

Ian Duncan Interviewed by Indianapolis Business Journal

April 9, 2007

Publication: Indianapolis Business Journal (IN)

Section: FOCUS

Page: 19

WellPoint bets on managing disease

Proving savings difficult, but insurers say it works

J.K. Wall jwall@ibj.com

It's a program with big promises and big profits. Yet it's hard to measure its payoff. It's disease management—an industry euphemism for health insurers' efforts to make sure chronically ill customers receive the best health care they can—before they get rushed to the hospital.

Indianapolis-based WellPoint Inc. says disease management helps it win business over other health benefits companies. It also says it saves its customers nearly three times as much money as they invest and improves the quality of care delivered to their employees.

With all these claims, the businesses footing the bill for these programs increasingly want proof that they're getting their money's worth.

"Employers are pretty skeptical about the value of disease management, but because everybody does it, they keep doing it," said Ian Duncan, a disease management consultant at Solucia Consulting in Hartford, Conn. Still, he's noticed "increasing pushback" by employers against health benefits firms to justify the value of their service.

In response, big health insurers and disease management companies such as Well-Point, Aetna, Cigna, Healthways and Life-Masters have performed economic analysis studies to demonstrate that what employers spend actually leads to lower medical costs.

Disease management traditionally focused on the 20 percent of a company's employees that suffered from chronic diseases such as diabetes, congestive heart failure, coronary artery disease, kidney disease, asthma and, sometimes even, depression.

These patients are identified by analyzing medical claims, patient health assessments and other data to determine which employees have or are most at risk for chronic disease.

Then, call centers staffed primarily with nurses phone the patients to check that they are receiving proper treatment, taking all medicines they should and following all guidelines.

Chronically ill patients account for the lion's share of health care costs. Well-Point, which offers disease management services to the riskiest 30 percent of the patient population it covers, said they rack up 80 percent of all the health care expenses it pays for.

"We believe we can be successful because these programs drive lower costs and improve care," said Sam Nussbaum, WellPoint's chief medical officer, as he flipped through PowerPoint slides in his office on Monument Circle.

WellPoint has 1.2 million of its 34 million customers getting calls from nurses. And through something WellPoint calls its 360 Health initiative, the company is trying to provide health information and advice—mainly over the Internet—to all its customers.

Duncan, the disease management consultant, said he gets "bombarded" weekly by WellPoint, his health insurer, to sign up for its various "care management" tools.

An estimated \$1.5 billion was spent on disease management in 2006, up from about \$80 million a decade ago. A typical company, Duncan said, spends about \$300 monthly for each of the most-at-risk employees on which disease management focuses.

WellPoint has poured \$100 million into its Virginia-based subsidiary, Health Management Corp., to ramp up disease management or related programs it calls "care management." WellPoint doesn't release Health Management's financial information. However, the largest independent disease management company, Tennessee-based Healthways, posted pretax profit margins of 21 percent last year.

To justify its fees, WellPoint has performed its own scholarly studies of its disease management programs and found that they do save customers money. A study published in 2003 claimed that one program focused on asthma, diabetes and heart failure saved \$2.84 for every \$1 spent on the program.

When it combined both disease and the broader care management, WellPoint estimates it can save employers \$562 a year for every sick employee and \$72 a year for every employee, whether chronically ill or not.

In other words, a company with 1,000 employees could save \$72,000 a year on health benefits if it used WellPoint's programs.

Keith Reissaus can believe those numbers. The vice president of employee and organization development at Goodwill Industries in Indianapolis, which is not a WellPoint customer, started disease management three years ago for the sickest of the company's 2,000 workers. In the first year, Goodwill saved \$2.50 for every \$1 it invested. It is now saving \$5 for every \$1 it invests and saw its over- all health benefits costs decline 16 percent last year. "It's very wise spending that lowers the total cost of health care," Reissaus said. But not everyone is so sure.

A 2005 review of dozens of disease management studies by the Cornell University Institute for Health and Productivity Studies found more mixed results for disease management programs than Well-Point and Goodwill did.

The Cornell team's research showed a company could save \$2.78 for every \$1 it spent on managing its employees' congestive heart failure. But it found only mixed results for asthma programs and losses for programs focused on diabetes and depression.

The biggest savings came from patients suffering from multiple chronic diseases, Cornell's team found-as much \$11 for every dollar invested. But it also said more information is needed to reach any firm conclusions.

In 2004, the Congressional Budget Office reviewed dozens of disease management programs and took a dim view of their economic impact.

"There is insufficient evidence to conclude that disease management programs can generally reduce overall health spending," wrote Douglas Holtz-Eakin, then the director of the budget office.

Part of the reason for disagreement is that even the disease management industry did not produce agreed-upon standards for measuring the impact of these programs until December. But Nussbaum insists disease management- combined with broader care management services- is vitally necessary. In the complex health care system, where chronically ill patients might see multiple doctors and take myriad medicines, someone needs to coordinate patients' care.

"The doctors don't always have all the information that we have," Nussbaum said, adding, "We have to close that gap."