

# Health Care's Third Wave

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Change and American health care have become synonymous. “Change” can be exciting and life-altering when it refers to the innovative new therapies and treatments that improve or extend life, many of those originating in the United States. Change, though, can be a tremendous source of anxiety for families concerned with the affordability of care and stability in their health care coverage choices. It is the tension between these two definitions of change that the United States has struggled to solve over the past three decades.



As we have all witnessed, the health care marketplace has gone through two successive waves of change over the past 30 years, with the third wave now upon us. The first wave was managed care, which sought to rein in cost and quality relative to “unmanaged care.” But while managed care made some gains, it still proved to be unsustainable in its constraint of choice and its focus on financing “sick care” rather than on optimization of health.

The second wave of “reforms” saw companies like Cigna evolve – or change – from “insurance” to a health services focus, with more engagement and support for the individual and partnerships with health care providers and pharmaceutical manufacturers predicated on the health outcomes achieved rather than the volume of services provided. The second wave has seen the health care industry as a whole work together to improve health, lower health risks and improve the cost structure of the employer-sponsored market, which has in turn subsidized the entire system.

In that environment, Cigna has been able to deliver the best medical cost trend over the past five years – below 3 percent in 2017 or half that of the industry. So why risk disrupting a winning formula by acquiring the pharmacy services company Express Scripts? Because the system still isn't sustainable and maintaining the status quo of rising costs means you are effectively moving backwards.

The numbers are clear. Despite our best efforts, health spending continues to increase and is projected to rise 5.5 percent annually over the next decade. In 2026, health spending is projected to comprise nearly 20 percent of the U.S. economy [1], and while the U.S. spends more on health per capita than all other OECD countries, life expectancy is increasing at a slower pace than in all but eight of those 34 countries [2]. Over the next decade, the Centers for Medicare and Medicaid Services (CMS) projects that spending for retail prescription drugs will be the fastest growing health care category – rising an average of 6.3 percent per year, due to higher drug prices and increased utilization of specialty drugs. This constricts economic growth, forces employers to choose between providing benefits or creating jobs, and ultimately is borne by American families.

A third wave of health care change is needed. It starts with a very big goal, and seeks to achieve that goal by delivering the personalized experience that consumers have come to expect in every other walk of life and desperately need from their health care.

The goal is a number that has long been considered unobtainable. We believe that it's not only possible, but required to deliver a sustainable medical cost trend that looks more like the consumer price index (CPI). To meet this goal, Cigna is preparing to achieve CPI-level medical cost inflation by 2021, which should deliver \$50 billion of value per year, versus uncoordinated care. The marketplace cannot continue to tolerate an overall medical inflation rate that is two, three or four times CPI. We believe American families should be able to think of health

care in the same way they think about all other aspects of their cost of living and quality of life.

Achieving a medical cost trend at CPI requires us to go beyond the traditional approaches to affordability. Driving down unit costs in adversarial industry relationships will not get us to CPI. Neither will approach designed for the average person when we know that the average person does not exist – every individual has unique health concerns, needs, and expectations. The third wave is about finally aligning the industry with the individual so that consumers live the healthiest life possible and have the support they need to make good decisions about their health and health care.

A health care experience aligned to the individual has a few critical attributes that were largely absent from the prior waves of change.

*Personalization.* Innovation in medicine has produced drugs for some of the most complex and rare conditions, many of which impact smaller patient populations. Consumers are pushing for a comparable, more personalized approach to their overall care. They deserve and can have benefits and health care access (or networks) designed to match their specific needs. This is only possible if the system is aligned and centered on delivering better outcomes for the individual, instead of the masses.

*Alignment.* Wading through the current health care system requires making sense of many uncoordinated touch points including, but not limited to, episodic interactions with a doctor, a pharmacist, and an insurer. We need more connections, not more dissonance. When all participants in the health care ecosystem are on the same page and working toward the same goal – improving an individual's health – it becomes significantly easier to deliver tailored care that fits a person's unique needs.

*Transparency with this Personalization and Alignment.* Individuals can navigate the health care system and their care journey with confidence. Instead of spending time trying to become experts on insurance policies or deciphering medical terms, they want a more user-friendly experience. They want to understand their options, know the associated costs, and to see clearly how each option is likely to impact them based on their unique situation. A better aligned and integrated system lends itself to the greater transparency and usability that patients seek.

*Insights.* Consumers have come to expect data and insights to play a major role in all of their buying decisions, great and small. Yet health care decisions frequently have no information behind them, leading to surprise bills and even poor health outcomes. Individuals need the best information and insights if they are going to make the best medical and financial decisions. In a time of predictive analytics, machine learning, and artificial intelligence, we should be able to predict, anticipate and avoid many health challenges while coordinating the best quality, high value, personalized care when needed.

The power of this approach comes to life with the example of Sarah, a 30-year-old woman suffering from Crohn's Disease and depression. An aligned and integrated experience for Sarah that keeps her chronic diseases in check and prevents them from escalating to a painful and expensive acute care situation includes behavioral health services, in-home specialty drug administration and integration of behavioral health data with medical and pharmacy data to develop a holistic care plan.

Getting Sarah the right care, at the right time, in the right place, not only eliminates health crises and makes it easy for her to take care of herself, but also eliminates costly care that is avoidable by keeping her as healthy as possible. This approach to coordinated health care requires a shift in how many have

traditionally approached “health care,” but addressing the whole person’s needs in a coordinated and personalized way is the path to a sustainable system.

Achieving a sustainable health care system requires us to embrace and enable individual health and well-being, expand and enable value-based (versus volume-based) health care relationships, and embrace the full power of technology and data. This will allow us to expand access (e.g. digital care), the advance predictability of risk and health challenges, and advance coordination for maximum care and quality of life. By combining capabilities and expertise, we can deliver a more coordinated model of care and better alignment of key elements of the care continuum, all centered around the individual. With greater coordination and access to medical, behavior, pharmacy and specialty pharmacy data, we can deliver deeper, more integrated offerings that help consumers achieve their best health.

We can’t stand still as costs continue to rise and people struggle with affordability and the stability of coverage choices. Instead, let’s join together in taking a proactive approach to consumer health and delivering personalized health care experiences. This is an exciting time to be leading a health service company. This is the third wave of health care.

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#### References:

[1] <https://www.reuters.com/article/us-usa-health-care-spending/u-s-health-care-spending-to-climb-5-3-percent-in-2018-agency-idUSKCN1FY2ZD>

[2] <http://www.oecd.org/unitedstates/Health-at-a-Glance-2013-Press-Release-USA.pdf>