

Mobile Medicine

Consumers will access care through Wal-Mart, Google and the Internet. Data will define treatments. The old brokerage business model is dying.

Fast Focus

- Many readers believed that a previous article was unduly harsh toward the brokerage community. Let me explain.
- I believe that the free market system will lead the way to true healthcare reform and that the delivery and distribution systems will follow the money.
- The system must change from reactively providing care to proactively encouraging health and wellness.

The torturous debate over healthcare reform prompted fevers from coast to coast, and an article I wrote about it caused many readers to yank the ice pack off their heads and respond. In March, I wrote “Abandon Old-School Ways,” an article that predicted the future look of the successful employee benefits brokerage model. To say this was controversial would be an understatement.

While I received numerous calls and emails from readers who agreed with my views, many thought I was unfairly criticizing the general brokerage community. Some even went so far as to call me foolish for thinking or suggesting that the brokerage model will really change to a consumer-driven one.

I’m going to stand by my guns and take the flak. I truly think that the distribution system must and will transform itself over the next five to 10 years. But given the response to this article, let me clarify some points that inform my view.

First and foremost, we aren’t going to do it alone. Changing the brokerage model will not change the game or bend the trend. It will take a coordinated effort of all stakeholders—government, providers, payers, employers, brokers and consumers.

The federal reform bill was just the beginning. You could consider the bill a reaction to today’s broken system, which doesn’t work for employers or consumers and, like a heart attack waiting to happen, puts added stress on our economy. None of us can survive under a model based on reactive treatment rather than prevention.

I believe that the free market system will lead the way to true healthcare reform and that the delivery and distribution systems will follow the money. Since my article was published, I have been asked hundreds of times, “What should I do?” Unfortunately, I don’t know all the answers, but I do know the strategy from which the tactics will be developed. These tactics will take time to evolve, but they are in the nascent stages already.

Herewith, some clarification.

SHIFTING TO A CONSUMER-CENTRIC MODEL

My views on the healthcare delivery and distribution system are all based on the premise that we will ultimately move to a consumer-based model. Our current, ailing healthcare system will soon face additional pressures as a result of the new healthcare reform law. The only way to fundamentally transform the system, improve the quality of care and effectively address the unsustainable cost trend is through promoting and enabling proactive consumers. The system must change from reactively providing care to proactively encouraging wellness. For this change to occur, consumers must make informed choices about their healthcare while better managing their health.

The best way to bend the cost trend is to improve the long-term health of the consumer. While social and genetic factors can affect one's medical needs, behavior is the single greatest factor in the relationship between health status and cost. A study performed by Dee Edington (a contributor to this magazine), published in the *American Journal of Health Promotion* (2001), indicated that the average healthcare cost for a person with three or four health risk factors is more than 60% higher than the cost for someone with zero to two risk factors.

The entire healthcare system, which includes brokers, must take a more active role in educating and supporting individuals, particularly those with chronic care or high-risk factors, so consumers can address their behaviors before, during and after treatment.

THROUGH THE ENTRY POINT

Unfortunately, the passage of federal healthcare reform will make worse a problem that already exists in the delivery system: access to care. As Massachusetts has shown, near-universal coverage puts added stress on a system with not enough primary care doctors and overcrowded emergency rooms.

To truly boost the quality of healthcare, access needs to be improved. Already, pharmacies like CVS and Walgreens offer medical clinics in some stores, and I expect this to become a major initiative of Wal-Mart. [More on that in a bit.] Other industries, such as financial services and media, figured out some time ago what consumers want and compete heavily based on ease of consumer access to products and services.

Communications and technology can also play a critical role in this initiative to reduce pressure at the entry point for care. It is not hard to imagine a delivery system where the Internet, smartphones, social networks and other new technologies become not only the entry point but critical access points throughout the delivery system for education, resources and treatment. Companies such as Verizon, AT&T, Sprint, Microsoft and Google will become integrated in the delivery system.

In the end, I do believe brokers can play a very important role in educating and navigating the consumer through the entry point, into treatment and beyond, in areas such as health risk management and wellness.

FUTURE OF THE SMALL GROUP

Have you taken a hard look at your small-group business? I've been advocating this for years, and with current developments, such a re-evaluation will be even more essential. It has traditionally been tough for agencies to earn satisfactory margins on small groups of 10 or 25 employees. More

important, servicing these groups often ties up good employees whose skills could be better deployed in other areas. In other words, small groups present capacity and talent utilization issues.

Healthcare reform does not alter my view on this business segment. Candidly, this is the most likely niche that will use exchanges or just pay to have their employees get their own coverage. It has not been, nor will it become, a lucrative agency segment.

I'm much more interested in the 25-99 group market. Clearly, they will be eligible to use the exchanges. However, cost shifting and buy-downs will only go so far, and I believe there will be significant opportunity for agencies, especially in groups of more than 50 employees. The challenge will still be figuring out how to bend that cost trend down and provide financial strategies that will reduce long-term health costs. Those efforts will be much easier in larger groups, but they will have to happen in the small-group segment as well for costs to become more sustainable.

To serve these markets, I believe there will be national aggregators of small-group business, like Digital Insurance. They will use their superior scale, technology and operational leverage to create a differentiated value proposition in this market segment that the typical, small, employee benefit brokerage cannot compete against.

FINANCIAL PLANNING

I keep saying financial planning is part of the transformation of the healthcare distribution model, and I've been asked many times what I mean. The challenge and opportunity is this: Consumers will need to make choices about their financial strategy when it comes to managing the risks and costs in designing and choosing their benefit plans. Therefore, financial planning will include not only traditional retirement services but healthcare services as well. This would include such things as managing healthcare savings plans for the various stages of an individual's career—from the beginning through retirement.

In essence, benefits brokers can merge two separate strategies: (1) helping employees manage healthcare costs and risks for themselves and their families; and (2) folding those concerns into strategic investing in various long-term and retirement-plan vehicles.

VOLUNTARY BENEFITS

I'm a big proponent of employee benefits brokers increasing the cross-sale of voluntary products. In this context, the term voluntary also includes ancillary and worksite products. Many firms have not done a great job at cross-selling voluntary products and rely heavily on group medical commissions.

I think we all can agree that the future of group health benefits, particularly in the two-to-99 enrollee market, is unknown. In the worst case situation, even if a large portion of group medical ends up being placed in exchanges, I believe that voluntary products will play a significant role in developing a sound benefits package for employees. In the consumer-centric model, voluntary benefits clearly have a future as employees develop their financial strategy around their health benefits.

The other reason I am bullish on voluntary benefits is that most voluntary products will not be affected by the healthcare reform bill. Consider the following regarding voluntary products:

- Life, disability and accident are excluded from the reform bill.
- They are not expected to be sold through exchanges.
- They are exempt from pre-existing condition requirements.

- They are exempt from the excise tax on “Cadillac plans” when paid for on an after-tax basis.

Many successful group benefits brokers have told me they believe they can create a business model that will primarily focus on voluntary products. It will require new skills and a different selling technique, but successful brokers are telling me they feel that, as the group medical market transforms, employees will need to be more involved in decision-making to protect themselves and their families and voluntary products will play a vital role in the employee’s strategy.

WHITHER WAL-MART?

You would not be alone in wondering why I mention Wal-Mart and other non-health-related companies when I talk about the transformation of healthcare distribution and delivery. I get that question often.

To start with, understand that we already have a problem with the gateways to the health delivery system. With healthcare reform, these issues will become even more serious, and somebody in the private market will figure out how to use the problem to their advantage. One solution, I believe, will rely on information technology.

Consider the advantages held by Wal-Mart:

- Approximately 130 million people go to a Wal-Mart store each week.
- Wal-Mart is already the number two provider of optometry services in the country.
- Healthcare services will drive store traffic and increase sales.
- Medical clinics will become a staple at many stores, as they already are at pharmacies like CVS and Walgreens.

Also consider their strategy:

- They understand the value of the data in the healthcare system and of their own data obtained from their electronic medical records. (Kaiser Permanente is also very good at effectively using electronic medical records.)
- They know that technology is the key to healthcare efficiencies and that, if they can apply their IT knowledge and expertise to healthcare, they can make significant money and be a player at the healthcare table.
- They can become partners with hospitals and other providers to provide services, so they won’t have to manage a large, new group of employees.

I could go on about Wal-Mart and their role in the future. The bottom line is that Wal-Mart is already part of the delivery system. Their role, as well as the role played by high-tech firms such as PayPal and Google, will only become bigger. Both providers and brokers must understand their influence and consider it in their future strategies.

HEALTH DATA AND IT

The healthcare industry has spent billions on an information technology infrastructure, yet the effective use of data is very limited. IT sharing is a problem that many acknowledge but nobody takes responsibility for. This is unfortunate because it could be one of the keys to improving healthcare delivery.

As a starting point, all parties agree that moving from a paper system to electronic medical records will improve efficiency and enhance treatment. Although there have been many missteps thus far, this change will absolutely happen, and the paper system will become a thing of the past.

The ineffective use and sharing of data is another aspect to healthcare's IT problem. Parties on all sides of the system have important data, but the industry as a whole has not figured out how to effectively share this data outside of its own organizations.

Industry consultants call this the "secondary use of health data." The secondary use of data for clinical purposes and other business purposes will ultimately improve the quality and reduce the cost of healthcare while improving the public's satisfaction with the system.

To accomplish these goals, the industry will need to change current IT strategies from collecting data to concentrating on quality and outcomes. This is no simple task given the number of stakeholders involved in the distribution system. However, until the industry figures out how to build and use an IT infrastructure that can improve collaboration, we are left with untapped sources of knowledge and information that could significantly transform healthcare delivery to improve the outcomes for all stakeholders.

Brokers must be ready for this shift and conversant in the issues that are likely to arise. If the employee benefits broker can be a conduit of information for clients and an early adopter of shared IT data, the broker will continue to be a valued partner in the process.

IMPACT OF GENOMICS

Behavior change is the first obstacle in reducing healthcare costs, and brokers can have a major impact in this arena. But the healthcare community is going beyond behavior and recognizing that the science of genomics will also play a key role in bending the cost trend on people's health.

Data already exist that show chronic diseases are often the result of genetic factors, yet the use of data to more effectively identify genetic factors is not controlled by today's delivery system. In particular, if the probabilities are identified through genomics, then technology can play a significant role in effective treatment. For example, if it is known that a certain drug works on only 25% of the patients with a certain disease, genomics should help us minimize use of that drug on the other 75%. An effective focus on value-based outcomes is ultimately the driver of reduced costs of healthcare.

When healthcare strategists talk about stakeholders, they mention the government, providers, payers, employers and consumers. I add employee benefits brokers to this mix, and I do believe that they will need to adapt to upcoming systemic changes to be successful.

While many people erroneously believed I was bearish on the future of the benefits distribution system, I am, in fact, very bullish. But I believe there will be winners and losers, just like in any industry transformation. In the end, I envy the innovators, and I hope I can help them mend a broken industry.

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