

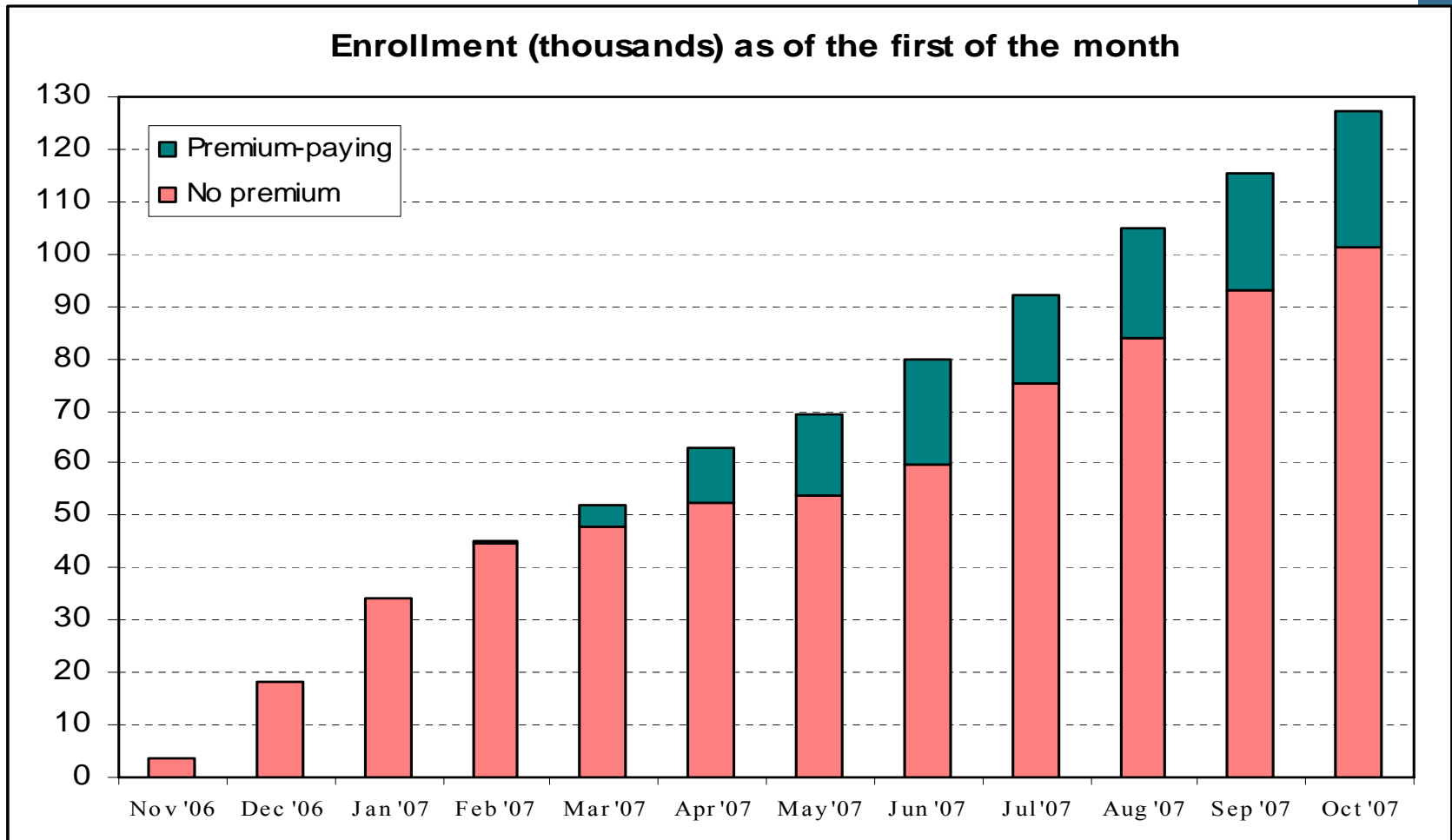
Meeting the Cost Containment Imperative

Thomas H. Lee, MD
Network President, Partners
Healthcare System
Professor of Medicine, Harvard
Medical School
Associate Editor, NEJM
October 22, 2007



The Good News...

Commonwealth Care: Enrollment for October 1st surpassed 127,000 members:



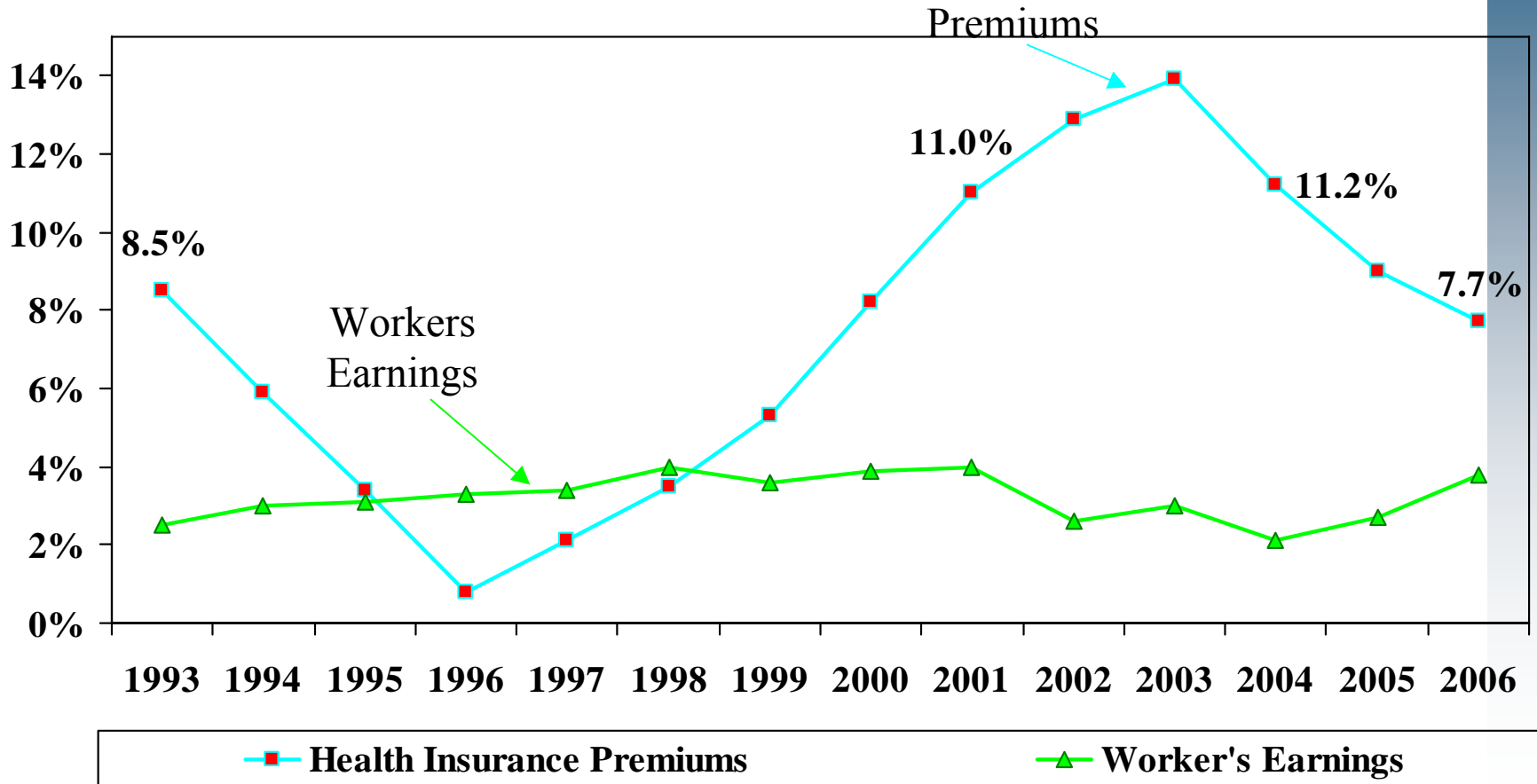
We keep talking about this...



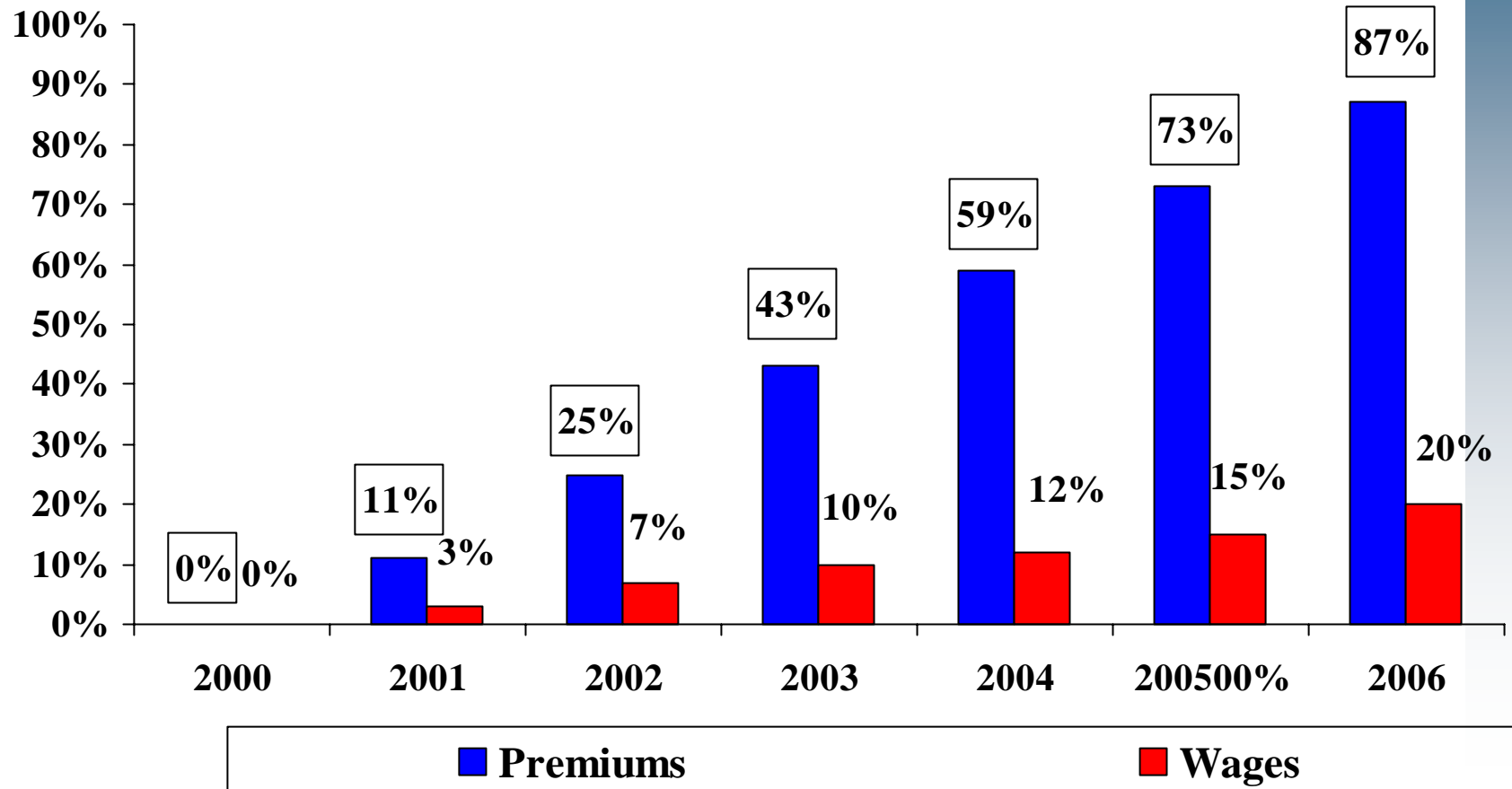
... but a better analogy for our challenges might be this



Health Insurance Premiums Are Running Significantly Higher Than Wage Growth



Cumulative Changes In Health Insurance Premiums and Workers Earnings (2000-2006)



No Bad Guys to Blame for Our Issues

- Why are healthcare costs rising?
- Surprisingly small contributions from:
 - Profits of drug/device companies
 - Administrative costs
 - Malpractice
 - Aging of the population
 - Life-style choices
 - Personnel
- The dominant factor – progress (60-70%) of rising costs

A Fragmented Delivery System

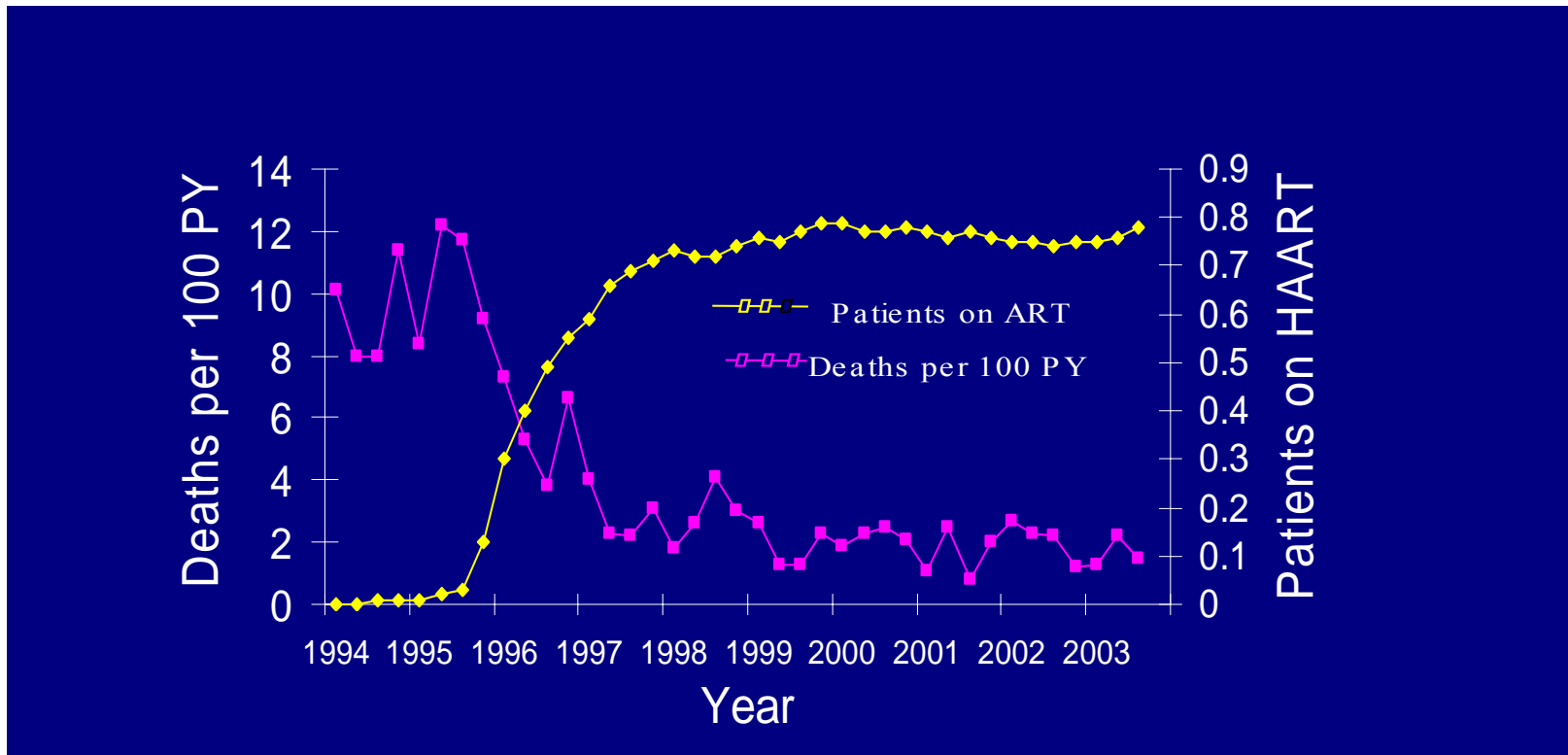
- Patchy coverage
- Multiple payers with multiple systems
- Payment system that rewards volume
- No reward for NOT doing the wrong thing
- Short-term relationships
- Patients insulated from costs
- No one has all the information
- No one has all the responsibility

Three Main Points

- Our problem is chaos – the result of incredible progress superimposed upon a fragmented delivery system
- The solution is organization
- The issue is how do we get there?

The Good News: Tremendous Progress

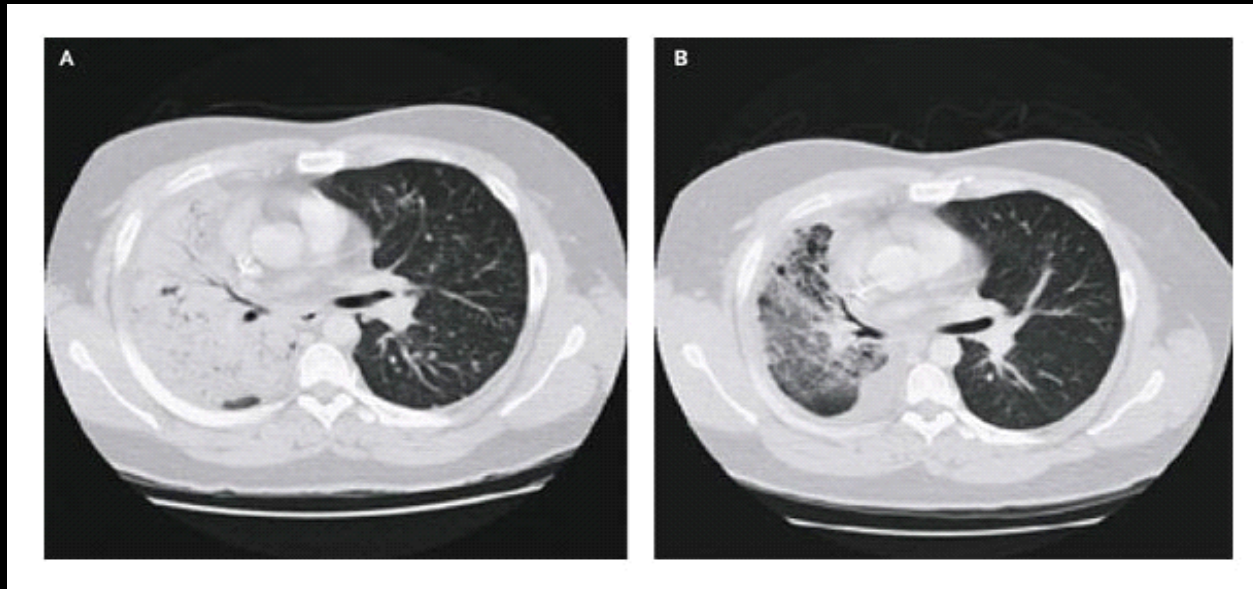
HIV Treatment has Dramatically Reduced HIV-related Deaths



Data from CDC, HOPS Study.

Even Greater Advances Are Coming

Example of the Response to Gefitinib in a Patient with Refractory Non-Small-Cell Lung Cancer



Lynch T et al. N Engl J Med 2004;350:2129-2139

The Bad News: Progress Raises Costs – and Generates Chaos

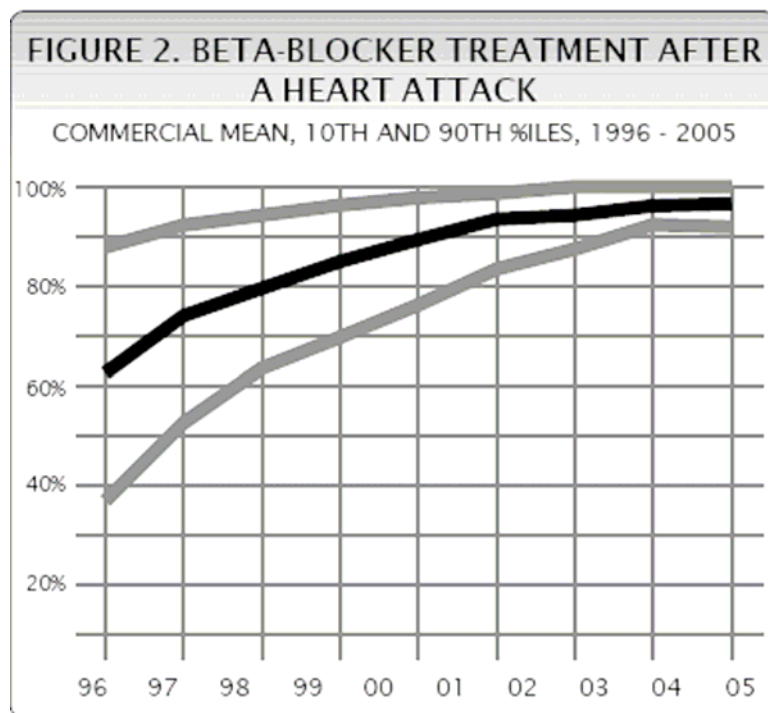
- Flood of progress and knowledge – leading to:
 - Individual clinicians feel *less* knowledgeable
 - Super-specialization, which means:
 - More MDs involved in care
 - Physicians knowing “more and more about less and less until they know everything about nothing” or
 - “less and less about more and more until they know nothing about everything”
 - Physicians approaching patient with question of “Is this what I do?”

Too much to do

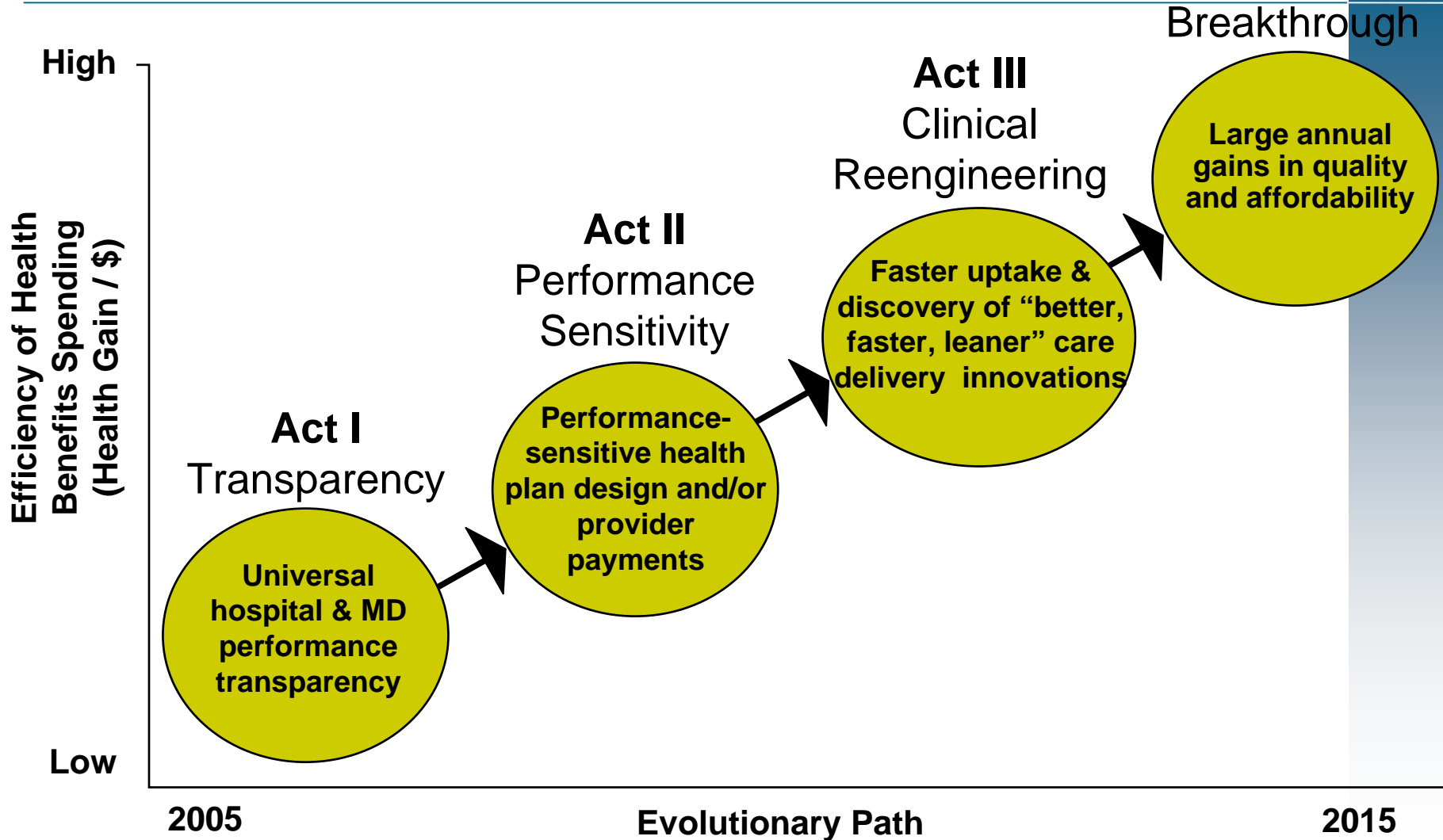
- Despite perception that visits are shorter, they are actually longer by average of 1.1 minutes
- Typical PCP spends average of 74 minutes per day reviewing test results
- 2003 study found PCPs were missing important clinical information for 14% of visits
- 24% of PCPs report that the “scope of care” they were expected to provide is greater than it should be

The Solution is Organization

- We *can* get our healthcare system to become reliable
- Key ingredients:
 - Good research
 - Opinion leader acceptance
 - Guidelines
 - Performance measures
 - Public reporting
 - Incentives
 - Quality improvement collaboratives
 - Implementation of systems that reduce errors



An Optimistic Long-term Perspective



But the Status Quo Is Getting Shaky...

- Global economy
- Provider shifting of losses from government payers leads to double-digit increases for employers
- Pressures for high corporate profits
 - Intensified by growing influence of hedge funds and private equity funds
 - Result: relentless efforts to cut personnel costs
- Consumer confidence being threatened by:
 - Loss of equity in homes
 - Difficulty paying for healthcare

But the Status Quo Is Getting Shaky...

- Global economy
- Provider shifting of losses from government payers leads to double-digit increases for employers
- Pressures for high corporate profits
 - Intensified by growing influence of hedge funds and private equity funds
 - Result: relentless efforts to cut personnel costs
- Consumer confidence being threatened by:
 - Loss of equity in homes
 - Difficulty paying for healthcare

Employers' interest in exiting role as purchaser of healthcare is growing

But the Status Quo Is Getting Shaky...

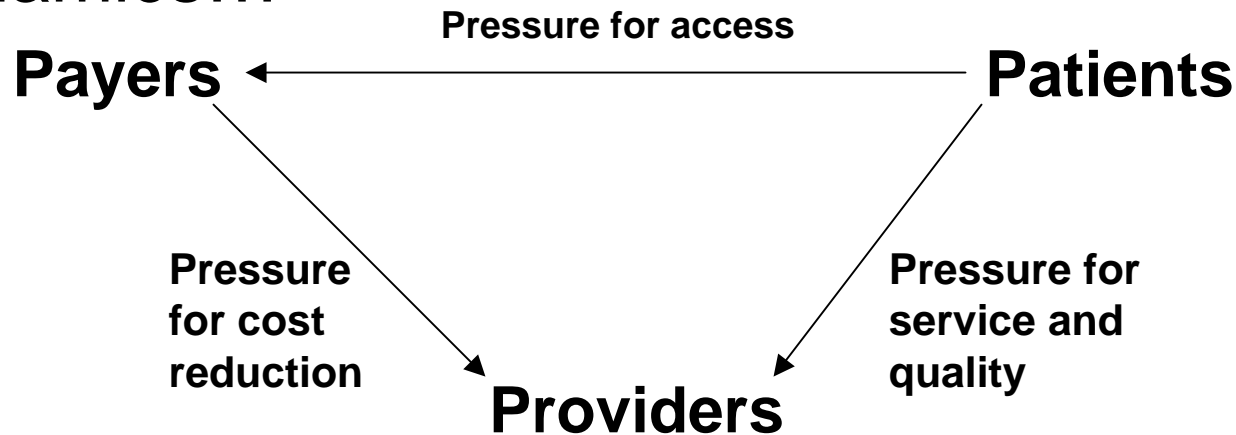
- Global economy
- Provider shifting of losses from government payers leads to double-digit increases for employers
- Pressures for high corporate profits
 - Intensified by growing influence of hedge funds and private equity funds
 - Result: relentless efforts to cut personnel costs
- Consumer confidence being threatened by:
 - Loss of equity in homes
 - Difficulty paying for healthcare

Employers' interest in exiting role as purchaser of healthcare is growing

In U.S. consumer-based economy, pressure on government to step in to provide solution for consumers likely to increase

One Plausible Scenario

- Government program that guarantees “minimal credible coverage” for all
- Opportunities for individuals to “buy up” through private insurers and non-insurance market, leading to change from these dynamics...



One Plausible Scenario

- ... to these:



- Transition could happen slowly, with employers gradually shifting costs, and slow expansion of Medicaid/Medicare (ie, tremor)
- Or abruptly, perhaps coinciding with a presidential election (major quake)

Why I Am Nervous...

- Medicare payments are going up 2% per year for hospitals; likely to decline for MDs
 - Dominant government payer likely to use fee/rate reductions as main strategy for controlling costs
- UAW-GM negotiations concluded with major employer taking major step away from “owning” healthcare.
- SCHIP discussions DO represent proposed expansion of government as dominant payer

Major Target Areas in Pay For Performance Contracting (2004-2006)

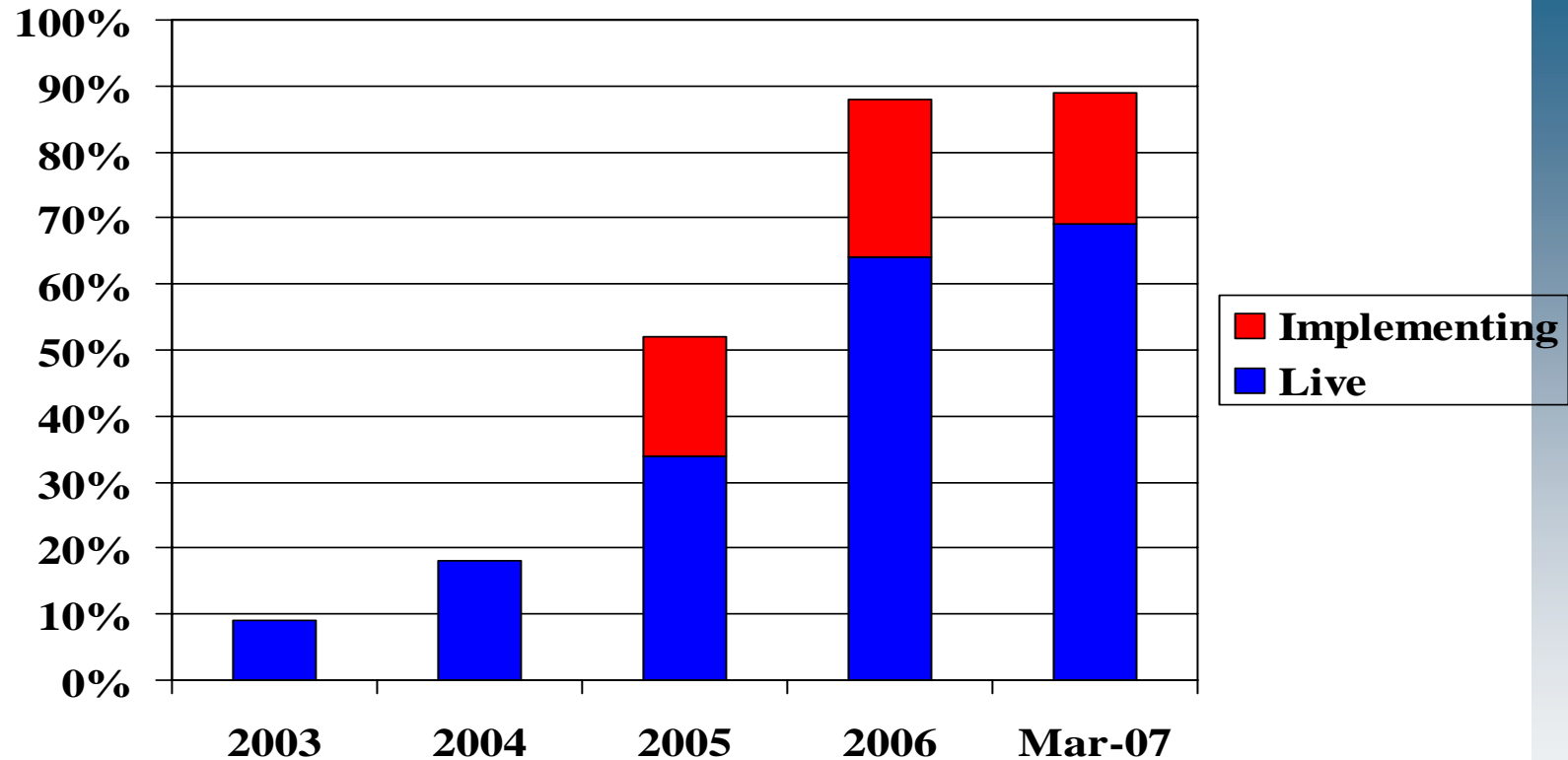
Hospitals

- Hospital use (and type)
- Radiology
- Computer order entry
- JCAHO cardiac quality measures

Physicians

- Hospital use
- Pharmacy
- Radiology
- Electronic record adoption
- Diabetes/Asthma/Chlamydia screening

Partners Community PCP EMR Use Has Passed the “Tipping Point”



The number of clinical transactions in our information system doubled from 10 million in November 2005 to 20 million in November 2006 to 31 million in May 2006

New Major Target Areas in Pay For Performance Contracting (2007-2009)

Hospitals

- Hospital use (and type)
- Radiology
- ▶ Safe medication administration systems (e.g., eMAR, smart pumps)
- JCAHO cardiac quality measures
- ▶ NSQIP/IHI
- ▶ Patient experience of care (HCAHPS)
- ▶ End of life care

Physicians

- Hospital use
- Pharmacy
- Radiology
- ▶ Electronic record effective use (electronic prescribing, problem list accuracy)
- ▶ Diabetes outcomes (LDL, BP, HbA1c)
- ▶ Patient experience of care
- ▶ End of life care
- ▶ Shared decision making
- ▶ High risk patient identification and referrals

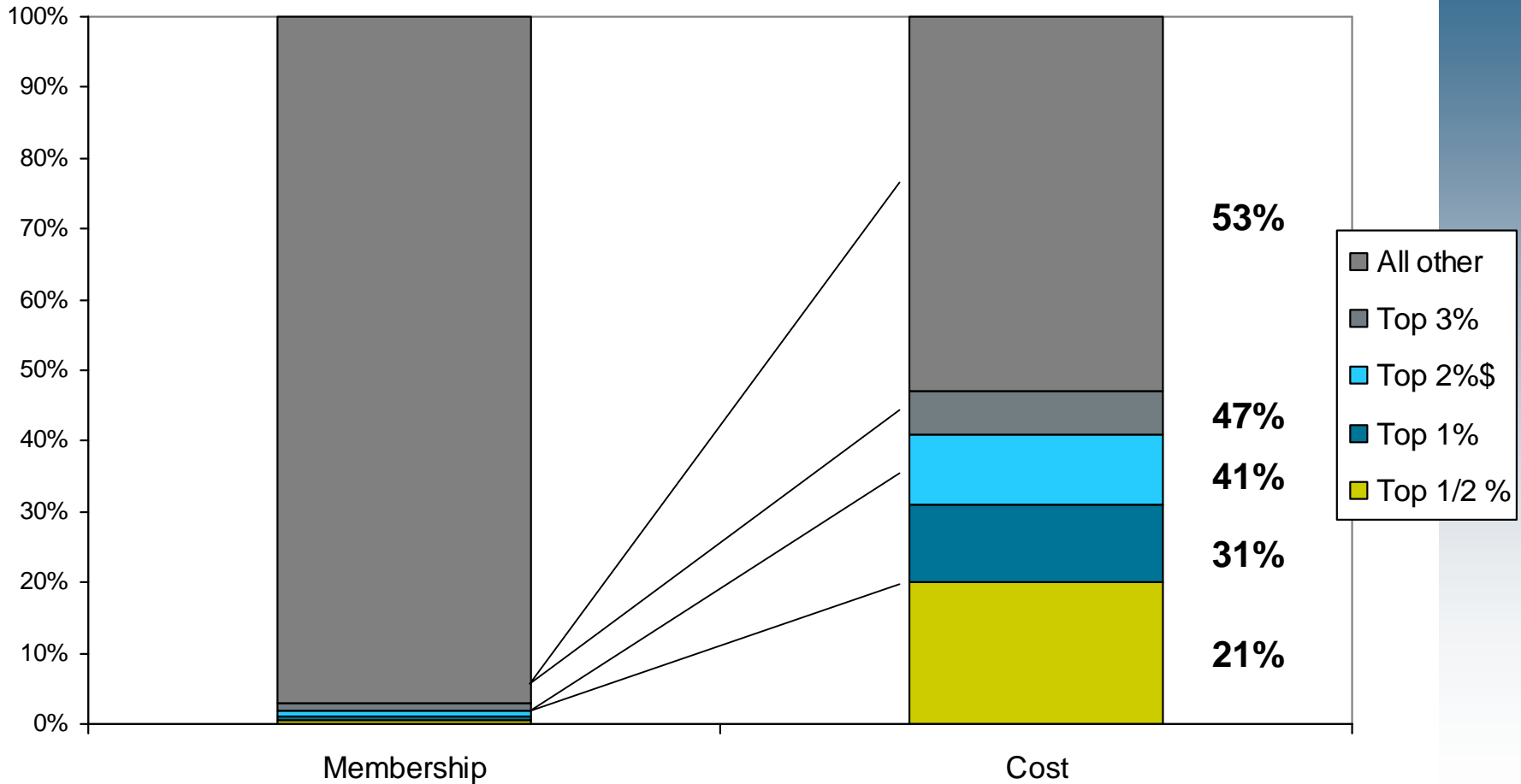
The contract goals are becoming more meaningful – and that is only possible because of the progress with EMR and other systems achieved thus far.

How We CAN Make a Difference in Healthcare Costs

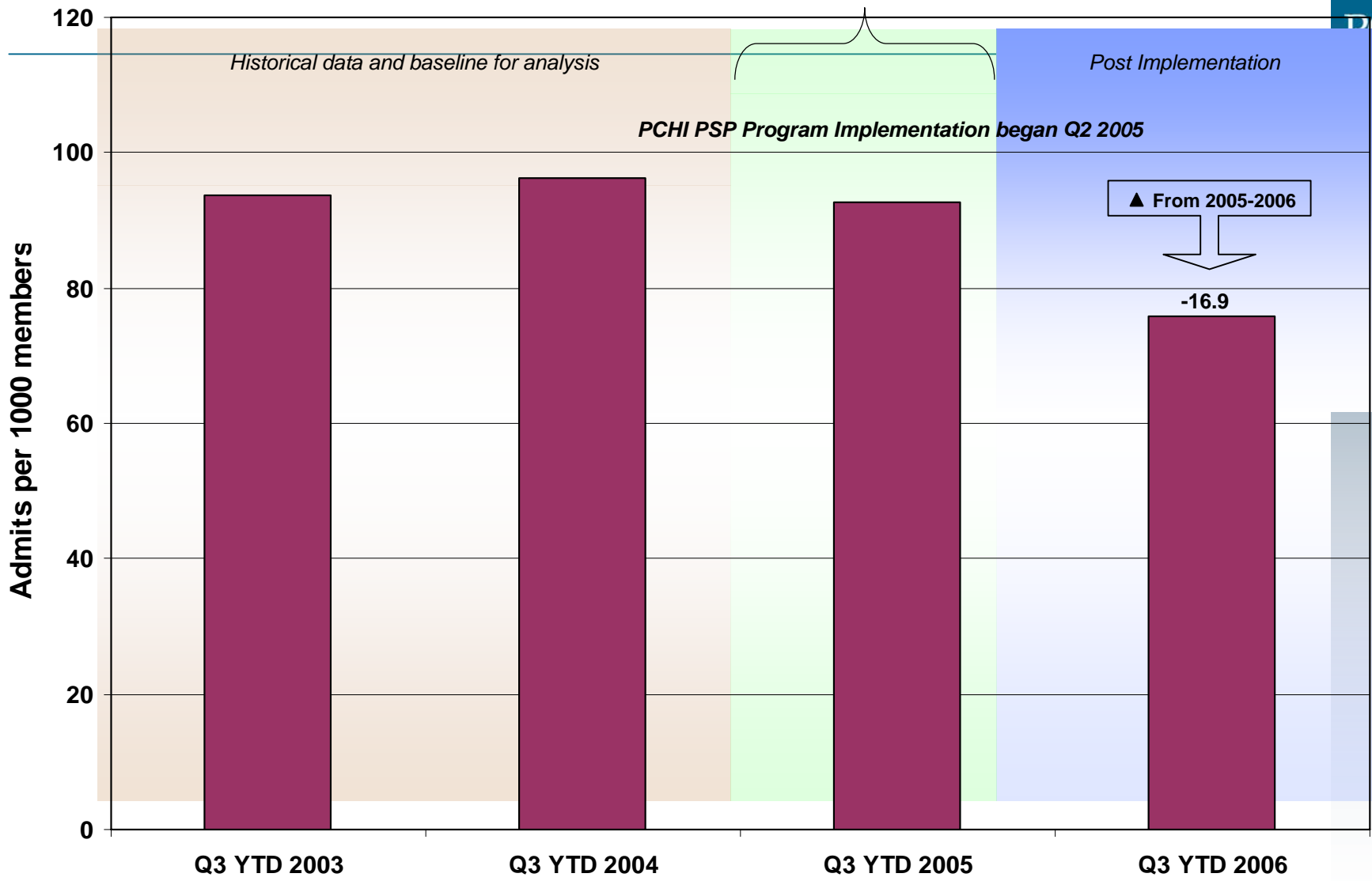
- Decision support to help physicians choose the most cost-effective testing and treatment strategies
- Broad EMR implementation to help clinicians work in teams, and coordinate care with other clinicians – and patients themselves
- Give patients access to their information and to physician practices
- Give MDs information on how their practice patterns compare with their colleagues

Improving quality and reducing costs for the sickest patients

Distribution of Commercial Member Cost



Impact of Partners Inpatient Management Programs on Hospital Admissions



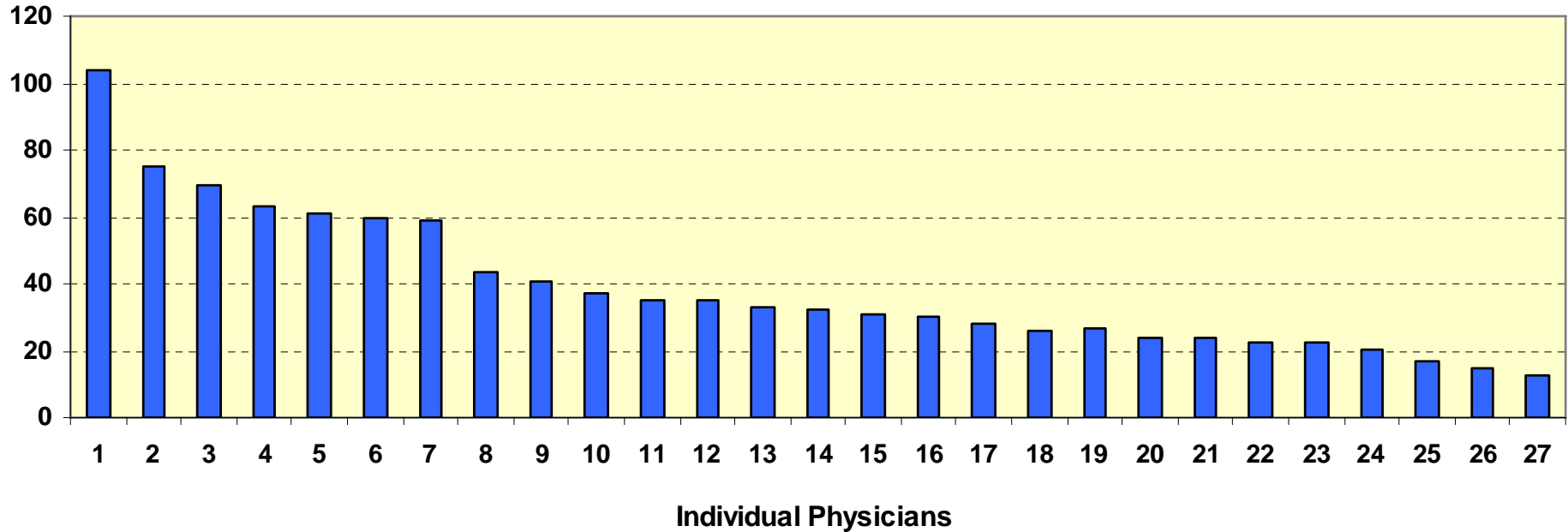
Data Source: Jan. 1, 2003 through Sept. 31, 2006; TAHP & HPHC Members Only; Admissions/1000 members; Excludes HIV, Cancer, Mental Illness, Pregnancy, Neonates and Transplants 27

Facing the challenge of managing pharmacy costs

- Pharmacy program:
 - 7 FTE pharmacists provide academic counter-detailing, switch-script programs, patient “brown bag programs”
 - All drugs categorized as green, yellow, or red based on order in which physicians should consider them
 - Physicians have financial incentives to adopt electronic records, prescribe by computer, and maintain accurate patient medication lists
- Pharmacy “Switch 2”:
 - Patients with prescriptions for antihistamines and branded PPIs identified for MDs
 - With MD’s approval, patients are offered the opportunity to switch to a cheaper over the counter equivalent
 - 70% of patients agreeing to switch to OTC
 - Saves money for the health plan and the patient

What's Next?: Going Deeper and Broader

Number of ED CT Head Exams Per 1000 PT Visits Per Year



8 fold variation in rate of use among ED Attendings. Physician 1 uses 40% more Head CTs than next highest practitioner.

Our Times Call for Two Revolutions

- Industrial revolution
 - Adoption of electronic and other tools to improve the reliability of care by reducing errors of under-use/over-use/mis-use
- Cultural revolution
 - Physicians evolving to understanding that they are (very important) part of overall system and (key) members of teams -- and that the focus is caring for populations of patients over time.

Conclusions

- The root cause of our problems is progress – not the incompetence or greed of any party in particular
- Progress superimposed on a fragmented delivery system creates chaos, waste, poor reliability, safety problems
- Our best chance of improving care for our patients – and succeeding ourselves – is through adoption of systems that improve coordination and continuity. (Not working harder and harder...)
- Collaboration and integration are *unbelievably* difficult ... but they are the right (and smart) things to do for our times