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# ITUP Conference

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Blue Shield of California  
An Independent Member of the Blue Shield Association

# Major Cost Drivers and What to Do About Them

Cost Driver	What We Can Do About It
Unit costs	<ul style="list-style-type: none"> <li>■ Universal coverage</li> <li>■ Reimburse providers appropriately under government programs</li> <li>■ Make informed choices regarding legislation and regulation</li> <li>■ Provider cost and quality transparency</li> <li>■ Channel consumers to the best providers</li> </ul>
Member Behavior	<ul style="list-style-type: none"> <li>■ Reinforce behavior that improves health and reduces costs</li> </ul>
Provider Behavior	<ul style="list-style-type: none"> <li>■ Reinforce behavior that improves health and reduces costs</li> </ul>
Aging Population	<ul style="list-style-type: none"> <li>■ Improve our cost-effectiveness at treating the elderly and chronically ill</li> </ul>
Definition of Health (new technology)	<ul style="list-style-type: none"> <li>■ Make informed choices regarding what will be covered in a health insurance policy</li> </ul>





## Health Plan Role

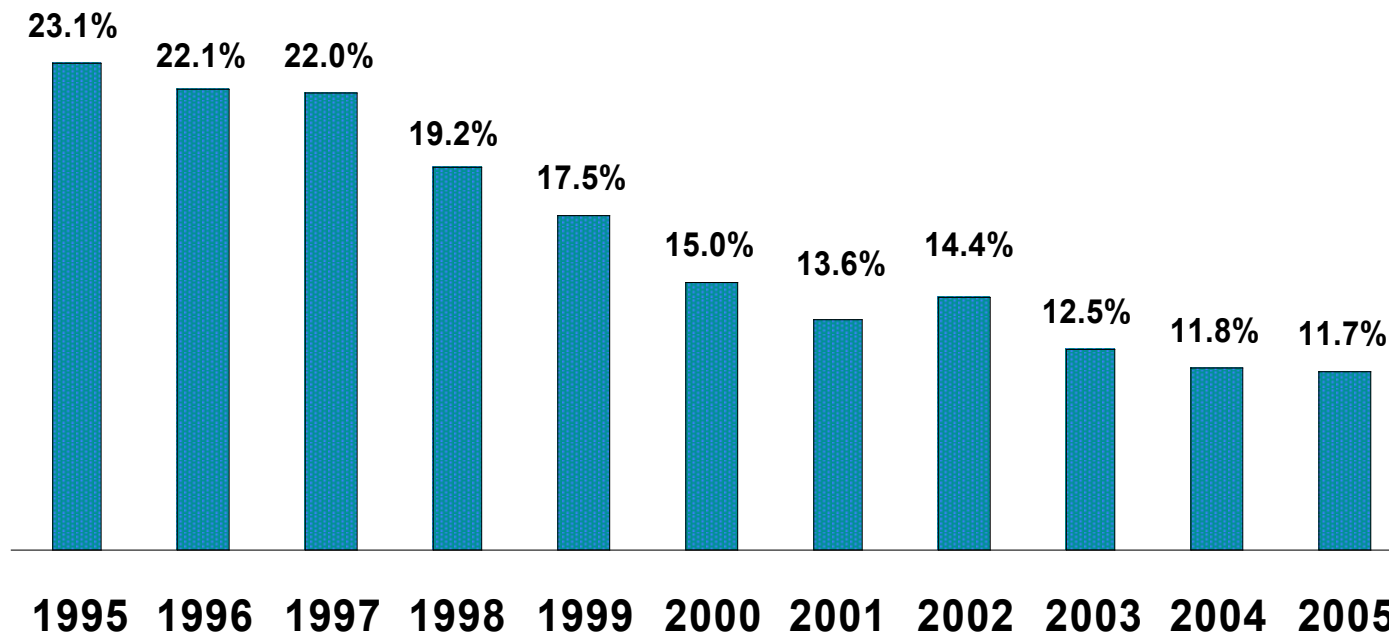
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- Be an extremely well run health plan
  - Administratively efficient
  - Effective care management
  - Quality service
- Make progress against these cost drivers
- Be a constructive player in the political dialogue
- Be fact-based
- Walk the talk
  - Transparency
  - Accountability
  - Pay-for-performance



# Administrative Efficiency

*Blue Shield Administrative Expenses as a Percentage of Premium*





## Complex Case Management

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- Blue Shield's case-managed patients had 29% fewer bed-days and 21% fewer hospital admissions compared to non-managed patients
- 2:1 return on investment with per case savings of over \$14,000
- 90% of patients extremely satisfied/satisfied with the services provided
- 81% of patients say program improves their quality of life





## Pay for Performance

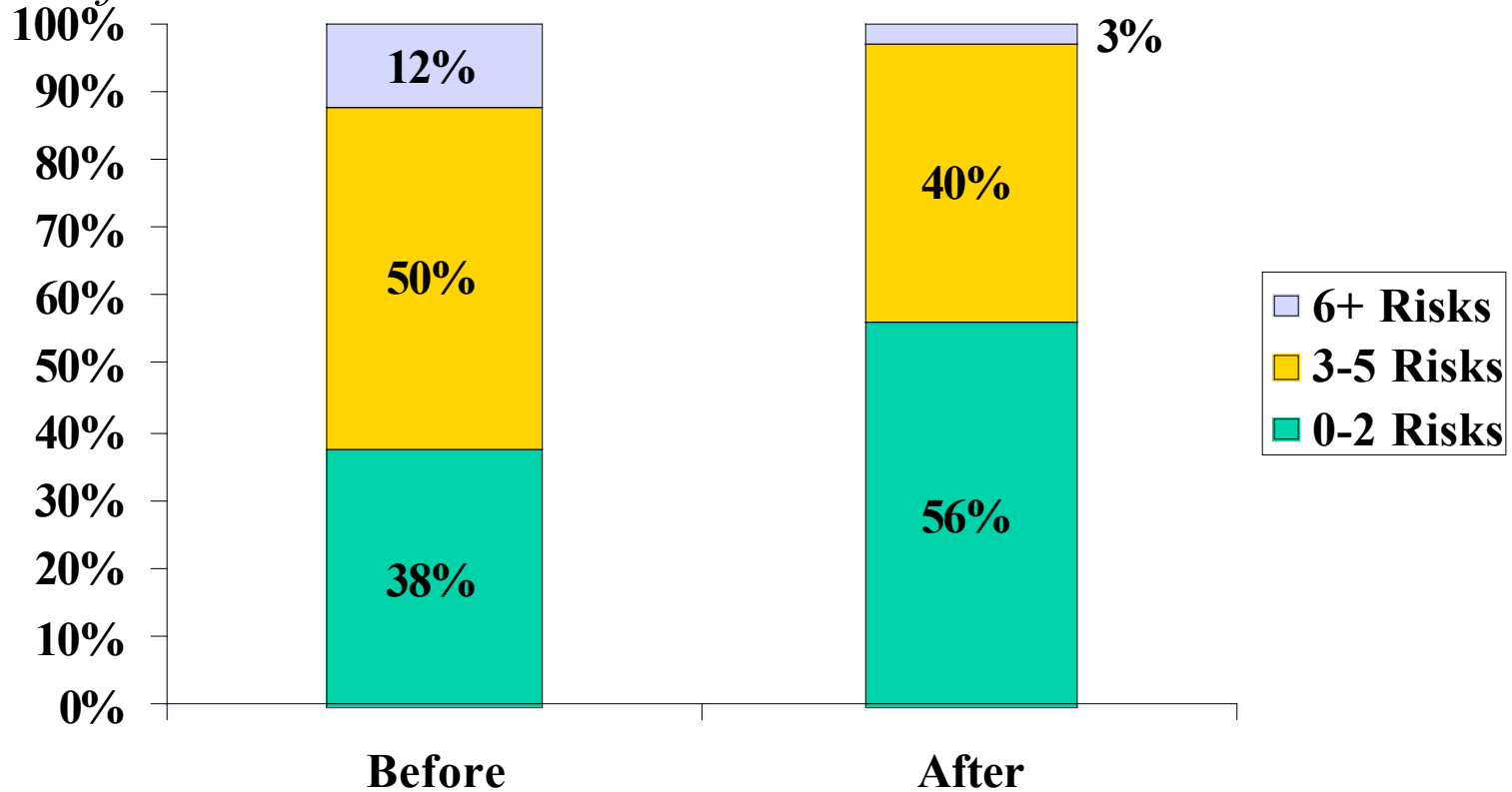
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- Blue Shield is one of 7 plans in IHA pay-for-performance program, which includes over 35,000 physicians in 225 medical groups
- After first two years of operation:
  - Improvement registered in all 14 measures of clinical quality
  - Percentage of groups meeting IT standard increased from 33% to 53%
  - Improved cervical cancer screening rate meant 117,000 more women were screened in 2004 than 2003



# Healthy Lifestyle Rewards

*How Program Participation Changed Health Risk Profile*



# Political Engagement

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- Universal coverage
- Mandatory coverage for maternity





# Walking the Talk

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- CalPERS Partnership
  - Transparency
  - Accountability
  - Pay-for-performance (for health plans)
  - Be fact based—smaller network

