

Health Management ROI: *Is this all there is?*

Alere™

© 2015 Alere. All rights reserved.

Table of Contents

We Know it Works 4

ROI a Limited View 5

An Estimate is Just That 6

No One Size Fits All 7

The Alere Health Value Cascade 8

Participation 8

Health Impact 9

Utilization 9

Financial Savings 10

Participant Satisfaction 10

In Summary 11

Is there a better way?

As the industry continues to discuss standards for measuring the value of health and wellness programs, a new question has emerged: is annual return on investment (ROI) all there is? The answer is: obviously not. Just look at all of the organizations that are holding onto their health management programs without robust financial savings. If ROI is really the only true measurement of value that there is, then why aren't these companies letting go of their programs?

Research shows that organizations with effective health and wellness programs are linked to higher shareholder returns, higher workforce productivity, lower rates of work loss and lower healthcare costs.[1] Maybe the answer has something to do with that. We know it works; we just can't prove it conclusively. As a result of this challenge, the industry is moving toward adopting a broader value proposition, a value of investment (VOI) approach that measures program impact in a number of key areas, or domains. Some of these, such as productivity, can be monetized, which provides another way to determine program success besides an ROI based solely on healthcare cost savings.

The National Business Group on Health (NBGH) has developed a tool kit for its members that defines and provides guidelines for conducting a VOI assessment. Other organizations that have contributed to the discussion include HERO (Health Enhance Research Organization) and the Population Health Alliance (PHA), which together developed the Program Measurement and Evaluation Guide, which outlines the key value domains and metrics of employee health management programs.

We Know it Works

Seventy-two percent of consistently high-performing companies said they regularly measure health status as a component of overall risk management strategy in a survey conducted for the 15th Annual NBGH/ Towers Watson Employer Survey on Purchasing Value in Health Care.[2]

Research also shows a link between high performing companies and effective wellness programs. According to the most recent annual Staying@Work Survey Report, also by Towers Watson/NBGH, companies with the most effective workplace wellness programs, referred to as "high-effectiveness companies", are 40% more likely to report financial performance above their peers with low-effectiveness wellness programs.[3]

Additionally, the average annual healthcare cost per employee is $1,600 less for high-effectiveness companies in 2013, according to the report. The survey showed that high-effectiveness companies take a holistic view of health and productivity and incorporate a number of aspects within their programs, including the following:

- A comprehensive strategy that integrates every aspect of health and productivity
- Metrics to measure progress against goals in these areas
- Employee engagement strategies
- Solutions that address employee stress
- Easy access to healthcare services to reduce absenteeism

These aspects are examples of domains that can be measured and evaluated separately, in addition to an ROI estimate. If an organization does not get the ROI results they desire, they can assess performance across these domains to see how their programs are benefiting the organization in more subtle ways that could impact the bottom line.

ROI a Limited View

While ROI and financial savings are and will remain critically important in assessing program effectiveness, they do not adequately represent the total value of health management programs. In fact, traditional ROI measurements based on healthcare service cost savings, vendor fees and program incentives present a slice of program performance, but not the whole picture.

A ground-breaking study published in the Journal of Occupational and Environmental Medicine found that health-related productivity costs are significantly greater than medical and pharmacy costs alone.[4] The study illuminated a previously unknown outcome of poor health that contributes to the bottom line – low productivity. The study implied that other measurable checkpoints may also be significant contributors to company performance, such as engagement, participation, job satisfaction, improved employee morale and/or employees feeling better about the company and staying longer.

When the only outcome measure is actual claims costs, these subtle but positive changes within the environment are not taken into account when evaluating performance. As a result, organizations may not even realize the positive impact the improvements within these domains are having on their overall performance. In addition to the fact that measuring value through the ROI lens minimizes the view, there is no methodology for calculating ROI that is above reproach.

"The truth is that creating a flawless cost savings model with no holes in it is near impossible," says Hamilton Mears, a well-known industry thought leader and architect of the innovative, award-winning wellness program at Scripps Health, a 13,600-employee healthcare system in San Diego. "No one could ever have access to all of the data necessary. No matter how close anyone gets, there is always going to be a certain level of assumption that has to occur, and that's where the scientific community gets stumped," he says.

Scripps Health has already adopted the VOI approach to measuring value. High participation rates, a display of good feelings about the company and leaders getting involved are all viewed as valuable contributors to the bottom line. "We know that our medical costs are significantly less than what we would project based upon cost inflation, but if we present these results to the industry as actual 'hard-dollar' cost savings, we'll be challenged," he shares. "This is why a much more comprehensive approach to measuring value is required."

An Estimate is Just That

Scripps Health's situation is not unique. Whether ROI results are positive or negative, they will always be challenged because of the innumerable variables that could have contributed to the results that had nothing to do with the actual health programs. Examples include changes to fee schedules or health plan design, new employees with chronic conditions or an outlier case (e.g, cancer diagnosis).

Other ROI considerations:

ROI METRICS ARE JUST ESTIMATES. ROI calculations are actually estimates of avoided costs or a certain dollar amount that would have been spent without the program. Since ROIs are typically retrospective (looking back in time), the methods attempt to adjust instead of control for the confounding variables influencing health care costs. As a result, ROI metrics may promote a false sense of precision. Measuring value in a number of key areas presents a multifaceted picture of program impact across the organization.

POPULATIONS CHANGE FROM YEAR TO YEAR. If an employer has a high employee turnover, the baseline comparisons from year to year would be like comparing two different populations. This will impact many value measures and methodologies. For instance, if the risk reduction score stays the same over three years, that could be because a number of new people with diabetes joined the company, not that the program didn't make a difference. Similarly, a huge improvement could be a result of a number of sick people leaving. This is why population churn needs to be monitored for any value measure and methodology. Simply reporting an ROI without assessing population churn can be misleading. When population churn is substantial, alternative approaches to measuring the total population need to be considered.

DIVERSE ANALYTIC METHODS CAN CONFOUND PROGRAM COMPARISONS. There continue to be diverse methodologies for calculating ROI, which can be confusing when attempting to compare program results. The HERO and PHA Measurement Guide discusses five approaches that are commonly used. The guide concludes "none are perfect" but lists them in order of credibility with matched control considered the most rigorous. Here are samples of methods from least to more rigorous:

- Cost trend compared to peers
- Adjusted expected compared to actual cost trend
- Chronic vs. non-chronic trend comparisons
- Participant vs. non-participant cost comparisons
- Comparison with matched controls in a non-exposed population

No One Size Fits All

Each organization is unique. The challenge is to discover which domains have the most impact within each culture. Understanding a purchaser's business interest is key when establishing and developing the appropriate value proposition. Some companies care more about productivity than health and will pay attention to medical savings from that standpoint. Other companies may want to retain talent; others are focused on reducing utilization.

Employers' needs differ from that of health plans, which may be interested in seeing how programs impacted scores on the National Committee for Quality Assurance's (NCQA) HEDIS® measures or the Centers for Medicare and Medicaid Services (CMS) Five-Star Quality Ratings system. Certain Alere Health health plan customers want to see improvements in their star ratings. That's because attaining a higher star rating can mean more revenue and a competitive advantage through the provision of richer benefits.

The State of Kansas is a strong example of an organization that has always conducted VOI, not on purpose but organically. For their more than 80,000 eligible members, including spouses and children, the State of Kansas focuses on measurements in four key domains: onsite biometric tests, financial savings, utilization, and health impact via wellness reduction, which they refer to as their "four pillars of value". Productivity, talent retention and risk reduction in their disease management program are nice-to-haves but not the biggest priorities.

"We have to present our results to a commission every year, and these are the areas that they want to evaluate," says Jennifer Flory, senior manager of health plan operations. "We are always open to learning about other domains that could benefit our organization because we want to be able to show the full value to the commission."

Flory and her team also care a lot about engagement. They implemented an award-winning incentives program that increased participation from 15% to %75%. Participant testimonials play a big role both in their promotional efforts through an integrated communications program and also in measuring the value of the program. "While we implemented the programs to save costs and reduce utilization, we really like to use testimonials to demonstrate that our programs are making a difference," Flory says.

The Alere Health Value Cascade

Alere Health considers VOI as a fundamental basis for reporting and measurement strategy. We have leveraged the previously mentioned industry initiatives as well as discussions with our customers. We have defined the Alere Health Value Cascade model and incorporated it within our customer reports.

The Alere Health value summary or cascade begins with an understanding of the targeted population and how to effectively engage these individuals. Relevant behavior change, biometric and other clinical measures are then assessed for improvement, which, over time, positively impacts health care service utilization, financial savings and satisfaction.

Alere Health measures value in five primary domains: participation, health impact, utilization, financial savings and satisfaction. In order to assess program performance, customers should not only monitor impact over time but compare current outcomes with Alere Book of Business norms or an established performance target. Each of the value domains are described below. Since core metrics within these domains vary by program type, examples are provided using wellness and disease management programs.

Participation

Measuring participation rates helps organizations that want to see high engagement, improved productivity, behavior change, and/or that prioritize talent acquisition and retention as a primary value. Some companies have a belief that if their employees are engaged with their health, they will have greater wellbeing and be more likely to be engaged with their employer in a positive way. If they see that happen and have the metrics to prove it, they feel satisfied with their program performance.

MEASURING PARTICIPATION

Participation includes a number of stages before an individual is truly engaged in the program. This begins with knowing the eligible population and the criteria used in targeting the appropriate individuals. The enrollment process then begins with promotions and various contact modalities. It also includes a qualification assessment to assure the individual is matched to relevant programs.

True engagement goes beyond those who are enrolled and initially assessed. It reports those individuals who are actively participating in meaningful program interventions. Alere measures engagement for Wellness programs based on the number of touches or interactions a member has with various program activities.

The ideal engagement level is considered three or more touches per year. Alere Health disease management program measures clinical engagement for those members categorized as high/moderate acuity based on those having calls with a nurse after program enrollment. Low acuity members are considered engaged since they receive educational materials and are included in the Alere Health Care Alerts program.

Health Impact

Measuring health impact helps companies that want to lower risk. Maybe they have a large population of people with pre-diabetes and/or obesity, and they want to engage those people in healthier lifestyles to prevent the development of a chronic condition. Or maybe the company has a large population of healthy people and they want to keep it that way. Today, there is more discussion about the value of educating and engaging people who are healthy even though they are getting away with poor diets that are high in fats and cholesterol and not exercising. The idea is to prevent them from going over the cliff.

MEASURING HEALTH IMPACT

Improved health begins with individuals changing their behavior in relevant areas, such as medication adherence, nutrition, weight and stress management. The measures vary depending on the purpose of the program. For instance, a wellness program includes core metrics related to physical health, mental and emotional health, health behaviors and an overall health or wellness score. Condition management metrics include medication adherence, onsite biometric testing and physical health.

Alere Health measures wellness health impact by assessing annual changes in medical risk and lifestyle risk. Disease management health impact is based on clinical adherence to condition specific metrics aligned to NCQA HEDIS measures.

Utilization

Some organizations have high utilization, especially health plans that serve Medicaid or Medicare. Studies have shown that Medicaid beneficiaries actually have the highest rates of ER use compared to persons with private insurance, Medicare or even the uninsured.[5] Some large employers may have extensive populations of middle-aged employees with chronic conditions. These organizations want to see proof that unnecessary utilization is being reduced.

MEASURING UTILIZATION

Program impact on the proper use of health care services can result in reductions of emergency room and inpatient care. The time duration varies by program and population. For instance, a condition management program can impact inpatient hospital readmissions within thirty days of an initial hospitalization, whereas wellness programs may not result in reducing hospital admissions until t hree years after program inception.

Alere Health measures utilization using the following metrics:

- Hospital admissions per thousand members per year
- Hospital readmissions within 30 days as a percent of total admissions
- ER visits per thousand members per year

Financial Savings

Historically, the focus on PHM savings has been direct health care costs. From an employer perspective, productivity is emerging as an additional outcome which can be monetized and incorporated as part of the financial savings estimate. Some organizations are skeptical of productivity savings and how they are calculated.

Nonetheless, most organizations do want to see evidence of cost savings. In some cases, an organization might have a lackluster ROI but still be able to show significant cost savings in key populations like avoided utilization in doctor and ER visits for participants in the heart disease program.

CALCULATING FINANCIAL SAVINGS

Alere disease management program savings are based on estimated savings of direct healthcare costs from avoided utilization. The Alere Health CareAlerts and Wellness programs produce a health care savings projection based on industry models that link to what occurred during the program and characteristics of program participants, using published evidence. The Alere Wellness program also translates productivity improvement into financial savings using published evidence.

Financial savings are typically assessed on an annual basis. Leading indicators associated with financial savings are health impact and utilization. Quarterly monitoring of these measures help provide insight on future financial savings.

Participant Satisfaction

Some organizations believe that strong participant satisfaction leads to better engagement. They use the scores to understand where they need to make changes because they want to provide programs that their employees/members really want. These employers are more likely to care more about talent acquisition and retention and having employees that have good feelings about the company and really want to be there. They believe that a happier population will impact the bottom line.

MEASURING PARTICIPANT SATISFACTION

In addition to scoring overall satisfaction, Alere Health's participant satisfaction survey assesses participants' readiness to recommend the program and their level of satisfaction with staff, interactions and program materials. Participants also self-report related on their health status, functionality and improved health management. Participant satisfaction is assessed using a 6-point Likert scale range.

In Summary

The value of all population health management programs can be measured in terms of participation, health impact, health care utilization and financial savings. Even though all of these domains should be considered, purchasers determine what is important to their business.

It is also likely that as more purchasers are interested in demonstrating VOI, additional metrics and perhaps domains will be added to our value cascade model.

CITATIONS:

1 Towers Watson National Business Group on Health Staying@Work Report: The Health and Productivity Advantage, 2009-2010
2 15th Annual National Business Group on Health/Towers Watson Employer Survey on Purchasing Value in Health Care: Raising the Bar on Health Care, Moving Beyond Incremental Change, 2010
3 Towers Watson National Business Group on Health Staying@Work Survey Report: The Business Value of a Healthy Workforce, 2013-2014
4 JOEM, "Health and Productivity as a Business Strategy: A Multiemployer Study," Loepke et al. 2009
5 Committee on Pediatric Emergency Medicine, American Academy of Pediatrics, "Overcrowding Crisis in our Nation's Emergency Departments: Is Our Safety Net Unraveling?" Pediatrics 114, no. 3 (Sept. 3, 2004): 878-88.