*HealthBlawg :: David Harlow's Health Care Law Blog*

*Interview of George Pantos, Executive Director,*
*Healthcare Performance Management Institute*
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David Harlow: This is David Harlow on HealthBlawg, and I have with me today, George Pantos, who is the Executive Director of the Healthcare Performance Management Institute, a new organization on the scene that is expressing a point of view on healthcare, healthcare reform and the management of healthcare costs and quality. Hello George, thank you for being with us.

George Pantos: Hello, good morning, David.

David Harlow: George, I wonder if you could give us a thumbnail sketch of the organization and its mission, for starters?

George Pantos: Sure. The Health Performance Management Institute is a think tank established by some business executives to deal with the issue of ever increasing healthcare costs. It's primarily a research and analysis and education organization and the main thrust is to promote the use of successful business technology and management principles, and apply them to the management and more cost effective delivery of benefits for health plans, for employers who cover their employees. The mission of the institute is, really, to introduce and disseminate a new corporate discipline which is not currently in use on a widespread basis, called Healthcare Performance Management (HPM). It's a business strategy to look at the challenges of controlling healthcare cost and quality in much the same way that enterprises have applied such disciplines to optimize customer relations, such things as supply chain management and enterprise resource management. But now, we are saying why not apply the same successful principles to health plan?

David Harlow: Right, okay; sounds like that makes sense. Now earlier in your career you had a leadership role with a group representing self-insured companies, is that correct?

George Pantos: Yes, I, for about fifteen years, was General Counsel of the Self Insurance Institute of America; it's a trade association that advances the notion of self-insurance for health benefits among employers, third party administrators, stop-loss carriers, managing general underwriters and a host of others. You may know, David, we have an employment-based system today that covers some 160 million people and this system primarily provides benefits to those under 65, private system, employment based, and of that group, approximately half are insured by carriers, traditional insurance carriers, and the other half are self-insured employers who pay the benefits of health employees out of their own pocket.

David Harlow: So in your experience in that world did you see a sort of lack of understanding or management of these costs? Is that part of the impetus to developing the current HPM approach?

George Pantos: Well, the facts are pretty clear that health costs have been rising significantly over the past decade. The average family health cost is now at about $13,000 according to the Kaiser Family Foundation, and the Business Roundtable, which is an association of major US CEOs, is projecting tripling of that to nearly [$39,000] over the next decade. So as we experience these increases in costs, I think the corporations, the employers who pay those benefits in the private system are increasingly concerned about the impact of that on the bottom line. And so this is an attempt to focus on how an employer who pays these benefits can begin to apply certain principles of management to bring that health plan under a greater control and produce healthier outcomes among employees, as well as reducing costs.

David Harlow: Okay, now your organization issued a white paper in the last few days on healthcare performance management, which seems to lay out the issue as you have described now, that essentially, we can't manage what we do not measure. So as you have mentioned, some large employers have been self-insured for a while, and just as an example, IBM leaps to mind, as an example. There are plenty of others who are self-insured and have also taken the lead in establishing cost and quality control initiatives. So my question is, what is HPM, exactly? Because what I read thus far on your website really describes the problem more than describes the solution.

George Pantos: Okay.

David Harlow: And how is that different from what folks like IBM have been doing to date?

George Pantos: Well, IBM is a member of the HPM Institute's Advisory Board because they embrace the same concept in their approach toward what they refer to as a "smarter planet." We have brought into the institute thought leaders like IBM, as well as Lockheed Martin, Wells Fargo, Cantor Fitzgerald, which is a major investment bank in New York, and others who are bringing their stories and successes and principles into the institute to be able to aggregate these thoughts and disseminate them on a more widespread basis. You say that we do identify the problem, well the problem is pretty clear; it is a non-partisan issue of cost control. Everybody agrees that health plan costs are too high and they should be lowered. The question is how do you do that? There are a lot of suggestions that are out there and many of them are working. What we have tried to do is to introduce a new concept to the discussion on health cost control with Health Performance Management which, to simplify the process of what it is and how it works, Health Performance Management is grounded on the availability of data. Data is the key. You have to have plan data in order to analyze what's going on in the plan, what are the loss ratio trends, what are the major drivers of cost in the plan? You can't do that without the data. So the first step is to get the data from the plan, claims data, essentially, both clinical and prescription drug data, and to put it through a data warehouse; we use the

Johns Hopkins University database, it has been put together at the School of Public Health at Johns Hopkins, the Bloomberg School, and essentially, this is a database of some three million cases which have been benchmarked, and it allows us to take a look at a particular company's claims data and benchmark it against a broader database like the one at Johns Hopkins and come up with a profile of the workforce as to the employees in that workforce that are at high risk for possible catastrophic conditions.

Once that has been identified it's possible to adopt actionable strategies -- interventions with those individuals on a HIPAA-compliant basis -- which allows the lifestyle, behavior of those people at risk to be influenced by strategies that bring those people into a better lifestyle. This is done with health coaches and wellness programs and disease management programs and a series of other strategies. So that's one part of it. It's the technology of analytics, metrics, predictive modeling, and the second part is to combine those features with a member engagement software tool which, I guess, to make it easier to understand, it's sort of, a Facebook-like social networking approach towards health which allows the plan participant to engage directly, online, with their health community, including providers, caregivers, pharmacies, lab technicians, others who have something to do with that individual's health profile, and to engage in interactive exchanges that allow actions to be taken, and to coordinate more closely and more effectively. So it's a whole big technical approach to dealing with healthcare costs rather than having them hit the plan and then have to respond.

David Harlow: Okay, well that certainly puts more meat on the bone.

George Pantos: Hope I made that one clear.

David Harlow: A clearer picture of what the intent is. A couple of questions related to what you just said: First, the sharing of this information with employers raises at least a red flag about privacy and potential inappropriate uses of individual healthcare data in the workplace setting. It's not unheard of, in the past, to hear stories of folks who have been terminated, perhaps, because of their long term healthcare conditions.

George Pantos: Well, as you know, David, the HIPAA privacy laws include many provisions for waivers of consent in connection with plan administration. So in the area of plan administration, outside parties, third party administrators will become what they call business associates and are allowed to access that information. It is not shared with the employer, however; it's agnostic when it comes to the employer. It's an approach that allows the employer to do the analytics and then have an outside third party, which is a business associated under HIPAA, do the follow up. So it is HIPAA-compliant.

David Harlow: Okay, so it's outsourced, it doesn't sit with the employer. The other question that I had is about what sort of size employer are you targeting with this? As we were discussing a moment ago, some of the large employers have been doing this for a while and are actually on the advisory board of your organization. I imagine that the appeal of this would be to target smaller employers in order that they may take advantage of the same tools that are currently available only to the very large employers. Is it for a

particular size, or is there a lower limit on the size of employer that you think this approach would work for?

George Pantos: Well, let me answer that this way. The key to be able to get a handle on the trends in the plan, what's happening in the plan, where is the risk exposure, is having the data. And if the data is available then the first step is reached. Generally, self-insured employers are the ones who have greater access to the data rather than the employers who are insured, because the insurance carriers take the position that the data is proprietary to them and they are reluctant to share it. But in the self-insured case, employers are able to request the data through the third party administrators and there aren't any obstacles or blocks. Generally, self-insured employers can insure, depending on their financial situation and whether they are capable of paying the benefits out of pocket. And the data is that most self-insured employers are in the category of anywhere from 250 employees and on up. We have some early pilots here that we've looked at that deal with employers in a range of about 500 employees, who have embraced the HPM concept and have saved quite a bit of money. As a matter of fact, one employer down in South Carolina who started this program about a year ago has already saved about $1.4 million in the first year based on a shift that was identified in the technology approach from brand name drugs to generic drugs. So that's one example of where a self-insured employer with 500 employees has saved significant amounts of money. But I would say that it's not something that would be immediately attractive to an employer of 25 or 30 or 40 or 50 employees, but probably upward of 250.

David Harlow: I see. And would smaller employers be able to access through you this John Hopkins database to at least do some…

George Pantos: Oh, yes. We have a license from John Hopkins to utilize it; we have enhanced it and it's a very powerful tool to be able to determine how your workforce stacks up in terms of its risk exposure, yeah.

David Harlow: Yes, and the online community tools that you described, those are also licensable from you?

George Pantos: Yes, we have, within our organization, two of the founders of the Health Performance Management Institute; one is Healthcare Interactive, the President of which is Henry Cha. He is the architect of this concept, and Keith Lemer, who is the President of WellNet Healthcare. These two companies have pioneered in applying this program to a number of employers and have been able to come up with some early results. So, yes, it is possible to access the technology through third party service providers such as Healthcare Interactive and WellNet Healthcare, and also within our advisory board, we have some of the larger companies like the thought leaders in this area, who are available to interact and answer questions.

David Harlow: Very good; so in your view, is there one particular locus in the equation for the potential savings in the system or current waste, if you will? I mean, it's a three or

four way equation involving employers, employees, insurers and/or third party administrators and healthcare providers.

George Pantos: Yeah.

David Harlow: Where, in that system, do you see the greatest potential for savings, or put another way, who is going to squawk the loudest if this is implemented in a big way by employers?

George Pantos: Who is going to benefit the most, you mean?

David Harlow: I mean who is going to be hurt the most?

George Pantos: Hurt? In what sense?

David Harlow: Well, we are talking about cost savings; a cost savings, on one side of the equation, is a reduction in payment on some other side of the equation.

George Pantos: Well, the objective of this is as follows; we know, just basically, on generally accepted data out there, that 80% of the costs of healthcare come from about 20% of plan participants, and that 20% is generally, the group that has catastrophic conditions of strokes and diabetes and things like that, that cost a lot of money. The purpose of the Health Performance Management concept is to identify those people before they reach those catastrophic conditions and intervene, so that that can be alleviated. It's a way of helping employees to have healthier outcomes, as well as helping employers to reduce costs. So it has a double benefit. It seems to me like a no-brainer, in the sense that the whole concept of performance management, leave the word health aside for a moment, but the whole concept of the performance management has been embraced by enterprises around the world as a business strategy, science, technique, whatever you want to call it, in helping to more efficiently manage the enterprise. So the issue was, here, why not apply the same principles to health plans? Generally, employers do not take control of their health plan; they leave it in the hands of the third party administrators or in the case of an insured plan, leave it in the hands of the carrier. This principle is aimed at the top side of a corporation, of having the CEO, the CFO, the CIO take control and use analytics, desktop dashboards, to identify these trends and to make sure that actions are taken before these costs are incurred. It's a very common-sense approach to cost control. Hope I've answered that?

David Harlow: Yes, thank you. Well, thank you very much, George. I appreciate you taking the time today.

George Pantos: Sure; but let me also say, before I close here, that anyone who is interested in getting more information can log on to our website, which is http://www.hpminstitute.org and there, the first white paper is available and we'll have another one next week on the use of prescription drug data in doing the analytics, and

then we'll have another one on how the process works. So anyone interested in latching on to more information, this is the way to go.

David Harlow: Great; tools you can use. Well, this is David Harlow on HealthBlawg and I have been speaking with George Pantos, Executive Director at the Healthcare Performance Management Institute. Thanks again, George.

George Pantos: Okay. Thank you, David.