








# Washington Mutual

## An Employer's Perspective on Health Care Cost and Access

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# Key Employer Issues

- Health Care Costs - 
- Health Risk Profile - 
- Health Care Quality - 
- Worker Productivity - 
- Employee Paycheck - 

# Health Care Costs -

- Rising health care costs are unsustainable and is threatening the profitability of U.S. companies
- In 2003 U.S. employers spent \$331B on employee health insurance – a 50% increase since 1998; \$3.80 per hour for each worker who participated in health insurance coverage

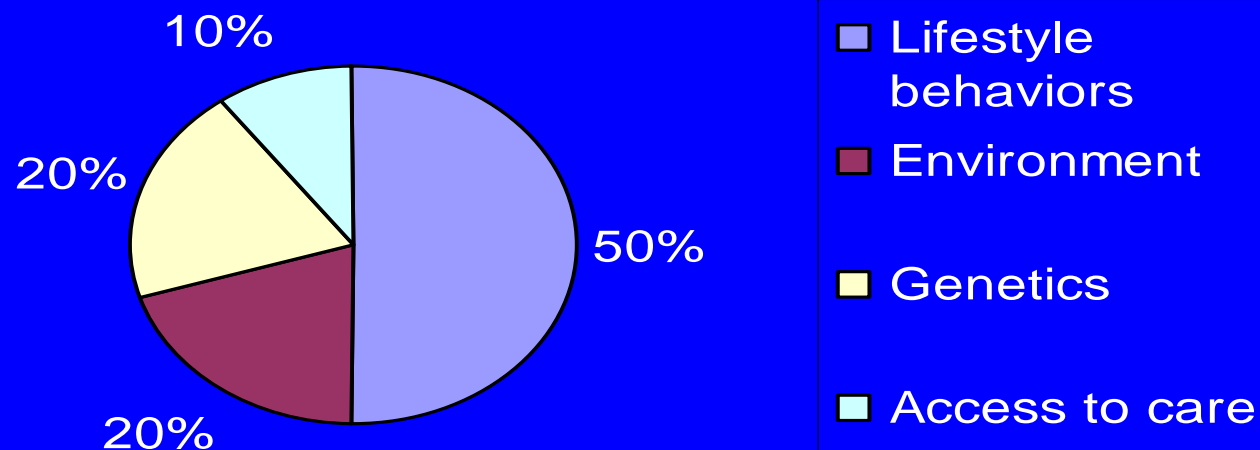
Source: Employment Policy Foundation

- “..the prices of care, not the amount of care delivered, are the primary difference between the U.S. and other countries... the more-costly U.S. healthcare has not resulted in demonstrably better technical quality of care or better patient satisfaction with care.”

Source: Anderson, GA, et al, “Health Spending in the US and the Rest of the Industrialized World,” Health Affairs, 2005, Vol. 24, No. 4.

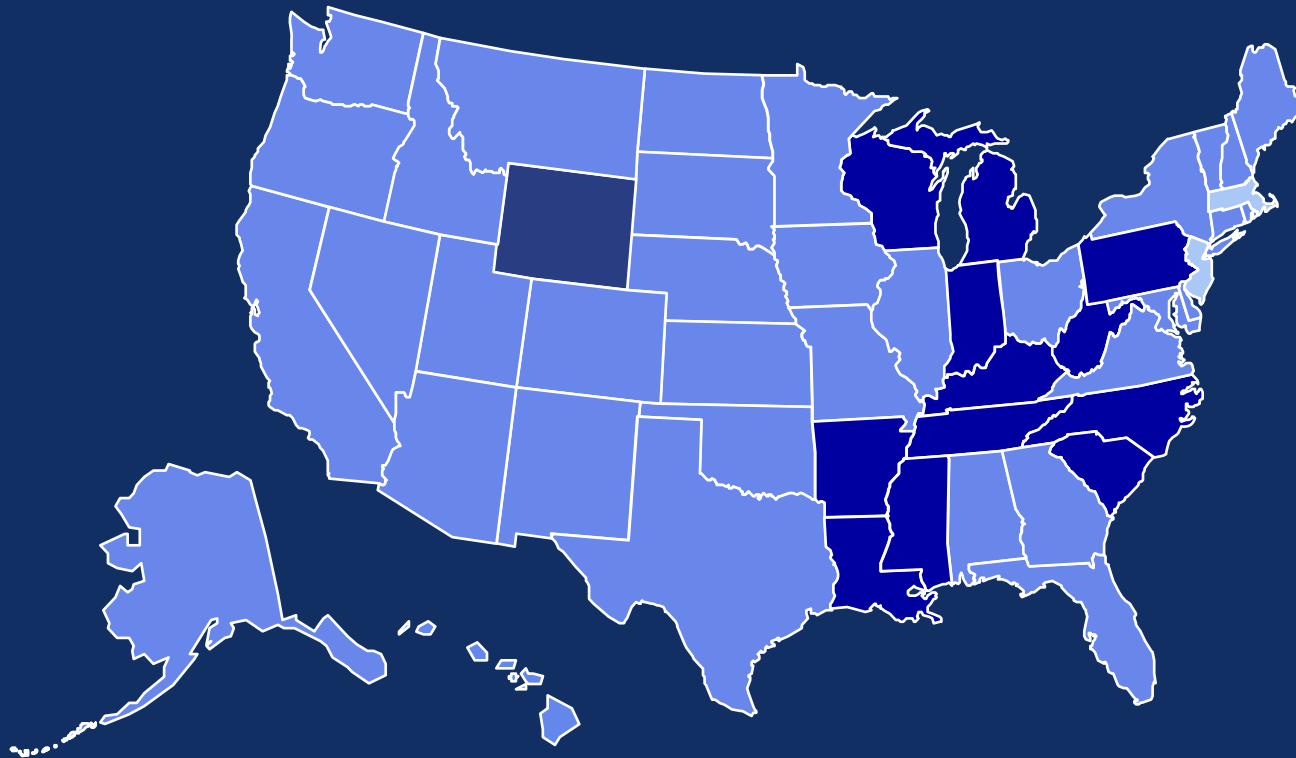
# Health Risk Profile - ↑

- Individual lifestyle behaviors have a 50% impact on health



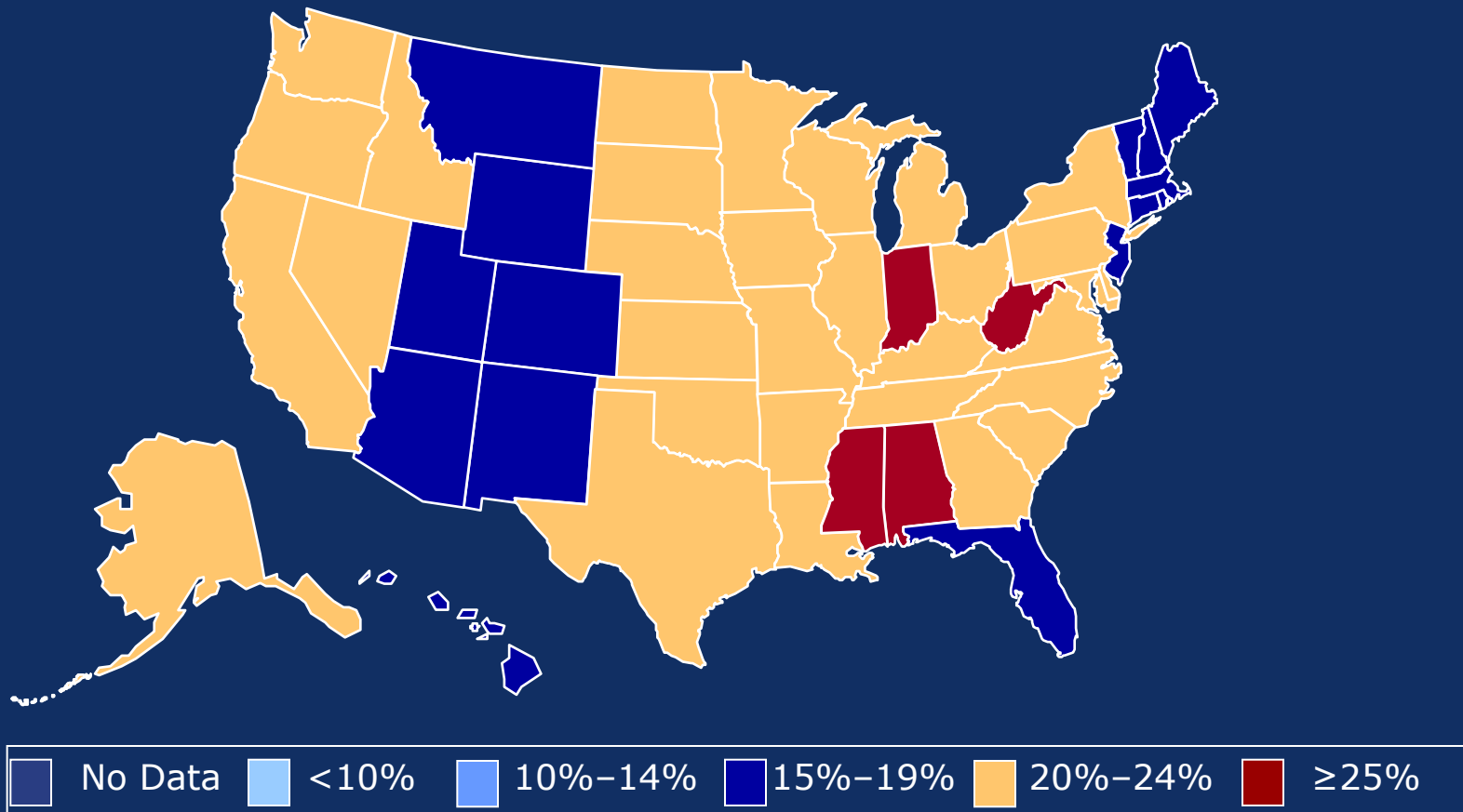
Source: Centers for Disease Control and Prevention, 2000

# Obesity Trends Among U.S. Adults -1993



(CDC data, BMI  $\geq 30$ , or  $\sim 30$  lbs overweight for 5' 4" person)

# Obesity Trends Among U.S. Adults - 2003



(CDC data, BMI  $\geq 30$ , or  $\sim 30$  lbs overweight for 5' 4" person)

# Health Care Quality -

- Adults receive recommended and appropriate health care approximately ½ of the time
  - Overall care – 55%
  - Acute care – 54%
  - Preventive care – 55%
  - Chronic care – 56%

Source: McGlynn, EA, et al, “The Quality of Health Care Delivered to Adults in the US,” NEJM, Vol. 348, No. 26.

# Worker Productivity -

*Avoidable Annual Sick Days for Top 5 Chronic Conditions*

<u>Condition</u>	<u>Sick Days</u>
Hypertension	11,731,500
Diabetes	11,557,300
Asthma	7,542,600
Heart Disease	7,174,300
Depression	<u>2,913,800</u>
<b>Total</b>	<b>40,919,500</b>

\$10 per hour = \$3.27B annually

\$15 per hour = \$4.91B annually

Source: NCQA State of Health Care Quality, 2003



# Employee Paycheck -

- Health insurance premium increases continue to outpace workers' earnings
- Between 1993 – 2003 worker's earnings have increased at an annual rate of ~3%, while health insurance premiums have increased at an annual rate of ~9%
- Most employers have responded to rising health care costs by passing costs onto employees or eliminating health care insurance altogether

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003



# How Has WaMu Responded?

Implemented health benefits strategy emphasizing cost, quality and consumerism with a goal of improving employee health and productivity

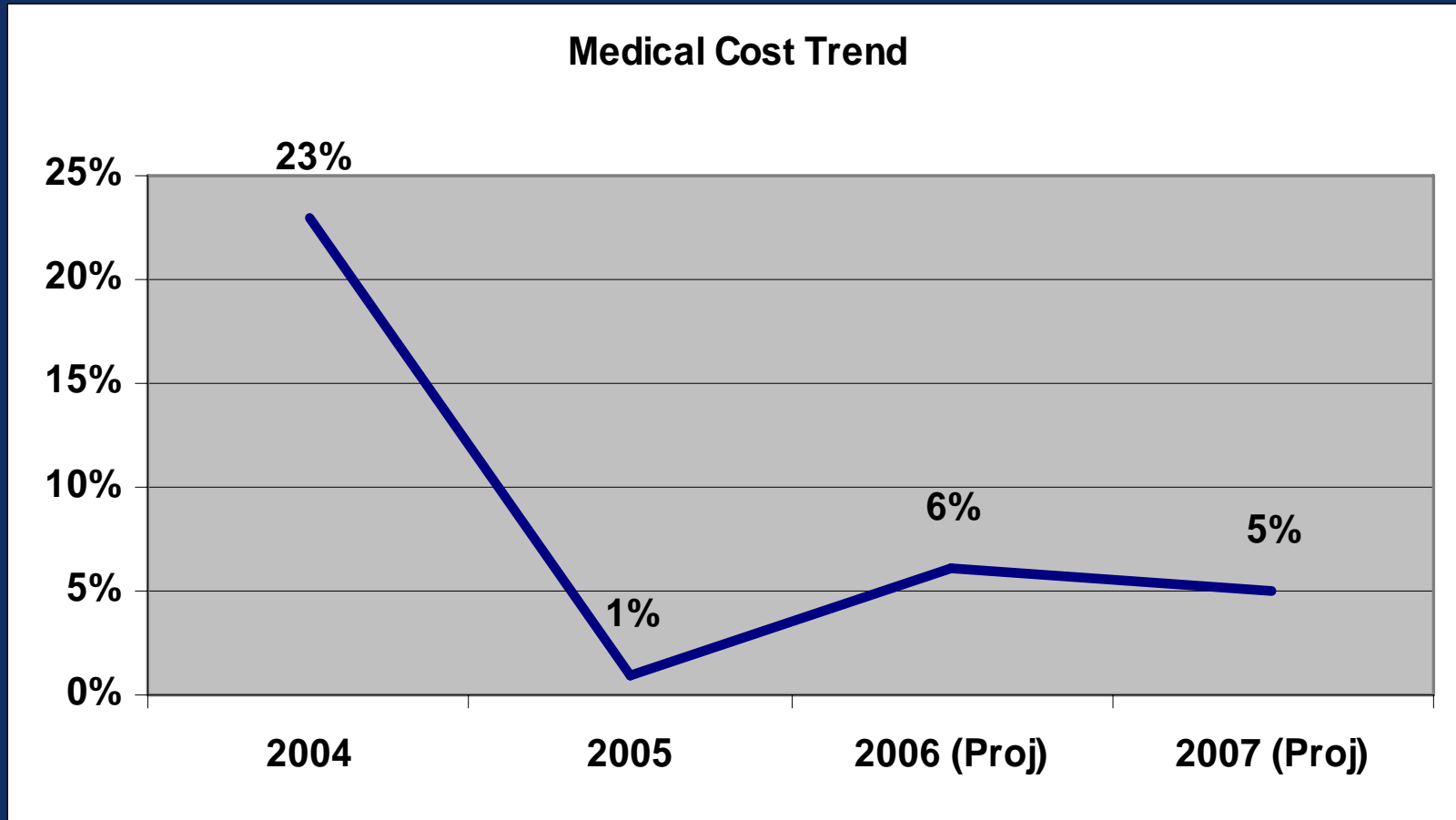
## Demand Side Initiatives

- Web-based health benefits portal (*WaMu Health*)
- Decision-support tools
- Incentive program for healthy behaviors
- Wellness programs
- Integrated health management programs
- Focused disease management programs

## Supply-Side Initiatives

- Negotiated performance-based contracts
- Negotiated transparent Rx contract
- Demanded provider networks based on quality and efficiency
- Joined Puget Sound Health Alliance

# WaMu Results



# What's Missing in the Marketplace?

- More individual responsibility to be a good health care consumer, however:
  - Ability to choose providers based on quality is lacking
  - Little to no transparency on cost of care
  - Decision-support tools are weak
  - Longitudinal electronic personal health record is virtually non-existent
- Payment mechanisms are not aligned – system pays for additional care, not positive outcomes
- Use of technology in health care administration
- Little emphasis and funding on prevention or wellness

# Road Map for Success

- Reward providers and employers who emphasize prevention and wellness
- Reward providers who are delivering cost-effective quality health care – “Pay for Performance”
- Make information available to the public on who is delivering quality health care and who is not
- Emphasize paperless administration and reward providers who utilize such technology
- Implement a comprehensive database on *all* patients
- Focus on *health* not health care