

**Keynote Address for:  
H.E. HANWAY  
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"The Current Healthcare Consumer Marketplace"  
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Thank you ... and good morning, everyone.

I'm very pleased to be here today, and I'm especially gratified to serve as one of the opening keynote speakers for this year's Consumer-Centric Health Care Congress. It's an honor for me to be with you as a representative of the health benefits side of the industry... to offer my observations on the state of our health care in America, and in particular, on the trends and tides shaping the environment in which we operate.

This morning's session is entitled "The Current Health Care Consumer Marketplace." That's a broad and open-ended topic – but one that should be front and center in our collective national consciousness, especially now that the mid-term elections are over and we plunge ahead into presidential politics.

I'm not exactly going out on a limb to suggest that the accessibility and affordability of health care – what people pay for it and whether they actually get what they pay for – will be a prime point of contention in a highly-charged, partisan political atmosphere. I'd also suggest that, as an industry, we have the ways and means to elevate the debate. We have the power to identify, embrace and fulfill the needs of the American health care consumer in a manner that leaders on both sides of the aisle here in the nation's capital can agree upon.

And that power – as you'd rightly surmise – lies in our industry's commitment to consumerism.

Over the next two days, we'll examine the roles and responsibilities of health care providers and payers within the growing consumer marketplace. We're going to talk about what we can do – together – to drive changes that will improve health and help people lead more robust, productive lives... changes that will enhance the quality of care, while reducing its cost.

With that as context, I want to share with you the payer's perspective on consumerism: what it isn't, as well as what it is. And why I believe the market will continue to gravitate to a consumer-driven model of health care. I have only about 20 minutes, so I'll get right to it.

To paraphrase Charles Dickens in his classic novel, *A Tale of Two Cities*, it is the best of times... it is the worst of times.

On the one hand, we're seeing advances in technology, genetic research and bioengineering that promise to enhance our quality of life, as well as extend its duration.

On the other hand, these advances aren't cheap. And access to new technologies – for that matter, access to quality health care of a less exotic variety – varies widely by region, facility, provider and health plan.

So we have these two dynamics – these two key issues of quality and cost – driving us to the crossroads at which America's health care system stands today.

Before we look ahead to see which direction we're going next, it would be helpful to take a minute and review how we got to this point.

As everyone in this room knows all too well, America's health care costs continue to rise, year over year, at close to double-digit rates. This is true even after two decades of managed care, which attempted to curtail costs largely by managing access to care.

As I mentioned a moment ago, the ongoing inflation in medical costs is driven by new, ever-more expensive technology, as well as by increases in diagnostics, more intensive treatment, new procedures and pharmaceuticals. Additionally, a large segment of the population has now reached their mid-to-late fifties – an age group that uses health care services at twice the rate of those under age 55.

Employers pay the largest share of private health care costs in America. And they've seen their health insurance premiums increase by almost 75 percent over the past six years. Last year alone, premiums increased more than 9 percent – three times the general rate of inflation.

In fact, health insurance expenses have become the fastest growing cost component for employers, bar none. To pay for them, businesses must increase the price of goods and services they sell to the public. That's obvious – Fundamental Economics 101.

But if anyone here thinks that's not a significant add-on, think again. According to the Automotive Trade Policy Council, for example, health care expenses add an average of \$1,220 to the price of every car sold by America's "Big Three" auto manufacturers. By contrast, health care costs for employees of foreign-owned car manufacturers add an average of only \$450 to a car's price. In fact, it's been postulated that our US automakers now spend more on employee health care than they do on the cost of basic sheet metal for the average family sedan.

That's interesting – and worrisome, in the extreme. Unless something changes dramatically – and soon – aggregate health insurance costs will overtake aggregate profits by 2008. For many employers, it has already happened.

Clearly, the private employment sector can't continue to absorb these cost increases and compete effectively. Yet, all of us here want to offer some level of health care benefits to attract and retain the talent we need to run successful businesses and maintain a productive workforce.

To compensate, many companies have already shifted a larger percentage of premium costs to their employees. But there's a limit to how much cost-shifting you can do, given the relatively modest wage increases over the past five or six years. Too much cost-shifting will force employees to drop coverage. And, if they can't afford to buy a benefit, it's no longer a benefit.

So cost is the first – and, undoubtedly, most talked about – market dynamic affecting today's health care system.

Perhaps more critical, however, is the issue of quality.

The quality of health care in America is, as I said, uneven. And that's putting it kindly. To cite a few examples:

- Recent studies show that only 55 percent of adult patients in the U.S. receive recommended care. This level of performance is similar whether for chronic, acute or preventive care and across the continuum of care – from screening and diagnosis to treatment and follow-up.
- In addition, the 2004 Health Care Quality Report attributed some 66.5 million avoidable sick days – and more than \$1.8 billion in excess medical costs – to routine failure to provide needed care.
- Finally – and most disturbing – the Institute of Medicine estimates that 100,000 patients die in hospitals each year due to medical errors. That’s three times the number of people who die on our highways each year. And that doesn’t include deaths that take place in ambulatory settings or after discharge as a result of errors that occur during hospitalization.

These statistics are startling in themselves. But they become even more-so when you consider that America spends 16 percent of its GDP on health care – about a third more than any other developed nation on earth. Left unchecked, that percentage is projected to rise to 20 percent of GDP by 2014 – more than \$4 trillion... a truly staggering number.

High cost and poor quality have combined to form a veritable “perfect storm” in this country. And that storm is generating the emerging tidal wave that *is* consumer-directed health care.

Employees are fed up with high costs, limited choices and substandard care. If they’re going to take on a greater share of the costs of their care, they want better value for their money – more choices and options in their programs... greater access to quality care... and more health management tools and resources than they typically get through basic managed care.

For their part, employers need to control costs in order to remain competitive in today’s global economy. But, by itself, cost control is no longer enough. Employers want cost-effective benefits programs that demonstrably contribute to a healthier, more productive work force. In many cases, health benefits are becoming part of their overall operational strategies.

Consumer-centric health care – has the potential to effectively address both issues – controlling costs and cultivating quality – to deliver better overall value. And America is getting on board.

According to *Consumer Driven Market Report* – which just happens to be published by Bill Boyles, our moderator – more than six million individuals are now covered by consumer-driven health plans – or CDHPs, as we call them. He expects that number to increase to 13 million – or 7 percent of the private insurance market – by January.

That’s obviously not the lion’s share of the market – yet. But, according to the Kaiser Family Foundation, enrollment in CDHPs is predicted to climb to more than 15 million by 2010 and to 30 million – or 17 percent of the enrolled population – by 2015.

And that, ladies and gentlemen, represents a *bona fide* trend.

Clearly, the stars have aligned in the marketplace vis-à-vis cost, quality and value. And, as a result, the market is reshaping and revitalizing itself in consumer-centric fashion. So, with that in mind, let’s establish a basic definition or framework for the concept of consumerism. And before I tell you what it is, let me tell you what consumerism is *NOT*.

- Consumerism is *not* a “smoke and mirrors” ploy to shift more cost onto insureds – although it will bring relief to operational budgets.
- Consumerism is *not* a way for employers to abdicate their responsibility to their employees, although it does require employees to take more responsibility for themselves.
- And consumerism is *not* just the latest health benefits industry flavor of the month. It’s here to stay, in a big way.

Now that you know what it isn’t, let me tell you what consumerism *is*.

At CIGNA, we view consumerism, not as products or services alone – as a collection of HSAs or FSAs – but as a driving force that will fundamentally impact health care delivery by responding to consumer needs and personal circumstances... across the entire health continuum – from wellness to chronic illness.

We believe this approach is the most direct route to improving clinical quality – and achieving superior medical outcomes because it requires a framework through which we have the opportunity to engage, educate and enable consumers to pursue their personal health goals.

You’ll note that, in that definition, I talked about quality, but not about cost. Why? Because cost reductions will come as an organic outgrowth of quality improvement.

We’ve been conditioned in this country to believe that paying more automatically brings us better quality. We get what we pay for... *right?* Well, that may be true in some cases, but certainly not in the U.S. health care system – at least not consistently. On the other hand, improving quality absolutely will reduce costs.

In a field where people’s lives are literally in our hands, we should be striving for zero defects as a moral principle. But doing things right the first time and adhering to proven clinical standards also has a business benefit. It eliminates the need to take corrective action, with all the associated redundancies, wasted time and do-overs. You get better outcomes in less time, which reduces costs.

For this reason, in health care, high quality and lower cost should be viewed as soul mates, not as polar opposites.

And – as a quick aside – both will be needed for business success as the market increasingly moves to a consumerist model, in which individuals control spending. The companies that offer the best combination of price, quality and service – in other words, the best *value* – will win the greatest market share.

Again, consumerism has the potential to resolve many of America’s current health care problems because it will reduce costs by shrinking the size of the spending pie, rather than adjusting the size of the slices. How? Well...

- Under a system that’s truly consumer-driven, employers move away from defined benefit plans to defined-contribution, account-based products. This enables them to contribute a set amount toward health benefits each year – and restore fiscal sanity to their operating budgets.

- At the same time, by putting employees in charge of their own health care spending – in other words, linking their actions to financial consequences – consumer-driven plans encourage individuals to actively manage their own health and health care. When consumers have the motivation, the tools and the access to improve their own health – when they understand the costs and control their own health care spending – they make choices that help them lead healthier lives. And their health improves.

Okay, that's the theory. But does it work in practice? How effective are the principles of consumerism when applied to real-life situations and circumstances? In a word... *very*.

To test our assumptions – and the assertions we make in the marketplace – CIGNA recently completed a study of about 40,000 first-time CIGNA CDHP users. We found that our CDHP members generated significant reductions in medical costs and made positive changes in their behaviors – such as increasing their use of medications to treat chronic conditions.

In a nutshell...

- We found that CDHPs can and do control costs. Costs for our CDHP members decreased and were about 16 percent lower than costs for those enrolled in traditional plans. Moreover, cost-shifting did not occur. Member out-of-pocket costs decreased for our CDHP members when compared to the prior year.
- The study also indicated that our CDHP members continued to receive appropriate care. They used preventive care services more frequently and increased their use of medications required to treat chronic conditions. These are very heartening findings that counter the contention that consumers covered by these plans tend to forego needed care to save money. That's just not the case.
- In addition, our analysis showed that consumers are indeed becoming more involved in their own care. They reported a greater awareness of care-related issues – including those relating to quality and cost – and a higher degree of engagement in managing their health care as compared to two years ago.

Now, I'm not dropping these data points to just highlight the merits of the CIGNA value proposition. That's not my intention at all. But these study results are certainly instructive. Our experience indicates in compelling fashion that consumerism *works*... that it offers a viable, real-world approach to solving America's health care crisis – *if* enabled effectively.

And that requires commitment – and a willingness to change...

In addition to adhering to the most stringent standards of clinical excellence, health care providers *must* be willing to make readily available all data pertinent to the cost of medical care and the quality of the outcomes they deliver. I believe this information should be centrally reported so that consumers can compare apples to apples, so to speak.

At that same time, I believe our industry would be well served to support public and private initiatives that complement last year's proposal by the Institute of Medicine for the creation of a federally-led, all-stakeholder quality measurement and reporting system. In my view, such a system would go a long way toward addressing the tremendous variations in cost and quality reflected in the statistics I referenced earlier.

The point is, full transparency of health care cost and quality data is a prerequisite to fixing what ails our health care delivery system in America. And it's critical if we expect to realize the full value inherent in the concept of consumerism.

This is not to suggest that the burden of reform should fall entirely on the shoulders of our health care providers. Health plans – the benefits providers – also need to do *more* to provide consumers and businesses – employees and their employers – with easily accessible, usable information tailored to their specific needs.

- Consumers need personalized information about their health risks and treatment options, so they can research possible courses of action... make informed choices... understand their tradeoffs... and seek appropriate care at the appropriate time in the appropriate setting, given their needs and circumstances.
- I hasten to add that we should strive to provide personalized information in a personal way. We need to remember that some of our most vulnerable consumers just don't have access to the internet – what most of us consider the prime conduit for delivering health-related information. Every consumer needs to know that he or she has a care ally – an advocate – available and ready to talk, person to person – to help navigate the system and find a way through what might seem a daunting maze of complex medical data. Clarity, when it comes to care, is critical.
- At the same time, we also need to be cognizant and responsive to the needs of employers. The people who run businesses – who create wealth in our society – need data that will help them assess the health of their employee population, the effectiveness of their benefits programs, and the impact of targeted actions.

Health plans must also step away from their managed care “gatekeeper” persona and become true health advocates – dare I say health *activists* – for their members.

By that, I mean we must work with consumers to change their behaviors. Give them meaningful choices... engage them in taking on their own health challenges... build their knowledge and skills... align incentives... and create opportunities that motivate them to attain their health goals.

That's a charge that *must* be taken seriously by every health plan and every health care provider that aspires to success. Ultimately, we need to see life through the eyes of the consumers... to become a trusted health advisor to customers and consumers alike. That's the solemn and awesome responsibility implicit in real health advocacy – a responsibility we must eagerly embrace.

And just as health plans and health care providers have an important role to play in this changing market, so do employers. Although they're moving away from their traditional role of sole benefits providers and financiers, employers will continue to be facilitators and cost-sharing partners or patrons.

As such, they'll need to do their homework – make sure that their benefits partner of choice is able to deliver on the key elements of consumerism I've talked about today. And work closely with those benefits companies and their health care networks to get the information and implement the strategies they need to keep their work force healthy.

It's important that all of us – health plans, health care providers, employers and employees – be on the same page in pursuing this goal. Because what happens in America's health care delivery system is woven through every fiber of the fabric of our society. And we all have a stake in the outcome.

I believe you all recognize that. That's why you're here.

And we all know, intuitively, that it's all about quality. We know we have a responsibility – as insurers, health care providers and employers – to do *everything* we possibly can to deliver quality.

Consumerism offers us a viable way to do that. But, as I noted at the outset, health care – and frankly even the term “consumerism” itself – has become highly politicized, especially in this, an election year.

As seekers of health care quality, each committed to delivering real value, we need to *depoliticize* it... to reach across the legislative aisle in an effort to establish a meaningful dialogue, with the goal of finding common ground on which we can all move forward.

That great American philosopher, Groucho Marx, once observed that “politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.” [PAUSE... ]

Unfortunately, that's been the sad state of political discourse regarding health care for at least the last two decades. But it's also been said – and not by Groucho – that “politics is the art of the possible.”

And, frankly, I think it's possible that thoughtful people of most political persuasions can agree on some essential tenets that reflect a consumer-centric approach to improving health care in America. In particular...

- We can agree that individuals have the right to know all they can about their own health, their health care providers and health care treatments and procedures.
- We can agree that they have the right to choose the best available options for themselves, given their circumstances.
- And we can agree that we have the responsibility to make all their options quality options.

Politics notwithstanding, I hope we can also agree that it's in our own best interest – as health industry professionals and as citizens – to do so. Why? Because by improving the health and well being of individuals, we create a more productive work force. By supporting a more productive work force, we contribute to a more competitive business community. By improving business competitiveness, we create a stronger economy. And by strengthening the economy, we build a stronger nation.

Ultimately, that's our calling – and our challenge...

And with that, I'll turn the podium back.