



**Statement of**

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**on**

**Care Management  
For Federal Employees**

**HOUSE GOVERNMENT REFORM  
COMMITTEE**

**SUBCOMMITTEE ON  
CIVIL SERVICE AND AGENCY  
ORGANIZATION**

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## **Introduction**

Chairwoman and Members of the Committee, I am Dr. Scott Smith, Vice President and Chief Medical Officer of the First Health Group Corp. (“First Health”). First Health is the premier national health benefit services company. We specialize in providing large payors with integrated managed care solutions. First Health serves the group health, workers’ compensation, state agency, and Federal Government markets. First Health, and its predecessor company, has been a provider of managed care – both broad-ranging, integrated medical management and Preferred Provider Organization (“PPO”) – services in the Federal Employees’ Health Benefits Program (“FEHBP” or “Program”) since 1985, serving as a subcontractor to various employee organization carriers participating in the Program. In addition, since July, 2002, First Health has served as the plan administrator, underwriter, managed care service provider, and pharmacy benefit manager, fully integrating all those functions, for the second largest plan in the Program, the Mail Handlers Benefit Plan (“MHBP”) sponsored by the National Postal Mail Handlers Union, a Division of the Laborers’ International Union of North America, AFL-CIO.

First Health appreciates this opportunity to present testimony on health issues affecting FEHBP. Given our 20 years’ experience with Federal employees’ health plans we can offer learning and insights in this regard. Also, our extensive experience with in-house clinical management programs gives us a valuable perspective regarding the necessary elements and structure of care management programs.

## **Fewer people now account for the majority of health care costs**

As a physician and Chief Medical Officer of a health benefits company, I am concerned about the prevalence and increasing incidence of chronic conditions in our country

and the rising costs associated with these conditions. The Centers for Disease Control and Prevention (CDC) figures estimate that 75 percent of the \$1.4 trillion in annual health care costs in the U.S. is attributable to chronic illnesses. What used to be the 80/20 rule (meaning that 20 percent of the population accounts for 80 percent of health care expenditures) is now the 80/11 rule. Eleven percent of the population now accounts for 80 percent of health care costs. Included in this 11 percent are chronically ill patients. (Please refer to Attachment 1.) For these chronically ill patients, our experience proves that care management can have a significant impact on associated costs, productivity, quality of life and objective disease-related outcomes.

### **First Health's care management services for Federal employees**

First Health has offered comprehensive care management services for MHBP since 2002. We have offered disease management services since 2000 as part of the **First Health**® Care Support Program. Care management services encompass an array of cost-control mechanisms and patient-support initiatives, including identification of patients with chronic conditions, patient self-management education and collaboration with physicians.

### **Early identification is critical to affecting outcomes**

Effective care management is predicated on the ability to identify at-risk members at the earliest possible time so that we may work with the patient and physician to achieve the best possible outcomes. Waiting for a sentinel event, such as a hospitalization or emergency room visit, has minimal impact on patient outcomes. By the time a patient is hospitalized, the condition has intensified and incurs the increased costs and complications of a progressive condition. First Health uses a comprehensive system of data and events to proactively identify patients in need of care management before conditions escalate. We base our predictive modeling for care management on algorithms derived primarily from pharmacy and medical

claims. Other triggers include self-identification, clinical events and customer service interactions. Further, trigger algorithms are designed to identify those members at higher levels of risk for disease progression and utilization of services.

### **Integration is essential for a successful care management program**

Sophisticated, integrated and systematic triggers are required for selective, yet aggressive patient identification. In addition, pharmaceutical data is critical to effective concurrent management of patients, specifically monitoring compliance, as well as measuring impact along the course of treatment and after treatment has concluded. Carve-out pharmacy services simply cannot meet the demands of this comprehensive approach, due to timeliness, data consistency issues and administrative complexity, not the least of which is HIPAA compliance. In fact, using a carve-out where these three components are critical may, and probably will, increase costs, likely arising from administrative expenditures required for system—technological and human—connectivity. Further affecting the cost equation will be missed opportunities due to delays in real-time analysis. An integrated approach, with all service components providing unified data offers the greatest opportunity to identify, monitor and assess the results of patients involved with care management. We find that clients using First Health’s integrated product typically have five percent of their population identified for participation in care management: in the few circumstances in which First Health has attempted to work with external pharmaceutical carve-out programs that identification rate has not been met. More than 60 percent of care management participants are identified from triggers from prescription drug claims. Integrated data, particularly for prescription drug claims, create a comprehensive profile for the identification, ongoing management and measurement of the impact of care management that simply cannot be attained through multiple entities or carve-out approaches.

## **Increased Compliance does not increase costs**

Financial results derived from the **First Health**® Care Support Program indicate decreased annual claim costs for patients enrolled in care management. Comparing patient costs before and after program participation, we found decreases for each year. While pharmacy costs rose for the first two years due to increased patient compliance, ten percent in 2000 and nearly 18 percent in 2001, overall costs decreased. In the third year (2003), pharmacy costs leveled off as well. (See Attachment 2). This cost decrease is in the face of industry trend that has risen each year.

## **Patient survey feedback reveals improved outcomes**

Each year First Health gathers feedback through patient surveys mailed to a representative sample of members. We use survey feedback to measure process indicators, patient satisfaction and productivity. Survey results for 2003 include MHBP participants and indicate significant levels of satisfaction with the care management program along with increases in the patients' understanding of conditions, self-management, and productivity. Please refer to Attachment 3.

## **Personal interactions increase patient compliance**

Personal interactions also influence the efficacy of a care management program. First Health nurse case managers work closely with patients to provide support and make outgoing phone calls to educate members, promote compliance and develop and maintain a strong connection with patients. We address comorbidities so common to chronic conditions by assigning a single nurse case manager to a patient with one or more conditions. Survey results demonstrate the connection between the number of interactions and patient satisfaction, medication compliance and productivity. Please refer to Attachment 4.

## **Essential elements for effective care management**

The First Health model effectively addresses the critical issues of a care management program. Our model stems from the responsibility we assume on behalf of our customers and their members. Our mission is to direct members to the right provider at the right time, in the right setting at the right price—in short to facilitate the best outcomes. To have maximum impact on outcomes, we use proactive, integrated triggers to identify patients early for interventions and we use our integrated services to effectively monitor patients concurrently and retrospectively. One-on-one support from a single nurse case manager simplifies processes for patients and helps them become more compliant with their physicians' treatment plans. Increased medication compliance decreases complications and exacerbations of conditions and lowers overall health care costs.

## **Conclusion**

First Health believes that FEHBP can serve as an example to the private sector by adopting aggressive care management programs for its participants. These care management programs are essential to achieving optimal cost and clinical outcomes for federal employees and retirees. As a model for employer-sponsored health plans, FEHBP can set a strong example and reap strong returns by promoting these programs for their employees, retirees and their families.

First Health thanks the Committee for the opportunity to make these comments.