

Be Prepared...Your House or Your Health? Today health care is everywhere -- in the CEOs office and around the kitchen table. Five years ago it was in neither place. Does this mean that consumers are prepared for the tsunami of health care change coming? There are new and innovative growth models emerging to help consumers, however there remain some big gaps too.

We wish you a terrific 4th.



Be Prepared!

The average consumer, Joe or Jane, age 25 or older, makes \$32,000 per year, does not have a college degree, drives a car, lives in his or her own home, and holds a white-collar office job. They can tell you their grocery bill, the price and quality of food, their car price and monthly payment, their mortgage payment and house value. Ask Joe or Jane how much their health care costs -- the cost of treatments, the cost and quality of their plan, are they getting a fair price and you'll get a blank stare.

In 2014 Joe and Jane are going to be hit by a health care tsunami. The average mortgage payment today is \$700/month with \$1000 of annual home maintenance on top of that. The price of health care for many families will exceed the cost of owning a home and become the biggest single expense a family has each year.

Consumers are unprepared.

For 50 years consumers have outsourced their health care. Employers chose employee health care plans and (mostly) paid for them. Physicians treated disease conditions paternalistically. Payers administered plans and guided consumer choice of their physicians.

Consumers need to in-source their care and take control.

The numbers are big. Between now and 2014, 30 million new consumers will be coming to terms with new health care programs. Surveys show that many employers will scrap their own health care

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plans and "dump" their employees into exchanges. The total number of consumers dealing with health care change will be far bigger than the 30 million from last year's reform. We estimate that this will be north of 40 million consumers.

What does in-sourcing health care mean? It means taking control of all the key decisions of your own health care. Choosing a plan, checking prices of treatments, being sure you're getting a fair price, etc. Consumers need tools and information to manage their health care decisions.

What tools? What information? To answer these questions it is useful to compare other more familiar buying decisions -- groceries and homes. When we buy groceries, we want to know the price in advance of getting to check out. We want to know the quality too. When we buy a house, we want to know the quality and price of the house, the cost of the mortgage, how much the utilities and taxes are and the general condition of the neighborhood. We also want to know how much 'house' we can afford and if we are getting a fair price. We get help from brokers in negotiating a fair price and get comparable house prices from Zillow and other resources.

Buying health care isn't exactly like buying groceries, nor is it exactly like buying a house. But it has much in common with the two together. When you buy a health care plan, you want to know the cost and quality of the plan. You have to find a physician, you'd like to know the quality of the physician, patient experiences and quality of care. Some patients like to research their disease conditions. You want to know how much treatment is going to cost and if you're getting a fair price (before you get to check out). You may want help negotiating a price for a big clinical treatment or procedure.

Some of these tools and information are available already. New growth business models are emerging.

Buying a Health Plan -- Exchanges

Individual states will either run the exchanges themselves or outsource to a third party. Exchange businesses can charge a modest fee for operating the service that matches a consumer with a health care plan. eHealthInsurance is a broker of health care plans. They advertise low plan rates and based on input from the consumer recommend a plan and estimate of monthly payment. From personal experience, this payment and what the health insurers eventually charge can be much higher -- this is explained in the small print.

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Allxian delivers operational improvement and strategy focused on bottom line and value creation

We recommend that exchanges use crowd-sourcing technology, in the style of Angie's List, Amazon and eBay to provide reviews and feedback on plans. This information will help consumers make better and more informed decisions.

Researching a Disease

The availability of clinical information has undergone a tectonic shift. For the first time since the medicine men of old began treating ailments, all medical knowledge is available today via the web to a consumer. That shift contributes to the drive away from paternalistic clinical practice. Enlightened consumers of care use WebMD, Mayo, Cleveland Clinic and many others to research diseases and treatments.

Today 30% of consumers visit a medical web site before visiting a physician. That number is trending upwards annually. We think that creating a consumer pay model here will be difficult. For over a decade consumers have not paid directly for access to this information and we don't think that will change.

Researching Physician Quality of Care and Patient Experience

The best physician web information services focus on aggregating publicly available information on a physician -- where they went to school, published papers, malpractice law suits, etc. Some companies, like Angie's List, have attempted to capture patient experience. At their best these sites provide information of marginal value. Comments on care are unstructured and not attributed to a particular treatment or regimen.

Outcomes information as a measure of quality of care and meaningful patient experience remain elusive for the consumer today. We believe that there is promise in Vestar's acquisition of Colorado based HealthGrades, the health care ratings company. Vestar also owns Press-Ganey, the hospital patient rating group. Also, new companies like DocInsight that deliver information on the patient experience show promise.

Estimating Treatment Costs?

Shopping for routine health care should be like buying groceries. NexTag, the web aggregator of prices for many technology and popular consumer items has been successful over the last decade. Castlight.com is a growing service provider that can help consumers understand the status of their health plan, i.e. how much they have to spend before meeting their deductible and provides local pricing information across providers for many routine treatments.

This step toward price transparency has far reaching ramifications and inserts supply and demand pricing pressure into local markets.

Creation.

As former CEOs we assist health care companies with planning and execution.

We are experienced in performance improvement, strategy, M&A due diligence, interim management and technology planning and organizational change.

Physicians pay for referrals and pay to be listed.

Naysayers will rant that it'll never work and physicians will never sign up. Those same naysayers said the same thing about airlines and hotel groups 10 years ago. Today Travelocity, Orbitz and Expedia have a valuation in excess of the major airlines and hotel groups combined!

Getting a Fair Price

This is another area of great promise. MedicalCostAdvocate.com helps consumers negotiate better prices for treatments with payers and takes a percentage of the savings. Society wins with lower cost care which in turn will force efficiencies in providers. Patients win with lower health care expenses.

Summary

Health care is about to undergo turmoil and change like never seen before. Surfers wait for "The Wave" and the Wave is coming. Businesses need to incubate new growth and revenue models that help the consumer be prepared.

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