Assuring an Employer Voice in Shaping the Health Care System

May 29, 2007

Spring Review Panel Meeting
Welcome…

to our fifth meeting of the Citizens Health Initiative Advisory Committee
NH Citizen’s Health Initiative

Creating a system of care that promotes health, where quality is assured and care is accessible, affordable, effective, and safe.
Advisory Meetings

September 2005, Concord
Initial Project Launch

Winter 2006, Concord
EMR in Primary Care, Joel Berman and Robert McGrath

June 2006, Laconia
Patterns of Utilization in Health Care, Elliot Fisher

October 2006, Bedford
Accomplishments Year 1

Today, Concord
Focusing on the purchaser
It is our intent that, over the next decade, New Hampshire will take a ‘health first’ approach so that all citizens will benefit from proven approaches that improve health and prevent disease. When care is needed it will be delivered according to the highest quality standards and it will be provided in an efficient, measurable and scientifically sound manner to help individuals sustain or improve health. The organization and financing of care will occur in a logically constructed and understandable system.
Our long term goal is to create and sustain a public dialogue that will measurably improve the “systems” that finance and provide health care in New Hampshire in order to accomplish two fundamental objectives:

- Assure a healthy population
- Create an effective system of care
2006 Accomplishments

- Pound of Prevention Published
- Pay-for-Performance Initial Alignment
- ePrescribing Launch
- NH Connects for Health
  - Survey of providers
  - Interviews with business leaders
  - Identified legal & business barriers
- Today’s Focus – Creation of business portal
2007 Workplan

Health Promotion & Disease Prevention
- Alcohol Plan
- Tobacco Plan
- Healthy Eating/Active Living Implementation

Quality of Care
- Primary Care Workforce 2010
- Continue ePrescribing

Finance & Information Technology
- Health Information Exchange Principles and Pilot
- Complete Dashboard
- Incentive Alignment through Research

Stepping up to the Future
NH Citizens Health Initiative
Finance & Information Team

Paul Spiess, Team Chair
There will be no significant reform in health care systems unless public and private purchasers have a place at the table and a strong voice in shaping the system of the future...
For that to happen, we must have

- Examination & understanding of the system’s finances
- Transparency regarding quality and effective individual activities to create health
2006 First Steps on Pay-for-Performance

Stepping up to the Future
NH Citizens Health Initiative
1. Use of appropriate medications for people with asthma
2. Appropriate testing for children with Pharyngitis and or appropriate treatment for children with Upper Respiratory Infection
3. Diabetes Outcomes Measure: HbA1c levels

In addition they have also agreed to use the following technology-based measure:
5. Care-focused technology—which could include EMR or EHR, ePrescribing or patient registry.
Transparency of Info & Creation of Business Portal

Patrick Miller
Our first steps to provide information to purchasers on Cost, Quality and Wellness.

www.nhhealthinfo.org
Making Information Powerful

The Experience from Maine

Maureen Kenney, Bath Iron Works
Peter Hayes, Hannaford Brothers
Moving the Market Through Informed Consumerism

Maureen Kenney, MSSW
Manager, Integrated Health Services
Bath Iron Works
BIW Employee Demographics

As of March 2007:
- ~5,700 BIW employees
- 92% from five counties
- Residents from every County except two

Average Age: 48
Average Years of Service: 19

91% Male

Bath Iron Works
A GENERAL DYNAMICS COMPANY
Engage National Resources

- General Dynamics (Vendor Management & Benefits University)
- National Business Group on Health

State-wide activities
- Maine Quality Forum Advisory Council
- Maine Health Data Organization
- Maine Health Information Center
- Maine Health Access Foundation

Health Action Round Table (HeART)
- 5 Largest employers of MHMC setting strategic direction together to leverage joint actions

Maine Health Management Coalition
- 55+ Employers focused on quality measurement and reporting, value based purchasing, and broad market changes

Physician Outreach Activities at BIW
- Physician Resource Guide when treating BIW employees
- Physician Tours of the shipyard

Engage Employees & Families

Health Plan Benefits
- Benefits Department
- Plans (POA & PCP Select)
- CIGNA Services (CM & DM, 24-7 nurse line, website)

Building Healthy Ways Program
- Programs offered to employees & families that educate and engage
- Promotion of Medical Self-Care and Accountability
- Health-focused Committees
  - Union Benefits Committees
  - Joint Committee on Healthcare Costs & Quality

Engage Local Healthcare Market

Alliance for Quality Healthcare Information (AQHI)
- Engaging Employers and Labor Organizations around the State

Engage Leadership

Balancing Healthcare Quality and Wellness Agendas
Maine Health Management Coalition
www.mhmc.info

Mission

• Bringing the purchaser and provider communities together in a partnership to measure and report on the value* of healthcare services to inform employer and employee decisions

and facilitating use of performance information by employers and employees to make decisions

*Value = Quality & Satisfaction Cost

Purchasers
18 Private Employers
4 Health Plans

Providers
21 Hospitals
13 Physician Groups

Collectively 35% of Commercial Market in Maine
Maine Health Management Coalition

2004: Counting Quality

Data on Performance

Public Release of Comparative Performance Information

2005: Making Quality Count

Actionable Information on Performance

Activation Process & Communications Toolkit

Employer Action on Information

- Benefit Designs
- Network Development
- Performance-based Reimbursements

Employee Action on Information

- More engagement in healthcare encounters
- Awareness of safety and quality issues
- Provider selection

Information for Employees to Improve Health AND Drive Changes to Improve Quality
### MHMC Core Themes For Consumers

<table>
<thead>
<tr>
<th>Theme</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare quality matters</td>
<td>... quality health care affects everyone</td>
</tr>
<tr>
<td>Healthcare quality varies</td>
<td>... health information and care are not universally consistent</td>
</tr>
<tr>
<td>Healthcare quality can improve</td>
<td>... there are systems in place to improve quality</td>
</tr>
<tr>
<td>You can choose quality healthcare for yourself</td>
<td>... the tools to make good choices are available</td>
</tr>
<tr>
<td>You can trust information from MHMC</td>
<td>... MHMC provides excellent resources for finding quality care</td>
</tr>
</tbody>
</table>
Integration of Communication Themes

A Pocket Guide to Talking with Your Doctor

For more information about healthcare quality, please contact Laura Hudson at 541-2823.

You Have the Power to Improve Your Healthcare

A lot of Maine doctors and hospitals are delivering high-quality care. For more information, visit www.chm.info. Learn more about some of the best doctors and hospitals.

Let Maine Health Management Coalition’s Pathways to Excellence program help you make smart choices about healthcare for you and your family.

- Learn what questions to ask about your care.
- Find answers you can trust.
- Discover choices you can make.
- Be informed.
- Exercise your right and responsibility to make informed decisions.

MEMIC is providing you with this information in conjunction with the Maine Health Management Coalition.
Preliminary MHMC 2006 Survey Results*

- Saw Hospital Info (% of All)
- Used (% of All)

MHMC 2005 & 2006 comparison sample includes only those participants who had been surveyed in 2005.
BIW Employee Engagement Strategy

- Two agendas:
  - Health & Wellness (Building Healthy Ways Committee)
  - Informed Consumerism (Joint Healthcare Committee)

- Raising Awareness and Creating a Culture of Wellness:
  - Programs and Promotions
  - Newsletters, Website, Employee Service Announcements

- Taking Information to Action:
  - “Questions to Ask Healthcare Provider” Cards
  - Hospital Report Card / Healthcare Information Advocate Training
  - PCP Information Sheet / PCP Score Card
Why create this report card?

- In 2005, BIW employees and their families received $24 million in services from Maine hospitals.
- In 2004 and 2005, Maine hospitals reported 35 deaths due to Medical errors, 10 instances where a patient permanently lost some form of body function, and 6 cases where surgery was done on the wrong person or body part.

### Overall Score

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Inpatient</th>
<th>Outpatient</th>
<th>Patient Satisfaction°</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical Center</td>
<td>5% less</td>
<td>14% less</td>
<td></td>
</tr>
<tr>
<td>Mid Coast Hospital</td>
<td>2% less</td>
<td>5% less</td>
<td></td>
</tr>
<tr>
<td>Mercy Hospital</td>
<td>24% less</td>
<td>9% more</td>
<td></td>
</tr>
<tr>
<td>Maine General Medical Center</td>
<td>4% more</td>
<td>0% at state avg</td>
<td></td>
</tr>
<tr>
<td>Miles Memorial Hospital</td>
<td>28% more</td>
<td>33% more</td>
<td></td>
</tr>
<tr>
<td>Parkview Hospital</td>
<td>12% less</td>
<td>2% less</td>
<td></td>
</tr>
<tr>
<td>Central Maine Medical Center</td>
<td>15% more</td>
<td>1% more</td>
<td></td>
</tr>
<tr>
<td>St. Mary’s Regional Medical Center</td>
<td>13% more</td>
<td>8% less</td>
<td></td>
</tr>
<tr>
<td>Penobscot Bay</td>
<td>18% more</td>
<td>10% less</td>
<td></td>
</tr>
</tbody>
</table>

**Last year’s ranking**

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Points assigned:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical Center</td>
<td>67.5</td>
</tr>
<tr>
<td>Mid Coast Hospital</td>
<td>65.0</td>
</tr>
<tr>
<td>Mercy Hospital</td>
<td>62.5</td>
</tr>
<tr>
<td>Maine General Medical Center</td>
<td>62.5</td>
</tr>
<tr>
<td>Miles Memorial Hospital</td>
<td>61.1</td>
</tr>
<tr>
<td>Parkview Hospital</td>
<td>60.0</td>
</tr>
<tr>
<td>Central Maine Medical Center</td>
<td>57.5</td>
</tr>
<tr>
<td>St. Mary’s Regional Medical Center</td>
<td>57.5</td>
</tr>
<tr>
<td>Penobscot Bay</td>
<td>45.0</td>
</tr>
</tbody>
</table>

### Selected Clinical Quality Measures

- **Heart Attack**
- **Heart Failure**
- **Pneumonia**
- **Surgical Infection**

### Patient Safety Measures

- **Medication (MHMC)**
- **Overall (Leapfrog)**
- **Commitment To Safety**

### Cost (Compared to State Average)

- **Inpatient**
- **Outpatient**

### Patient Satisfaction°

- Excellent
- Good
- Fair
- Poor
- Unsatisfactory or not reported

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**This is a lot of data. How do I use it in making my healthcare decisions?**

**First:** See where your hospital scores on each of the measures above.

**Second:** Make note of where your hospital did really well. Have confidence in those areas if you or a loved one have to be hospitalized in the future.

**Third:** Identify areas where your hospital scored below your comfort level.

**Fourth:** If you or a loved one are in the hospital, be sure to ask questions of your provider regarding your areas of concern. Be involved!

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° All hospitals used the Avatar Patient Satisfaction tool with the exception of CMMC, which uses Press-Ganey to measure satisfaction.

As of April 2, 2007
BIW vs. MHMC 2005 Survey Responses

- BIW employees are significantly more likely to have seen quality info on doctors and hospitals
- BIW employees are significantly more likely to know where to get quality info
- BIW employees are more comfortable interacting with providers (asking questions about quality and errors, mentioning drug allergies)
BIW Provider Engagement Strategy

- Maine Health Management Coalition - keystone
- Pay For Performance (P4P) efforts:
  - PCP P4P initiative with CIGNA & MMEHT based on MHMC metrics
  - MHMC Hospital Incentives & Rewards initiative
- Physician Outreach Activities
  - Healthcare Provider Resource Guide to Treating BIW Employees
  - Physician and office staff tours of the shipyard
  - Joint Healthcare Committees
- Building Healthy Ways Newsletter Articles (Dr. Stephen Sears, Dr. Burgess Record, Dr. Lawrence Losey, Dr. Jan Wnek)
BIW 2006 Strategic Investments

- Two pilot projects approved to accelerate change among healthcare providers and employees / spouses
  1. PCP Preventive Visits Initiative
     - Catalyze and incentivize provider community to take action
       - Get employees/spouses to see PCP in 2006 if appropriate
       - Identify health risks early with appropriate interventions
       - Reinforce physician/patient relationship for better long term management of chronic conditions
  2. Health Risk Screenings
     - Promote change among employees and family members with regard to healthy behaviors and self-management of conditions
       - Provide opportunities for employees and spouses to have health risks identified and managed
       - Ensure appropriate physician review and follow-up on results
       - Provide opportunities to improve chronic condition management
Addressing Risks & Filling Gaps

- 2,101 health risk screenings completed by BIW employees
  - 15% had not seen PCP in 2 years+
- ~4,500 preventive visits conducted with BIW adult covered lives (out of 9,000) compared with 3,800 in 2005
  - Assume some overlap between screenings and preventive visits
- Concurrent initiatives in 2007 aimed at two target groups:
  - Moderate-high to high risk profiles for better medical management (the “High Risk”)
  - Neither health screening or preventive visit in 2006 (the “Hard to Reach”)

[Graph showing risk levels and screenings/visits]
What Employers Are Doing In The Market

- Hannafords introduced tiered PCP network in benefit plan in 2004 with incentives to employees for using top tier PCP

- BIW Hospital Report Card first published in 2004

- State of Maine introduced tiered hospital network in 2006

➢ Leapfrog example:
  This graph shows the # of Maine hospitals who voluntarily submitted data to Leapfrog re: their efforts to address key quality and safety issues (out of 36 hospitals in the state)
We Get What We Pay For …

- **Products Employers Pay For:**
  - Tests
  - Visits
  - Procedures
  - Prescriptions
  - Errors

- **Results Employers Want:**
  - Improved Health
  - Better Outcomes
  - Return to Work
  - Informed Employees
  - Efficiency
  - Safety

“Tell me how you measure me, and I will tell you how I will behave. If you measure me in an illogical way … do not complain about illogical behavior.”

– Eli Goldratt, author of “The Goal”
Summary

- Employers are taking a more active role in outreaching to employees and families about healthcare quality
- Employees and families are carving out broader roles for themselves as healthcare consumers
- Outreach to providers is equally important so that as patients become more engaged and activated, providers are ready to receive them
- Pay for performance (P4P) initiatives are a good interim step, but fundamental changes in how we reimburse for healthcare and outcomes need to be implemented
- We can not afford to be timid … escalating healthcare costs are unsustainable!
Healthcare:
Road to Value in Healthcare

Hannaford Bros. Co.
Peter Hayes
Wednesday April 18, 2007
**Hannaford**
- Largest northeast supermarket chain
- 5 New England States
- 26,000+ associates

**Delhaize**
- Eastern seaboard from Maine to Florida
- 100,000+ associates
Healthcare Landscape
Healthcare Landscape Overview

• National trends still 8-10% with the Northeast Region having the highest costs and trends (2 times the southeast).

• Pressure to eliminate the “transparency” of provider quality and cost from the Bush Administration, Medicare, Coalitions and Consumer Driven Health Plans.

• Accelerating legislative pressure by states to solve the “healthcare crisis”. Massachusetts and Vermont have passed legislation mandating coverage that becomes effective in mid 2007 which will impact our costs and adds tremendous administrative complexity. New York, New Hampshire and Maine have pending legislation.

• Rapidly expanding Medicare/Medicaid programs (i.e., Maine at 25% Medicare) resulting in significant cost shifts. Public pay programs are approaching 50% of the total reimbursement of providers which is resulting in significant cost shifting to our plans (i.e., as much as $1000 per year).
Healthcare Landscape Overview

• Significant regional and global costs along with huge quality variations

• Increasing obesity levels are driving over 40% of the medical trend

• “Right Care” is still being delivered less than 50% of the time

• 50% of the US healthcare spend is estimated to be unnecessary (*waste, errors, poor quality, administrative inefficiencies, etc.*)
Healthcare Landscape

Sea Changes?

National Movement

- President Bush’s Executive order 13410 “four cornerstones of value-driven health care”
  - Interoperable Health Information technology
  - Transparency of Quality
  - Transparency of Price
  - Incentives for high-value healthcare

Federal Government Leverages the “Cornerstones”

- Supported by Secretary Leavitt’s (US Department Health & Human Services) CEO challenge
- Majority of Fortune 500 companies have committed
- Supported by CMS (Medicare) increased reimbursements for quality and public reporting
Healthcare Landscape

Sea Changes?

Health Sector Leverage

• National Headline - “Nation’s largest health insurance (Wellpoint/Anthem) ties employees bonuses to health of its members” (4/3/07 - Tom Murphy)
  • 5% of annual bonus linked to health member index
  • index measures 20 different clinical outcomes
  • impacts 42,000 employees

Hannaford’s Aligned Activities

• Aetna’s PHR (Personal Health Record) effective April 2007
• Care Focused Purchasing
• Maine Health Management Coalition
• Leapfrog
• Aetna Fee Schedule on-line in Maine (April 2007)
• Bridges to Excellence
• Healthy Behavior Credit
• Maine Primary Care Tiering
• Specialty Tiering
Health Care Spending as % of GDP, 2003*

United States
#1 in cost
#29 out of 30 in quality
Hannaford’s Population

*in the higher cost locations*

Source: 2003 Mercer National Survey of Employer Sponsored Health Plans and other sources
Plans Cost by State

**Annual Medical/RX Costs Per Associate**

2006 Estimate

- **New York**: $4,100
- **Mass**: $4,300
- **Vermont**: $4,900
- **Maine**: $6,400
- **New Hampshire**: $6,500

Hannaford Average: $5600
Plan Review
Health Management 50% Opportunity

• Lifestyle Behavior Changes
• Engaged Consumers/Patients
• High Quality Efficient Care
National Group on Health/Watson Wyatt
Critical Strategic Levers

Medical Trend:

<table>
<thead>
<tr>
<th>Best Performing Companies</th>
<th>3% trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor Performing Companies</td>
<td>11% trend</td>
</tr>
</tbody>
</table>

4 critical attributes of Best Performing companies strategies

<table>
<thead>
<tr>
<th>Provider Quality</th>
<th>Hannaford Practices</th>
</tr>
</thead>
</table>
| **Quality** – Programs that promote the highest-quality providers and have employees that use them. | ▪ Providers of Distinction  
▪ Center of Excellence  
▪ Aetna Fee Schedule |
| **Health Improvement and Productivity** – Programs that help employees better manage their own health. | ▪ Healthy Behavior Credit  
▪ Simple Steps  
▪ Health Coach  
▪ Nurse on-site  
▪ Wellness Program  
▪ PHR |
| **Data/Evidence** – Programs that use data and hard evidence to manage health care program costs and workforce health. | ▪ SHPS data warehouse  
▪ Maine Health Management Coalition  
▪ Care Focused Purchasing |
| **Appropriate Use** – Programs that engage employees to receive care when needed, but not overuse services. | ▪ Right Care, Right Place, Right Price  
▪ Patient Advocacy  
▪ Consumerism |
High Risk Employees Cost More

Impact on Individual Health Care Costs: High versus lower-risk employees

Individuals at high risk for depression have 70.2% higher costs than those at lower risk.

Source: Goetzel et al. (1998), Journal of Occupational and Environmental Medicine
Mercer Human Resource Consulting
The shape of things to come
Advanced Strategies Health Risks
Prevalence of Obesity - 1985

Obesity Trends* Among U.S. Adults
(*BMI ≥30, or ~ 30 lbs overweight for 5’4” woman)

“obesity was a major factor behind Medicare spending increases from 1987-2002”.

Health Affairs 8/22/06
Health Promotion
2006 NBGH Award

**Platinum**
- Aetna
- Baptist Health South Florida
- FPL Group
- Johnson & Johnson
- Medical Mutual of Ohio
- Pitney Bowes
- Texas Instruments, Inc
- Union Pacific Railroad

**Gold**
- AstraZeneca
- Bath Iron Works, A General Dynamics Company
- Blue Cross and Blue Shield of North Carolina
- Cigna
- Eastman Chemical Company
- GE Aviation
- GE Transportation
- GlaxoSmithKline
- Hannaford Brothers
- Kellogg Company
- Mayo Clinic
- Medtronic
- Morgan Stanley
- Novartis Pharmaceuticals
- Raytheon
- Texas Health Resources
- Washington Mutual

**Silver**
- Blue Cross and Blue Shield of Minnesota
- The Boeing Company
- Campbell Soup Company
- CVS Pharmacy
- General Mills
- Fiserv, Inc.
- Massachusetts General Hospital
- Quest Diagnostics
- Target Corporation
Hannaford’s Disease Profile

Executive Summary

• Hannaford has a 6% higher disease prevalence than benchmarks

• Hannaford has managed that risk significantly better than benchmark (i.e., 24% below) resulting in an annual savings of $6,200,000

• 5 disease states - diabetes, hypertension, high cholesterol, back and coronary artery disease account for 34% of total spend

• Hannaford’s delivery of evidence based medicine “right care” for our most costly disease states (diabetes, CAD, CHF) is significantly below benchmarks and national standards of care. This represents a significant opportunity to improve outcomes and reduce costs.
## Hannaford Risk Scorecard

<table>
<thead>
<tr>
<th>Disease Class - Hannaford</th>
<th>Incidence Rate</th>
<th>Total Risk Score</th>
<th>EBM</th>
<th>Percent of Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk Management</td>
<td>0.7%</td>
<td>10.578</td>
<td>0.668</td>
<td>18%</td>
</tr>
<tr>
<td>Stroke/TIA</td>
<td>0.5%</td>
<td>7.549</td>
<td>1.238</td>
<td>4%</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>0.3%</td>
<td>12.396</td>
<td>2.008</td>
<td>3%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>6.5%</td>
<td>5.285</td>
<td>14.57</td>
<td>8%</td>
</tr>
<tr>
<td>Chronic Pulmonary Disease</td>
<td>0.2%</td>
<td>8.840</td>
<td>0.683</td>
<td>1%</td>
</tr>
<tr>
<td>Coronary Artery Disease</td>
<td>0.9%</td>
<td>7.002</td>
<td>1.258</td>
<td>4%</td>
</tr>
<tr>
<td>Atrial Fibrillation</td>
<td>0.2%</td>
<td>4.363</td>
<td>0.495</td>
<td>1%</td>
</tr>
<tr>
<td>Asthma</td>
<td>2.8%</td>
<td>3.375</td>
<td>0.398</td>
<td>2%</td>
</tr>
<tr>
<td>Hypertension</td>
<td>6.5%</td>
<td>3.082</td>
<td>0.682</td>
<td>8%</td>
</tr>
<tr>
<td>Hyperlipidemia</td>
<td>12.0%</td>
<td>1.751</td>
<td>0.200</td>
<td>7%</td>
</tr>
<tr>
<td>Low Back Pain</td>
<td>5.8%</td>
<td>2.228</td>
<td>0.112</td>
<td>7%</td>
</tr>
<tr>
<td>Maternity/Infertility</td>
<td>1.3%</td>
<td>2.442</td>
<td>0.025</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38%</strong></td>
<td><strong>3.324</strong></td>
<td><strong>0.563</strong></td>
<td><strong>66%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disease Class - Benchmark</th>
<th>Incidence Rate</th>
<th>Total Risk Score</th>
<th>EBM</th>
<th>Percent of Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk Management</td>
<td>0.9%</td>
<td>12.530</td>
<td>0.690</td>
<td>18%</td>
</tr>
<tr>
<td>Stroke/TIA</td>
<td>0.8%</td>
<td>9.003</td>
<td>1.133</td>
<td>4%</td>
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<tr>
<td>Congestive Heart Failure</td>
<td>0.5%</td>
<td>12.359</td>
<td>1.646</td>
<td>3%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>4.6%</td>
<td>7.403</td>
<td>1.835</td>
<td>9%</td>
</tr>
<tr>
<td>Chronic Pulmonary Disease</td>
<td>0.2%</td>
<td>9.580</td>
<td>0.551</td>
<td>1%</td>
</tr>
<tr>
<td>Coronary Artery Disease</td>
<td>1.5%</td>
<td>6.894</td>
<td>1.047</td>
<td>5%</td>
</tr>
<tr>
<td>Atrial Fibrillation</td>
<td>0.2%</td>
<td>5.027</td>
<td>0.531</td>
<td>0%</td>
</tr>
<tr>
<td>Asthma</td>
<td>3.4%</td>
<td>3.928</td>
<td>0.363</td>
<td>5%</td>
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<tr>
<td>Hypertension</td>
<td>7.5%</td>
<td>3.634</td>
<td>0.571</td>
<td>10%</td>
</tr>
<tr>
<td>Hyperlipidemia</td>
<td>8.4%</td>
<td>2.770</td>
<td>0.264</td>
<td>8%</td>
</tr>
<tr>
<td>Low Back Pain</td>
<td>6.6%</td>
<td>2.605</td>
<td>0.077</td>
<td>8%</td>
</tr>
<tr>
<td>Maternity/Infertility</td>
<td>1.4%</td>
<td>3.048</td>
<td>0.578</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35.9%</strong></td>
<td><strong>4.360</strong></td>
<td><strong>0.578</strong></td>
<td><strong>72.6%</strong></td>
</tr>
</tbody>
</table>

**Hannaford Health Dividend**

$6,200,000

Every .5 reduction in total risk score is $3.03 million annually.
Risk Factors Drive Costs

Hannaford Opportunity

Move all of 5+ to 4 risks = $1,700,000 (6%)
Move everyone to 2 or less risks = $7,000,000 (24%)

5+ Risks = 582 Hannaford Members
3-4 Risks = 5598 Hannaford Members
0-2 Risks = 10,876 Hannaford Members
Health Risk Appraisal

Behavior Change 2005-2006

Jun-05  Mar-06

Emotionally Unfulfilled: 20%  15%
Stress: 27%  16%
High Cholesterol: 21%  13%
Overdue Preventative Visits: 26%  20%
Physical Activity: 65%  62%
Poor Diet: 82%  75%
Smoking: 6%  14%
Heart Disease: 21%  16%
Member Engagement

Participants Enrolled

- 1.6% (2004)
- 3.3% (2005)
- 7.9% (2006)

Potential Dividend
- 1100 members x $1000/yr.
- $1,000,000++

“Best in Class” benchmark

TIMELINE
- 1/1/05
  - Introduce $20 Healthy Behavior Credit
  - Required to take HRA
- 1/1/06
  - Required to take HRA and participate in disease management

Hannaford
Care Management Opportunities

Appropriate Diabetic Care
Savings Opportunity 60% of Cost

<table>
<thead>
<tr>
<th>Annual Cost</th>
<th>Congestive Heart Failure</th>
<th>Diabetes</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$7,000</td>
<td>$6,500</td>
</tr>
<tr>
<td>$2,000</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>$4,000</td>
<td></td>
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<td>$8,000</td>
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<tr>
<td>$10,000</td>
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</tr>
<tr>
<td>$12,000</td>
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</tbody>
</table>

- Medication Company
- Evidence Based Medicine
- All Other
EBM Compliance Concerns — Population Based Metrics

<table>
<thead>
<tr>
<th>Test/Procedure</th>
<th>Hannaford</th>
<th>Commercial</th>
<th>Goal</th>
<th>Diabetes</th>
<th>HbA1c Test</th>
<th>Lipid Panel</th>
<th>Urine Micro</th>
<th>ACE Rx</th>
<th>Statin Rx</th>
<th>Lipid Panel</th>
<th>Beta-Blocker</th>
<th>ACE/ARB</th>
<th>Stress Echo</th>
<th>CHF</th>
<th>Lipid Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes</td>
<td>19.1%</td>
<td>30.2%</td>
<td>38.0%</td>
<td>19.9%</td>
<td>41.4%</td>
<td>41.3%</td>
<td>41.4%</td>
<td>52.0%</td>
<td>55.5%</td>
<td>53.4%</td>
<td>50.0%</td>
<td>50.0%</td>
<td>69.4%</td>
<td>62.9%</td>
<td>56.2%</td>
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<tr>
<td>HbA1c Test</td>
<td>30.2%</td>
<td>38.0%</td>
<td>53.2%</td>
<td>18.4%</td>
<td>30.9%</td>
<td>41.3%</td>
<td>30.9%</td>
<td>52.0%</td>
<td>55.5%</td>
<td>44.5%</td>
<td>52.2%</td>
<td>44.5%</td>
<td>69.5%</td>
<td>62.9%</td>
<td>56.2%</td>
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<tr>
<td>Lipid Panel</td>
<td>38.0%</td>
<td>19.9%</td>
<td>30.2%</td>
<td>60%</td>
<td>41.4%</td>
<td>41.3%</td>
<td>66.4%</td>
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<td>80%</td>
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<td>90%</td>
<td>62.9%</td>
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<tr>
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<td>60%</td>
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<td>90%</td>
<td>62.9%</td>
<td>60.5%</td>
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<tr>
<td>Statin Rx</td>
<td>41.3%</td>
<td>66.4%</td>
<td>41.4%</td>
<td>52.0%</td>
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<tr>
<td>Beta-Blocker</td>
<td>53.4%</td>
<td>55.5%</td>
<td>52.0%</td>
<td>80%</td>
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<td>90%</td>
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<tr>
<td>ACE/ARB</td>
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<td>50.0%</td>
<td>70.0%</td>
<td>65.5%</td>
<td>52.2%</td>
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<td>62.9%</td>
<td>50.0%</td>
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</tr>
<tr>
<td>Stress Echo</td>
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<td>50.0%</td>
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<td>69.4%</td>
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<tr>
<td>CHF</td>
<td>62.9%</td>
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<td>62.9%</td>
<td>55.2%</td>
<td>50.0%</td>
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</tr>
</tbody>
</table>

Legend:
- Hannaford
- Commercial
- Goal
2005 Analysis

Maine Population

Health Dividend Leverage Points

- Improved care management and utilization from the Anthem population
- 2005 plan design changes
- Improving health status

Total Dividend

2004 $2,400
2005 (w/12% trend) $2,700
Actual 2005 $2,000
Dividend $700/associate
Total $3,700,000
Financial Updates

Annual Associate Medical/RX costs

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>% sales</td>
<td>.77%</td>
<td>.91%</td>
<td>.80%</td>
<td>.77%</td>
</tr>
<tr>
<td>Annual % Increase</td>
<td>-</td>
<td>+10.3%</td>
<td>&lt;.7%&gt;</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated</td>
<td>-</td>
<td>+10.3%</td>
<td>+4.3%</td>
<td>+1%</td>
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</tbody>
</table>

2004 Actual: $4,764
2005 Actual: $5,256
2006 Actual: $5,220
2007 Budgeted: $5,220
Healthcare Savings

Healthcare dividend to date $82,000,000

Projected additional dividend $109,000,000

National Trend Projected (assumes 8% trend)

Source: Medical Benefits - volume 24 - 1/15/07

*This was accomplished even with acquisition of Victory’s 20% higher cost structure and 2005 aberrant catastrophic claim year.
Strategic Levers
## 2008 Initiative Review/Discussion
### Value Based Purchasing
#### Strategic Levers

<table>
<thead>
<tr>
<th>Evidence Based Medicine</th>
<th>Leverage Technology</th>
<th>Globalization</th>
<th>Community</th>
<th>Benefit Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing co-pays/co-insurance for life saving services (i.e., diabetic medications)</td>
<td>Incentives to use PHR</td>
<td>Investigate off shoring</td>
<td>Care Management</td>
<td>Associate Discount leverage (assured Hewitt)</td>
</tr>
<tr>
<td>Increasing associate cost share of less essential services</td>
<td>Home monitoring</td>
<td>Radiology/Imaging</td>
<td>“Ashville” like projects</td>
<td>Total Value</td>
</tr>
<tr>
<td>Only paying for minimally invasive procedures</td>
<td>Leverage alternative communication channels</td>
<td>Specialist consults</td>
<td>Healthy Living Club</td>
<td>- Red Brick</td>
</tr>
<tr>
<td>Incorporating incentives based on Health Index</td>
<td>Specialist visits</td>
<td>Medical procedures</td>
<td></td>
<td>- Trusted 3rd party</td>
</tr>
<tr>
<td></td>
<td>Zoomerang Survey Tools (on-line tool)</td>
<td></td>
<td></td>
<td>- Flat fee schedule</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Incent patient compliance</td>
</tr>
<tr>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Spousal surcharge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Retiree</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Associate Contributions</td>
</tr>
</tbody>
</table>
Strategic Levers
Program Components

• On-site nurses every location
  • Dedicated Aetna Health Promotion Nurse/Resource

• $20/week Healthy Behavior Credit
  • Required HRA
  • Tobacco free
  • Required disease management/health promotion

• Benefit Tiering for use “Providers of Distinction”
  • Primary care
  • 12 specialists

• Required Centers of Excellence
  • Transplants
  • Complex cancers

• Engaging Consumers
  • Education
  • Incentives
  • Transparency
  • CDHP
  • Advocacy

• Leverage Informatics
  • Data warehousing
  • Data Analytics (mining)

• Leverage Provider Reimbursement System
  • Pay for health not units/service

• Leverage Community
  • Employers
  • Physicians
  • Delivery systems
  • Guiding Stars
  • Maine Health / Hannaford Healthy Living Club
Healthy Hannaford Leverage Points

Compensation & Wellness Increasing scope

Compensation
Wellness
Benefits
HBC
Providers
Community

Performance Management - bonus
Nurses - education - coaching
Benefit design - incentives
Merchandising - pharmacist - meal planning, Guiding Stars, etc...
Tiering - pay for performance - preferred partner
Business coalitions (CFP), schools, charitable contributions, federal and state reform, healthy living club, corporate giving

Preferred employer
Preferred destination

Competitive Advantage
Start of a Solution

Need to create a healthcare market with the following characteristics:

- Informed and engaged consumers

- Market Transparency
  - *Treatment Options*
  - *Outcome and Quality Metrics*
  - *Cost*

- Aligned Incentives

- Leverage National and Community Partnerships (*medical, education, coalitions, public policy*)
**Hospital Buyer’s Guide**

## Hospital Buyer's Guide Results

**Procedure: Cardiac Catheterization (hospitalization)**

**Cost Saving Tips**
Be sure to see an in-network provider whenever possible. This saves you money.

**Quality Tips**
Tell your doctor if you are allergic to:

---

Search returned 7 in-network result(s).

**Average cost of Cardiac Catheterization (hospitalization) in your search area:**
- In Network Facility: $9,601.80
- Out of Network Facility: $9,985.87

---

**ONLY FACILITIES WITH QUALITY OR COST ARE SHOWN**

<table>
<thead>
<tr>
<th>Distance</th>
<th>Facility Name</th>
<th>Patients Per Year</th>
<th>Quality</th>
<th>Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maine Medical Center</td>
<td>810</td>
<td>★★☆☆☆</td>
<td>$6,822-$8,574</td>
</tr>
<tr>
<td>1.37 miles</td>
<td>[Map] [Directions]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Southern Maine Medical Center</td>
<td>82</td>
<td>★★☆☆☆</td>
<td>$6,822-$8,574</td>
</tr>
<tr>
<td>16.84 miles</td>
<td>[Map] [Directions]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mercy Hospital</td>
<td>86</td>
<td>★☆☆☆☆</td>
<td>$8,575-$12,025</td>
</tr>
<tr>
<td>1.77 miles</td>
<td>[Map] [Directions]</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Source:** Definity Health

- Arm consumers with targeted cost and quality tips for 200+ procedures.
- Deliver average cost for 300 procedures.
- Allow consumers to sort by patients per year, quality or cost.
- Provide facility level quality ratings for 150 procedures and cost ratings for 45 procedures in ME.
- Most markets have at least one facility-level rating for 31 common procedures.
Percent Variance in Inpatient & Outpatient Hospital Allowed Payments

Hospitals best medication safety practices reduce inpatient mortality 40% (Leapfrog, IOM)

Maine Opportunity = +$300,000 (5%)

Total Hannaford Opportunity $2,000,000
Hi, I'm Dr. Jan Wnek of Brunswick, Maine. Our blue ribbon awards show quality ratings for doctors and hospitals. Click on the buttons to the right to see ratings for doctors and hospitals, tips to get quality care, and interviews with Maine patients and doctors.
Potential Solution Sets

- Care Focused Purchasing
- Bridges to Excellence
- Leapfrog
- Tiered Quality/Efficiency Networks (*Aetna, Cigna, UHC, Pacific Care, Hummana*). Coming in 2007 - Primary Care & Specialists - Providers of Distinction.
Care Focused Purchasing

Value Based Purchasing

- National standardized reporting for quality and price transparency
- 29 million live database
- 1st public data release (9/2007)

CFP Overview
Initial CFP Sponsoring Employers

3M
JCPenney
BOEING
Capital One
BellSouth
3M
CORNING
The McGraw-Hill Companies
SEARS
XEROX
Morgan Stanley
Lowe's
Sprint
ASSURANT
Hannaford
The Pepsi Bottling Group
Edward Jones
P&G
WPP

Marsh • Putnam • Mercer
Marsh & McLennan Companies
The POD Goal is to…

- Identify and select physicians in specialties responsible for significant portions of health care spending who deliver cost-effective care. POD selection is based on a balance of measures of clinical performance and efficiency.
Specialties Currently Included in POD

- Cardiology
- Cardiothoracic surgery
- Gastroenterology
- General surgery
- Neurology
- Neurosurgery
- Obstetrics & gynecology
- Orthopedic surgery
- Otolaryngology
- Plastic surgery
- Urology
- Vascular surgery
POD Selection Process

- Four-Step Process
  - Case Volume
  - Clinical Performance
  - Clinical Efficiency
Business Case
Projected Spend and Opportunities (2004 - 2013)

- Status Quo
- Reduced Risk of 1%
- Accelerated savings over first 5 years
- Reduced risk of 5% per year

100+ stores
1.2 billion capital investment

Projected Spend and Opportunities (2004 - 2013)
Lessons Learned

• Build a business case and translate it into “CEO” speak

• Develop a comprehensive holistic strategy

• Create cultural alignment

• Create metrics to measure success that resonate with the business leaders

• Solutions should incorporate a community based initiative

• Change the paradigm that “health” is an expense to an “investment” in human capital with a significant and measurable ROI
# Benefits Roundtable Survey

**Benefit Benchmarking**

*Survey of 25 Fortune 100 Companies (Union Pacific, AT&T, Chevron) of 20,000 employees*

<table>
<thead>
<tr>
<th></th>
<th>Hannaford as compared to all others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall employee satisfaction with health benefits provided</td>
<td>+7%</td>
</tr>
<tr>
<td>Perception of quality of care received</td>
<td>+40%</td>
</tr>
<tr>
<td>Perception of customer service</td>
<td>+10%</td>
</tr>
<tr>
<td>Perception of what benefits at HBC cost versus other companies</td>
<td>+24%</td>
</tr>
</tbody>
</table>
Panel Discussion and Questions

Rob Nordgren
Follow our work

www.steppingupnh.org

Contact:
TheInitiative@JSI.com
603-573-3373