow the practice to deliver fact-based solutions with real impact.

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