

# Disease Management NEWS

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*7 Key Trends Focus on Integration of Technologies, Convergence of Devices*

## Expect Greater Use of eHealth in DM in 2004

The chronic care improvement provisions included in the recently passed Medicare reform bill and the access they create to the Medicare fee-for-service market have been generating most of the excitement among disease management (DM) professionals since the new law was passed last November. But it's the details about how chronic care will be "improved" in the Medicare population that have eHealth professionals in the DM industry energized.

Many eHealth industry observers predict that one of the most dramatic benefits of the bill will be the heightened emphasis it will place on the use of eHealth technologies in the care of Medicare beneficiaries. Predictions like that suggest the outlook for increased use of technology in DM remains favorable.

But the heightened use of technology in DM won't be restricted to the Medicare program

in 2004, according to Vince Kuraitis, a respected national expert on the use of technology in DM and other healthcare management initiatives. DM professionals can expect to see several other trends in DM-related eHealth this year and beyond, says Kuraitis, president of Boise, Idaho-based Better Health Technologies.

Two macro-level themes weave together the predictions of DM technology trends in Kuraitis' view: integration of technologies -- disparate data coming together -- and convergence of devices -- phones, computers, medical devices working together. "It's not about the technology itself," he tells *DM News*. "It's about what the technology can do to improve care for patients and make disease managers more efficient."

Kuraitis advises DM professionals to keep an eye on seven key DM technology trends that will dominate the DM industry in 2004

and beyond.

**1. Cost Management Will Continue to Be the Primary Driver of DM Technology Adoption.** While the value of DM as a quality improvement process is increasingly being recognized, the driving force for DM adoption continues to be cost reduction. DM service companies and health plans are showing greatest interest in technologies that can help them reduce their own cost structures.

The single largest cost component in DM is labor, primarily nurses staffing medical call centers. Currently, about 60 percent to 70 percent of DM service company operating costs are spent in this area. Therefore, technologies that can help disease managers automate workflow and reduce labor costs will be in high demand. Two examples are clinical care management software to automate workflow and outsourced medical call center options. Click4Care (C4C), MEDecision, McKesson Health

*continued on page 4*

### **IN THIS ISSUE**

***Accordant Outcomes Study Shows Long-Term DM Gains ...2***

***Great-West Severs Ties with Landacorp .....2***

***Expert Predicts Increased Use of DM by Health Plans .....3***

***Terms of the I-trax/CHD Meridian Deal .....6***

***American Healthways Increases 2004 Guidance, Splits Stock.....7***

## I-trax to Merge with CHD Meridian in \$80 Million Deal

I-trax Inc. and CHD Meridian Healthcare will merge in early 2004 in a transaction valued at about \$80 million, company officials announced on Dec. 29.

I-trax says the merger will create the largest provider of integrated corporate healthcare management solutions in the United States. The combined entity will have 2003 gross revenues of about \$185 million, including a pass-through of pharmaceutical sales of approxi-

mately \$85 million, according to Frank Martin, chairman and chief executive officer of Philadelphia-based I-trax.

The merged company will be the only U.S. firm that offers employers an opportunity to not only manage the healthcare of employees who use on-site facilities, but also to provide an integrated, comprehensive health management program for a customer's entire

*continued on page 5*

**eHealth** *continued from page 1*

Solutions and Landacorp Inc. offer solid products in the automated workflow arena. In 2004, C4C will release a new version of its care management software platform. Optum, Intellicare and Intracorp market proven outsourced medical call center products.

## 2. Predictive Modeling Technologies Will Focus on "Impactability."

In the past, predictive modeling software has focused on identifying and predicting the highest risk/cost patients. While attempting to identify these patients is valuable for DM organizations and their customers, further action is needed.

Sam Nussbaum, M.D., chief medical officer at Indianapolis-based Anthem and current president of the Disease Management Association of America, has noted that patient "impactability" varies based on a number of factors. For example, impactability can be influenced based on the patient's readiness to change, the availability of potential interventions that fit the patient's clinical and psychological condition, and the strength and execution of interventions. Improving impactability also requires concentrating efforts on people who are the most ready, willing and able to be helped.

Maximizing impactability will require the introduction of more and better data about patients. More data means data from new and better sources -- including both biometric data and survey data based on actual patient perceptions, rather than just data obtained or abstracted from patients' administrative or clinical records. Better data requires getting closer to real-time information about patients, rather than relying on claims information, which might be months old.

### 3. Information and Communication Technologies Will Enable DM Assembling as a Viable Business Strategy.

The option of uniting or "assembling" all parts of their DM programs is becoming an increasingly attractive option to many health plans, particularly larger plans. Why? Because

health plans are evolving from being transaction managers to being information managers.

The role of being an information manager requires development of at least two strong internal competencies for health plans: strong relationships and effective information sharing with partners who are part of the care management value chain, particularly physicians; and strong information systems.

Health plans like Cypress, Calif.-based PacifiCare are adopting particularly innovative hybrid approaches toward DM assembling. Gordon Norman, M.D., PacifiCare's vice president of Health Care Quality, notes that his company chooses to outsource to DM service companies for patients with a dominant chronic disease, while it insources care management for frail, comorbid patients. PacifiCare has demonstrated exceptional clinical and financial outcomes using this hybrid insourcing/outourcing approach.

### 4. Consumer Electronics Giants Will Bring DM into the Living Room.

Consumerism in healthcare is a well-known and growing trend, but less clear is how that trend will play out with DM and technology. Consumer electronics and technology companies such as Intel, Samsung Electronics, Qualcomm and Motorola are taking active interest in consumer healthcare technologies. Two technologies to watch over time are smart phones (convergence of personal digital assistants, cell phones and operating system software) and smart homes (digital home networks that connect communications, entertainment and personal computer technologies). A number of universities have active smart medical home research initiatives developing novel and useful applications.

Over time, the entry of consumer electronics and technology companies into DM will have tremendous implications. First, expect pricing for technology to drop as these companies bring production scale and mass marketing to bear. When personal computers

were introduced in the 1980s, it was not difficult for consumers to spend \$6,000-\$8,000 for a system. Today, consumers can buy a highly functional computer for \$299. When remote patient monitoring systems were introduced, the price tag per unit was in the same range of those 1980s computers, plus monthly service fees.

Over time, expect a similar price path for consumer DM technologies. Also expect the technology to become much more user friendly -- wireless, longer battery life, embedded sensors, simple interfaces. Samsung has coined the term "U-Health" (ubiquitous healthcare) to describe its internal consumer healthcare project team.

## 5. Remote Patient Monitoring and Wireless Technologies Will Enable "Healthcare Unbound."

Forrester Research recently coined the term "Healthcare Unbound" to encompass the trends toward self-care, mobile care, and home care. Remote patient monitoring (RPM) and wireless technologies are beginning to give patients monitoring and mobility within their homes and in their communities. Almost all of the large DM firms have conducted pilot projects deploying RPM technology, initially to their high cost/high risk patients. Initial feedback to date on these RPM pilots has been positive. Expect these technologies to be deployed for more patients and a wider range of conditions.

In 2003, several leading-edge offerings came to market combining RPM and web-based patient/provider communication technologies. For example, a partnership between Yahoo! and iMetrikus allows diabetic patients to download data from a wide range of glucometers to a database that can be viewed over the web by patients and their physicians. Medem has also begun offering a similar service to patients and physicians in Connecticut, and WebMD has acknowledged that it has a comparable offering in the works.

## 6. Personalization Technologies Will Allow Patients to "Have it Your Way."

*continued on page 5*

**eHealth** *continued from page 4*

has built a worldwide restaurant empire by tailoring its menu items to the preferences of individual customers. Financial services and travel websites have employed personalization technologies to store previously entered data and to remember customer preferences. Has the DM industry learned anything here?

It appears so. Last year, for example, Irvine, Calif.-based Lifemasters Supported SelfCare announced its next generation disease management platform (*DMN*, 10/25/03, p. 3). Its solution uses database technology to ease the delivery of individually customized, evidence-based intervention plans focusing on the specific needs of individual patients. Expect more incremental advancements like this in DM because personalization technologies will take a decade or longer to evolve fully in DM. That's because personalizing healthcare is far more complicated than customizing a financial services website. Nonetheless, expect personalization technologies to be

employed in a wide variety of DM applications.

**7. The Electronic Health Record Will Break From the Pack.** Over the past several years, a number of eHealth technologies such as ePrescribing, patient/doctor communication tools and online health tools have jockeyed for position in the eHealth arena. Electronic health records (EHRs) are emerging as the consensus leader in the eHealth technology race. EHR development was put on the fast track in 2003 when the U.S. Department of Health and Human Services announced that it had asked the Institutes of Medicine and Health Level 7 (HL7) to design a standard for EHRs. The Healthcare Information and Management Systems Society issued a declaration supporting a universal EHR. Other influential groups have followed suit in their support of EHRs.

What implications do these developments have for disease managers? Early adopters should evaluate how they will use new

types of patient data that will be available in EHRs. Mainstream disease managers should begin thinking about how to interface and integrate their information systems to evolving EHR standards. Reactive disease managers should begin to think how they will answer doctors and hospitals who will eventually be able to say, "Here's our EHR. How do we plug into yours?"

Many of these seven trends probably sound confusingly similar, Kuraitis observes. "That's because the two predominant themes shaping and driving DM technology use -- integration of technologies and convergence of devices -- are so similar," he explains. "There's a fine line between integration and convergence. Fortunately for the DM industry it's not a line in the sand. Instead, it's a line that leads the way to more widespread adoption and use of DM technologies to improve care for patients and improve efficiency for disease managers."

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**I-trax** *continued from page 1*

employee base, Martin tells *DM News*. It will offer customers a single vendor for primary care, pharmacy, occupational health, as well as disease management (DM) and health interventions, Martin says. These solutions will increase productivity, reduce absenteeism and improve health status of both active employees and retirees and reduce overall healthcare costs, he adds.

In October 2003, three-year-old, publicly-held I-trax strengthened its position in the DM market by launching a new health management program designed to help corporations offer all of their employees' lifestyle, disease and risk reduction programs through one integrated channel, I-trax's Omaha, Neb.-based call center.

Privately held CHD Meridian calls itself the nation's largest provider of outsourced on-site, employer-sponsored healthcare services to Fortune 1000 companies and the federal government. Its pro-

grams are designed to allow employers to contract directly for a wide range of employee-related healthcare services delivered at or near the worksite, according to Haywood Cochrane, chief executive officer of the Nashville, Tenn.-based firm. The company offers programs in primary care services, pharmacy services and benefits, staffing and management of on-site occupational health facilities, and corporate health staffing and management services, he tells *DM News*.

When the planned merger was announced, CHD Meridian had 90 contracts with U.S. employers listed on the Fortune 1000. CHD Meridian serves about 650,000 lives through those firms and has a near-perfect client retention rate, according to Cochrane. The company's 2003 revenues are expected to be about \$182 million, of which about \$85 million will come from its pharmacy business, \$45 million to \$50 million will come from its primary care business, \$30 million

to \$35 million will come from its occupational health business and \$10 million to \$15 million will come from its corporate health business. The company anticipates 2003 earnings before interest, taxes, depreciation and amortization of about \$6.7 million.

Martin says the merger produces benefits for both firms. It will benefit I-trax by giving the company a strong foothold on the employer market, which I-trax historically has had trouble penetrating. "I was trying to find a way to get some better credibility and clout in the employer market," he explains. "We went to CHD Meridian as a potential marketing channel to help bring us into their employers so that we really could do disease management for them."

CHD Meridian will benefit in much the same way, Martin says. "The whole reason for the merger from their perspective is to be able to do what we do, so that they can offer

*continued on page 6*