



HEALTHWAYS



The Healthways Embrace

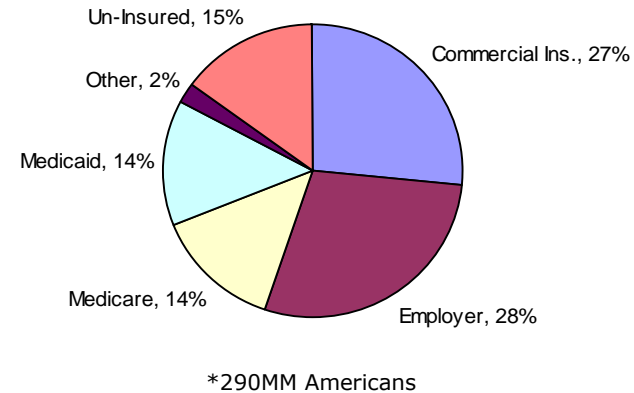
Improving Clinical Quality and Reducing Medical Cost Trends: The American Healthways Experience

**Matt Kelliher, President
Healthways International**

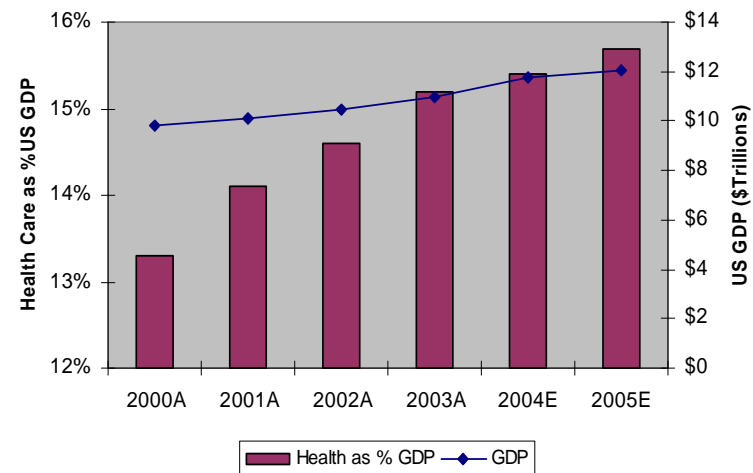
US Health Care Overview

- 55% of all Americans are covered by private Commercial or Employer sponsored insurance (160mm Americans)
- An estimated 15.7% of GDP will be spent on health care in 2005, growing to 18% of GDP by 2010
- The boomer generation will steadily increase the cost burden of the Medicare system between 2005 (40mm lives) and 2025 (70mm lives)
- Managed Care introduced in the early 1970s, peaked by mid-1980s
- Disease Management introduced in 1980

US Population by Insurer



Medical Costs Rising as % of GDP



Healthways Experience

- Largest and most experienced Disease Management (DM) company in the US
- The pioneer of High Risk Case Management and Disease Management
- Proven results in reducing hospital bed days, admissions, emergency department utilization and total medical costs
- Leader in implementing large-scale, customized Disease Management programs across wide geographic areas
- Largest provider of High-Risk and Disease Management programs for the elderly awarded by the US government
- Over 1.5 Million lives under management, returning more than \$1 Billion in medical cost savings to customers
- Leading edge technology and training systems

▶ The DM Value Proposition

Disease Management programs **meaningfully reduce the trend of health care cost increases** for health providers, while providing a valuable service for their patients by:

- Improving the health of populations
- Enhancing patient satisfaction and care experience
- Enhancing physician satisfaction and delivery experience
- Improving work force productivity
- Reducing total health care cost



Support the physician - patient relationship

Intervention to prevent decomposition between visits

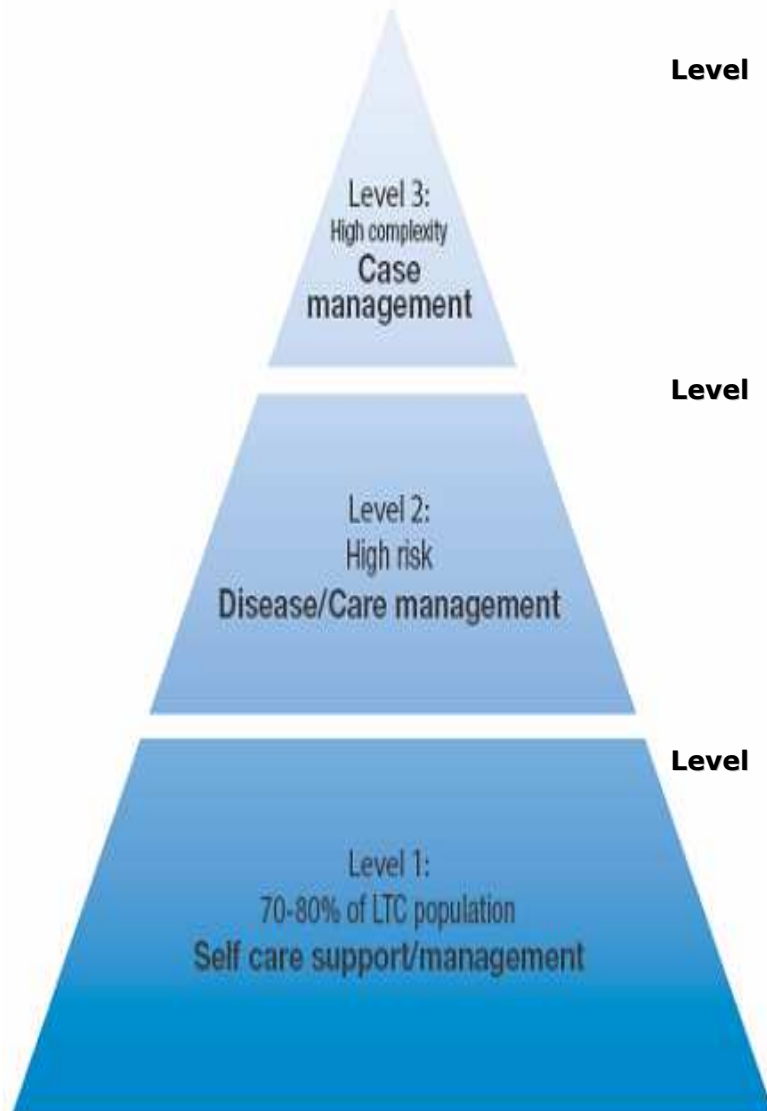
Create a trusting relationship with the patient

Treat the patient, not the disease

► Evolution of U.S. Disease Management

First Generation	Second Generation	Current Generation
<ul style="list-style-type: none"> • Facility based programs • Fully reliant on GPs and physicians • Face to face interaction • Reactive • Few objectively quantified results • Largely internal • Little evidence based medicine 	<ul style="list-style-type: none"> • Physician oriented • Mailed educational information • Some telephonic intervention • Introduction of nurses • Difficult to distinguish from demand mgmt • Still reactive, but more patient directed • Weak outcomes 	<ul style="list-style-type: none"> • Patient centric, physician integrated • Integrated CM & DM • Proactive and total population based • Expert systems & remote monitoring • Highly scalable telephonic model • Peer reviewed third party outcomes • Grounded in evidence based medicine • Supports quality care initiatives
1980-1989	1990-1995	1996-2005

Healthways Full Care Enhancement Model



Level 3



High-Risk Care Management

Provides intensive one-to-one nurse/ patient case management for the highest-risk, most complex of the population. As risk for hospitalization is reduced, patient are transferred to Level 2.

Level 3 Care Managers are highly trained and closely integrated into community resources and physician offices and clinics.

Level 2



Chronic Disease Management

Provides long-term whole person care enhancement for the population using a team intervention model combined with Remote Patient Monitoring. Members identified with a chronic condition or disease remain on the program for life.

- Diabetes
- CAD / CHF
- CKD / ESRD
- COPD / Asthma
- Cancer
- Impact Conditions

Level 1



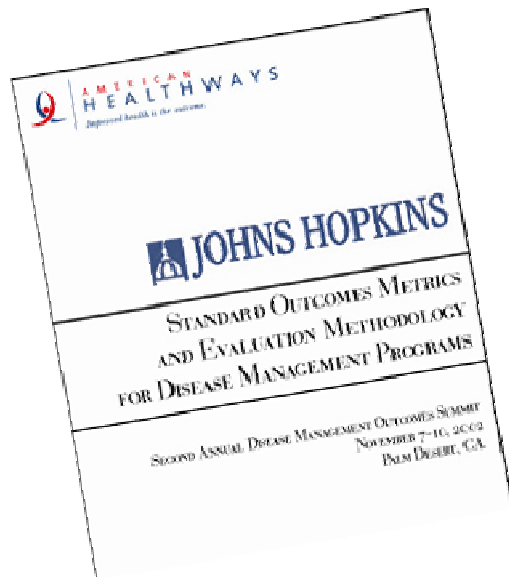
Self Management

Provides self-management education for people with chronic disease. Patient education is provided through a highly automated Plan Track Mailing process.

The system is integrated with Social Services and the GP office to support the physician in caring for patients with chronic disease. Online, patient directed expert systems and virtual coaching are available to assist the patient in managing their condition and sustaining behavior change.

▶ Third Party Validation of Programs and Outcomes

- Formal relationship with Johns Hopkins School of Medicine
 - Develop new DM outcomes measurement methodologies
 - Review and validate all clinical content for DM Programs



- The first Disease Management provider to attain all three U.S. DM industry certifications
- Third party validation of clinical & financial outcomes



Reviewed and approved by
JOHNS HOPKINS

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▶ Matched Cohort Study: Full Care Enhancement

Matched Cohort Study	With Program n=60,009	Without Program n=51,902	Net Effect
Change in \$ medical cost	6%	20%	14% Savings
Change in ER Rate	-19%	-1%	18% Fewer Visits
Change in Admit Rate	-16%	7%	23% Fewer Admits

- **Independent, third party analysis by Blue Cross Blue Shield of Minnesota and their consulting actuaries**
- **Full care enhancement program covering Levels 1-3**
- **Validated >2.5 : 1 Return On Investment (ROI) in the first year**
- **2% to 3% reduction in overall medical spend for the entire health plan**

How Broadening DM's Focus Helped Shrink One Plan's Costs by William R Gold, M.D., CMO BCBS Minnesota and Peter Kongstvedt, M.D., Vice President CapGemini Earnst & Young. Published in Managed Care, November 2003.

▶ Matched Cohort Study: Level 2 DM

Matched Control Study	With Program n=17,571	Without Program n=9,977	Net Effect
Per Patient Cost \$	\$417	\$554	24.7% Savings
Total ER Visits	234	303	22.8% Fewer
Total Admissions	143	205	30.2% Fewer

- **Independent, third party analysis of data provided by Cigna HealthCare Inc. on the American Healthways Diabetes Disease Management program**
- ***Effectiveness of a Disease management Program for Patients with Diabetes* by Victor G. Villagra, M.D., and Tamin Ahmed. Published in the Health Affairs journal, July/August, 2004.**

▶ Pre-Post Study: Level 3 High Risk Case Management

Pre-Post Study – Validated Results for High Risk Case Management Population	Net Effect
Per Patient Total Cost \$	17.2% Savings
Inpatient-specific Cost \$	14.4% Savings
Inpatient Bed Days / 1,000	8.3% Reduction

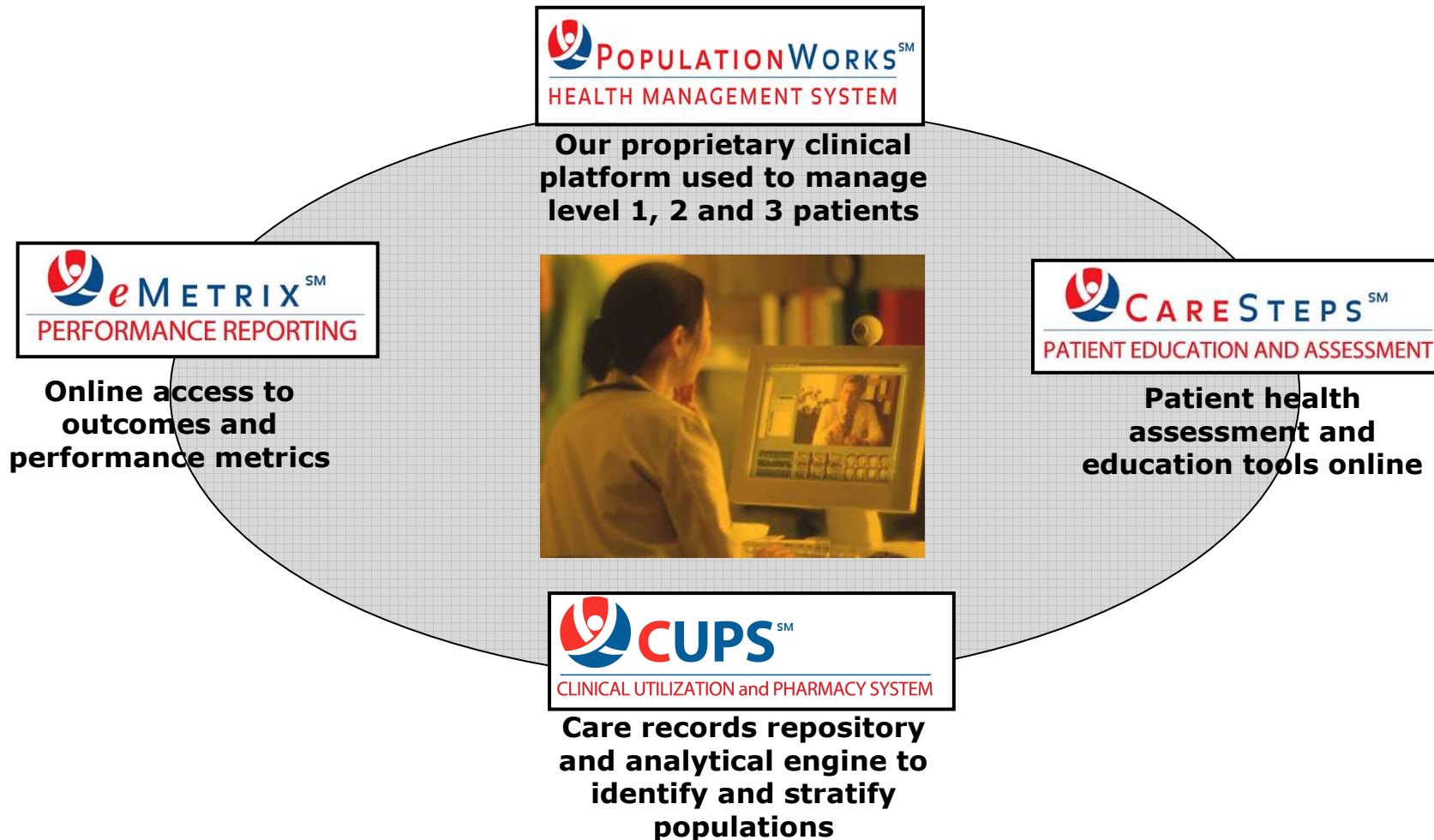
Pre-Post Study – Validated Results for Total Population	Net Effect
Per Patient Total Cost \$	2.5% Savings
Inpatient-specific Cost \$	4.1% Savings
Inpatient Bed Days / 1,000	1.7% Reduction

- **Independent analysis of outcomes for Level 3: High-Risk case management program provided to a major commercial insurer**
- **Analysis performed by Milliman USA, Consulting Actuaries**
- **Validated 3:1 ROI**

▶ State of the Art Technology Platform



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▶ Looking Ahead

