



National Institute for Health Care Management

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Managing Health System Capacity: Market and Policy Approaches

**“A Multifaceted Approach to Managing High-Tech
Diagnostic Imaging”**

Presented by:

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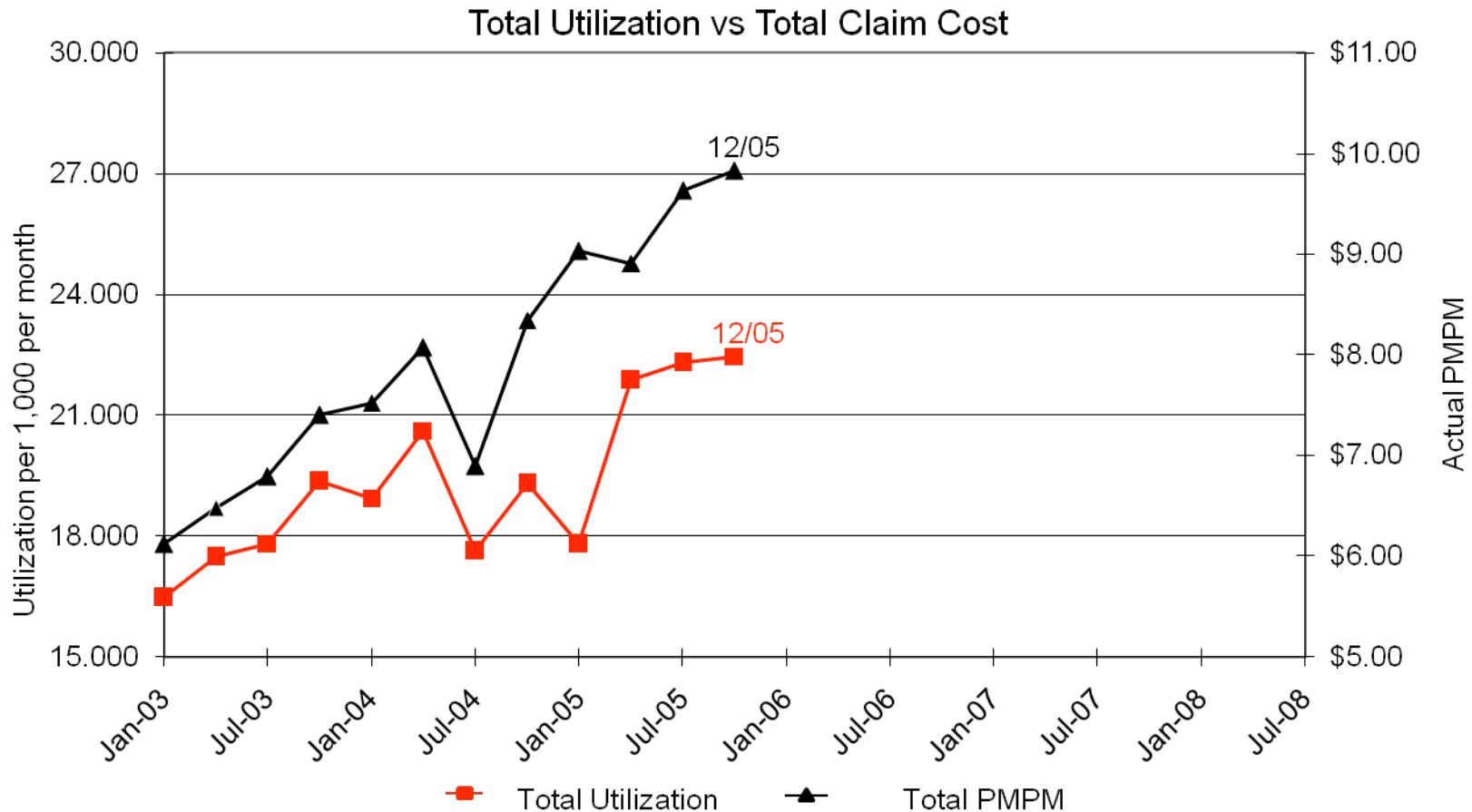
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Making the Case—Utilization of High Cost Imaging



High Cost Diagnostic Imaging in Iowa & South Dakota January 2003 – December 2005

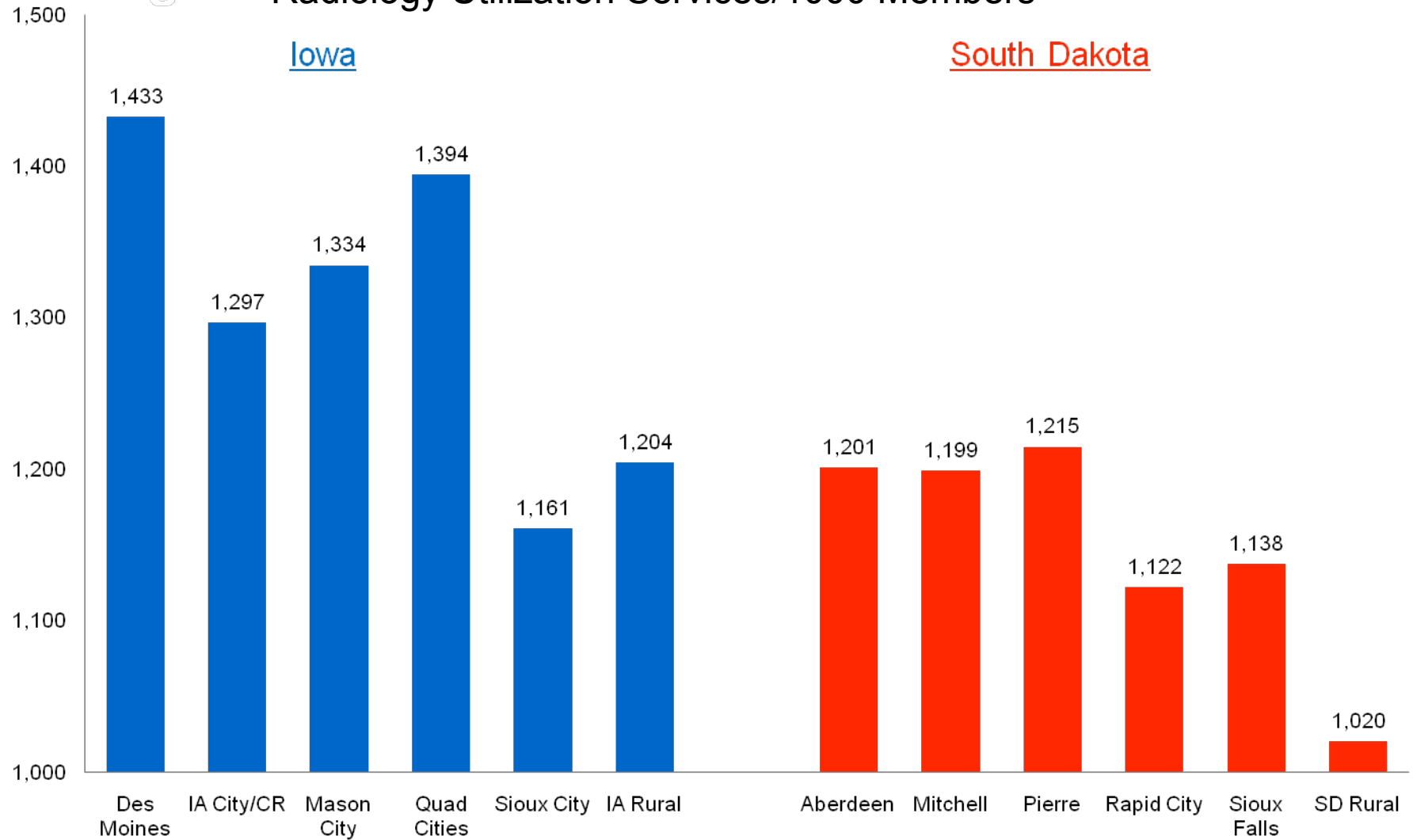


Making the Case--Variation



Making the Case--Variation

Radiology Utilization Services/1000 Members



■ **Current Actions:**

- **Claims editing**
- **Preauthorization**
- **Clinical data collection/sharing—**
“Changing the Conversation”

■ **Future Activities:**

- **Credentialing of imaging technology/services**
- **Point of care clinical decision support/embedding clinical criteria**
- **Patient safety initiatives**

The Results of Current Actions



Addressing Increasing Capacity, Use and Cost

- **Claims Editing**
 - Add-on Codes, Duplicate Testing, etc.
\$1.4 M in annual savings

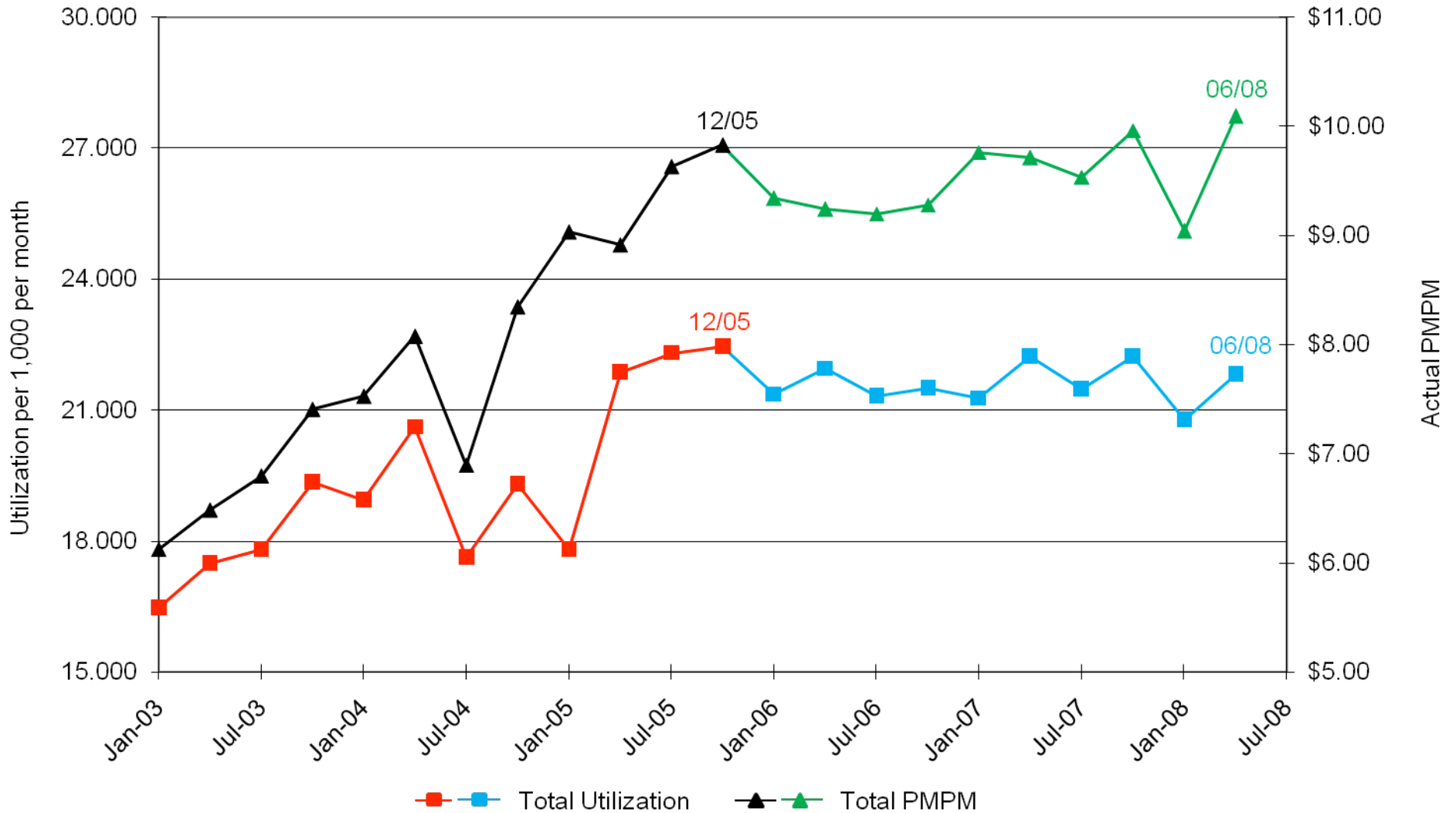
- **Preauthorization for High Tech Imaging**
 - CT, PET, MRI, Nuclear Cardiology
\$21 M in annual savings

- **Expanded Cardiology Preauthorization** (implemented 11/08)
 - Echocardiography, Implantable Cardioverter Defibrillator
\$2.4 M in expected annual savings

High Cost Diagnostic Imaging in IA & SD January 2003 – June 2008



Total Utilization vs Total Claim Cost



Our Work Is Not Complete



Even After the Diagnostic Imaging Program, Wellmark's Utilization Exceeds Midwest Best Practice

	Radiology Services/1000 Members		% above Milliman well managed benchmark
	Wellmark Average	Milliman Well Managed	
Iowa	1,136	711	60%
South Dakota	1,089	692	57%

*Milliman Midwest well-managed benchmark, reflecting an ideal target in utilization management based on a combination of best practices and clinical research and adjusted for local demographics (IA, KS, MO, MN, ND, NE, SD)

- **Human beings do what is in their best business interest (this includes all health care stakeholders)**

- **There is no silver bullet - A multi-faceted approach is needed**

- **Best outcomes came from a combination of:**
 - **Nationally accepted imaging guidelines**
 - **The “sentinel effect”**
 - **Data sharing**

Genius of the AND...

Short term cost controls **AND** longer term trend management strategies are needed to effect fundamental change in behaviors and processes

Where Do We Go From Here?



The Wellmark Board has challenged management to create a Sustainable Health Care System in Iowa and South Dakota

By 2014, Wellmark and the other health care stakeholders in Iowa and South Dakota will together achieve, and subsequently sustain, an annual trend in total health care costs [administrative (including Wellmark) and medical] for Wellmark members **equal to the Consumer Price Index (CPI)**

On the medical side, Wellmark needs **to lower trend by 50%, from 6.1% to 3.1%**, taking almost \$1 billion out of medical expense growth over the next six years

A Broader Approach is Required



Bending the trend to CPI will require a broader way of framing Wellmark's health care value strategy

- **Designing New Business Models:** Appropriate sizing of capacity formation will require health plan payment reform (population-based, episode-based, global) and new provider business models to create alignment of interests
- **Aligning Public Policy:** Federal and state public policy/regulations need to align with public health needs for capacity formation
- **Engaging the Population:** Improving the underlying health, informed decision-making and financial incentives of the population, which creates demand for medical capacity, is essential

A Broader Approach is Required



- **Adopting Lean Process Improvement:** Minimize waste and inefficiency in existing capacity

- **Working in the Present, Planning for the Future:** Continue incremental, short term initiatives focused on utilization of capacity, while transformational ideas to manage long term trend develop and mature

