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Testimony
Ways and Means Health Subcommittee
May 14, 2008

Good morning Mr. Chairman and thank you for the opportunity to give a brief overview of Alegent Health's experiences with consumer-driven health care. While I recognize that many of you have concerns about high-deductible plans, I would submit that we've had tremendous success with our plans because of the benefits we've wrapped around our HRA and HSA vehicles. And, because we are both an employer and provider of care, I believe we have a unique story to tell. I ask that my full statement be entered into the record.

Alegent Health is a faith-based, not-for-profit health care system that serves eastern Nebraska and western Iowa. Our 9,000 employees and 1,300 physicians are proud of the care we provide in our 9 hospitals and more than 100 sites of service. Each year we serve more than 310,000 patients.

In fact, Alegent Health is the largest non-governmental employer in Nebraska. And we have a very powerful story to tell about the benefits of consumer driven health care and are positioned very distinctively in the ongoing debate.

Alegent Health's story begins in 2004. I was the newly-appointed CEO for Alegent Health, and along with the senior leadership team, we recognized that troubling industry-wide trends were beginning to threaten our ability to carry out our critical mission. Rapid escalation in the number of uninsured patients, unsustainable increases in the cost of health care and other concerning trends were undermining the accessibility, quality and affordability of health care.

Armed with this information, the Alegent Health leadership team embarked on an effort to better understand the forces behind this gathering storm in health care and develop lasting solutions. The result was a fundamental change in thinking about the roles and responsibilities of both health care providers and consumers. We at Alegent Health recognized that to overcome problems clouding the future of the industry, the process of delivering health care at the local level could no longer be business as usual.

In examining the issues facing the health care industry, we soon recognized that the very nature of the third-party payor system was a significant contributor to the problems. By shifting payment responsibilities from patients to insurers, the incentive for patients to analyze the value of care they received had all but

disappeared. Even more significantly, the tools that would allow consumers to compare health care quality and cost were virtually non-existent.

To begin changing this dynamic, we drew upon our new strategic plan, known as the Quality Revolution. Our vision is to become a world-class leader in health care by measurably enriching the lives of families we serve through an exceptional commitment to quality. Our strategic plan includes an objective to put consumers at the center of the health care equation by empowering them to take charge of their own health and make informed decisions.

We began our journey to greater consumer involvement in health care when we made a commitment to begin empowering consumers. In early 2005, we began to explore how a health care program could improve the lives of employees and their families while offering sustainable business solutions. The research exposed widespread frustration over the existing benefits package, but also raised concerns that employees would view consumer-driven health care as a reduction in benefits. Elsewhere, consumer-driven plans were already beginning to earn a reputation as a means of cost shifting from employers to employees.

To counter these perceptions, we engaged nationally known health plan designers Watson Wyatt and Lumenos, a leading provider of consumer-driven health plans. We spent a year designing our consumer directed health plans and communicating with our employees what the change would mean to them.

The results have been exceptional:

- As we enter our third plan year, 92 percent of employees who choose our health care benefits have enrolled in either an HSA or HRA plan.
- It is important to note that we did not force employees into a consumer directed health plan. We continue to offer a PPO for employees.

Furthermore, communication was key to the process. We wrapped our innovative plans in robust, ongoing, multi-channel communication and education for our employees, answering their questions, working with them one-on-one, hosting conference calls and benefits fairs and developing Web modeling tools. The effort was critical to share our vision that the consumer-driven plans were about employee health – and not our bottom line. We never intended to save money with our new plans; instead we hoped to slow the growth of future increases in cost.

In pioneering the new benefit plan, Alegent identified three overriding areas where we knew as an employer and provider we could tremendously advance consumer directed health care. The areas are:

- Incentives to encourage preventive care, lifestyle change and management of chronic health conditions

- Tools to make informed decisions in the form of meaningful cost and quality information;
- Access points for care that are innovative, convenient and cost-effective

Incentives for Preventive Care/Lifestyle Change/Chronic Disease management

HRAs and HSAs are valuable vehicles, but in my view it's what you wrap around those vehicles that make a powerful difference.

There are two important constructs in Alegent Health's consumer driven plans. First, preventative care is free. This ranges from services like annual physicals, and mammographies to childhood immunizations and colonoscopies. If it is preventative, it is free.

And second, through an innovative "Healthy Rewards" program, we pay people to make positive changes in their lifestyles, or to better manage their chronic conditions. And, we offer that assistance free of charge – free weight loss counseling, smoking cessation programs and chronic disease management. For those who need a little extra support, we offer free personal health coaches. If an employee quits smoking, takes a personal health assessment, loses weight or makes other positive changes that affect their lifestyle, Alegent Health deposits money directly into their health savings account.

Tools to Facilitate Cost and Quality Transparency

Giving our employees more control required us to make dramatic changes.

First and foremost, we created tools to provide meaningful and relevant cost and quality information. What other good or service do people purchase in this country without knowing how good it is and how much it costs?

In September 2005, well before we were required to do so by law, we began publicly reporting our quality data and, using a composite scoring methodology, shared our performance in the care of heart attacks, heart failure and pneumonia. At that time, our scores were not always the highest. However, our focus on transparency drove us to raise the bar on quality and sent our scores increasingly higher.

- Our quality reporting goes well beyond Hospital Quality Alliance's 21 measures. We currently report 30 measures – the CMS 20 and 10 SCIP measures. We will be adding an additional 10 stroke measures beginning July 1 this year.
- To give these scores some context we show how Alegent Health compares to our regional competitors as well as the premier institutions' like the Mayo Clinic, Cleveland Clinical, and Johns Hopkins.

I'm proud to report our quality is as good as or better than our local competitors and the elite facilities mentioned.

Transparency is a difference maker!

Composite Scores

	AMI	HF	PN	Overall
2005	96%	79%	87%	88%
2007	99%	98%	99%	99%

We didn't stop by just sharing quality information. In January 2007, we introduced a cost estimating tool – My Cost – which is the first of its kind in the world.

Alegent Health's approach to cost transparency is even more customized for the consumer. This on-line tool called My Cost provides consumers with the information they need, based on their individual health plan or personal financial situation. It determines the specific costs of the procedure or test to individuals, along with their out-of-pocket costs for more than 500 common medical tests and procedures.

By working with a third party insurance database, My Cost is able to verify insurance policies, deductibles, and provide patients an extremely accurate price estimate on more than 500 medical tests and procedures. In 16 months it has provided nearly 35,000 individuals – employees and members of our community – with estimated cost and out-of-pocket responsibilities for medical services.

As the CEO of a health care provider, I understand the arguments against providing transparency on cost and quality and I reject them. Alegent Health is proof that you can share cost and quality information and not only be competitive, but excel in your marketplace.

Access

Finally, Alegent Health believes it necessary to give consumers more choice in how they access our services. We must follow the lead of nearly every other industry that has told consumers they can "have it their way." We must radically alter our thinking about where care can and should be provided. While we will always need hospitals to care for the most critically ill, we must continue to pioneer new access points for patients, offering convenient, cost-effective care.

With an emerging retail strategy that offers consumers walk-in clinics located in grocery stores, we have worked with our physician staff to create clinics that offer families easily accessible, low cost and medically sound care for basic illnesses.

Here's how it works: the clinic is open from 9 a.m. to 7:30 p.m. Monday through Friday and from 10 a.m. to 3 p.m. on weekends and holidays. A patient signs in at the Alegent Health Quick Care office and waits his or her turn. In keeping with the streamlined service, the cost for each service is posted at the clinic where cash, checks and credit cards are accepted for payment. Prices range from \$25 to \$53 depending on the service. Our patients love it. It's quick. It's convenient. They know exactly what they are going to pay.

- One exceptional benefit to these clinics is that we found 16% of customers who visit the clinics are uninsured patients who otherwise might have forgone care or waited until the ear ache or sore throat required a trip to the emergency room.

In addition to our convenient Quick Care clinics, we are implementing innovative, more comprehensive solutions to healthcare through our retail strategy.

Our first storefront – Complete Sleep & More – offers a line of leading-edge products designed to improve the quality of sleep through traditional clinical methods and lifestyle enhancements. A second component of our retail strategy includes expanding our already well-respected pharmacy services to our patients and physicians in a way that provides a superior customer experience, differentiates ourselves from “chain” pharmacies and creates deeper patient loyalty.

Results

We now have results from our first two years of consumer-driven health plans for our employees, and we are astounded at the results. Over our first two years, we saw an average increase in our healthcare costs of just 5.1%, despite industry trends in the 10-15% range. Moreover, our employees are healthier.

- Nearly 7% of Alegent Health's health care dollar is spent on prevention, compared to the national average of 2.5%.
- Forty percent of employees participated in an electronic health checkup program, each earning \$100 for their efforts.
- Alegent Health identified 15% of employees who could benefit from personal health coaches. Of these, 3.3 percent enrolled in the program, and 91% of them have graduated successfully, earning financial incentives up to \$500.
- More than 500 health plan participants successfully completed smoking cessation programs.
- Participants in our weight loss programs have lost nearly 13,000 pounds.

When we implemented the health plans on January 1, 2006, Alegent Health's leadership pledged that if employees could achieve a collective improvement in health and slow rapidly rising costs, some of the savings would be returned to them. After the first plan year, Alegent Health did, in fact, return \$700,000 in the

form of \$100 rebates to every employee in the health plans because of the significant cost savings achieved. It was a way for Alegent to reinforce that we did not move to a consumer directed model to save money “on employees’ backs”, rather we made the transition because we believe it is the model that will dramatically alter how we Americans think about and consume health care.

Digging a bit deeper into results from our two HSA plans – those we would consider pure consumer-driven plans – there is a significantly higher level of engagement among those participants and the results are even greater.

- They consume more preventive care than any other plan we offer.
- More than 45% of HSA participants completed their health risk assessments, compared to just 16 % in our PPO plan.
- Nearly 65% of pharmacy prescriptions for HSA participants were filled with generic drugs, compared to 56% in the PPO plan.

This level of engagement clearly has significant implications for the health of these employees. We have seen a dramatic decrease in costs. From 2006 to 2007, the cost trend in our two HSA plans declined a full 15%!

And, to those who say people are putting off care or not adequately preparing for a future healthcare need, we can refute that as well.

- One hundred twenty employees who make less than \$25,000 have chosen an HSA plan; only 97 employees who make more than \$100,000 have chosen an HSA plan.
- More than 80 percent of our employees in the HSA plans made regular contributions to their HSAs, and 32% have fully funded their deductibles.
- Perhaps most impressive is the fact that our lower wage earning employees -- those who make less than \$25,000 per --year contributed an average of \$1400 to their HSAs last year.

Alegent Health’s commitment to innovation and to empowering consumers to make informed health care decisions calls for us to look beyond the region in which we operate and offer our expertise to providers from across the country. We believe inviting consumers into the decision process about their health care will dramatically improve health care quality and lower costs. We have proven this with our own workforce and the people we serve and we want to share our roadmap to price and quality transparency.

Alegent Health has taken its learnings and offered to share them with other providers, in the hopes of accelerating consumer behaviors in health care. In January of this year, we hosted a not-for-profit educational forum designed to help other health care organizations develop the systems and policies to provide consumers the necessary information to make more informed decisions about their care. Using Alegent’s own experiences with providing easily understood health care quality scores and personally relevant pricing information, the “Power to the Patient” forum shared Alegent’s proprietary methodology and technology

developments to the nine health care system that attended. In the future we hope to replicate this effort and continuing sharing our success with any interested parties that chose to attend...

These results we have offered are proof that given the benefit plan, tools and incentives, people can AND DO make informed health care decisions that improve their health and lower their costs. Alegent Health believes in consumer-directed health care and we are happy to have shared with you these tangible examples of how these constructs can and do work just as we have shared them with other interested parties across the country.

Thank you.