WELLPOINT

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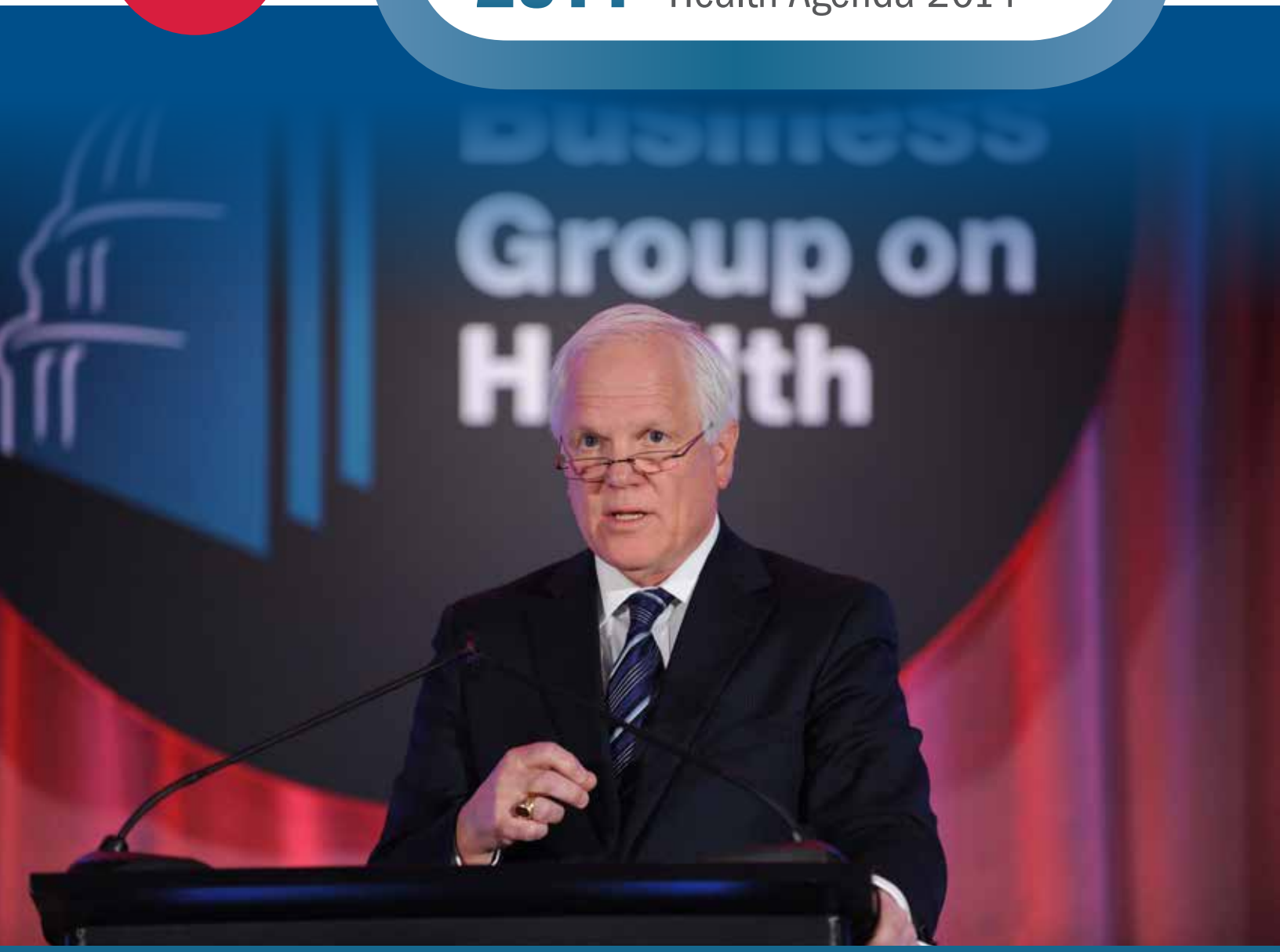
Opening Keynote Address at the Business Health Agenda 2014




Joseph R. Swedish, Chief Executive Officer, WellPoint, Inc.

It is an honor and a privilege to speak with all of you and to share some perspective that I have developed throughout my 40 years as a health care executive and as CEO of WellPoint about the future of health and health care.

Before I get too deep into my remarks, I'd like to take a moment to recognize and thank Helen Darling for her service to the National Business Group on Health, to the country, and to health care consumers everywhere who benefit from the innovations she has fostered and advanced over the years. In its mission statement, the National Business Group on Health commits itself to "finding innovative and forward-thinking solutions to the nation's most important health care issues." Helen, you have certainly achieved this goal, and we are at the cusp of transformational change in large measure due to your leadership. You blazed a trail that many in the health policy and employment arena have followed and I hope that all of us in this room will continue to live up to your example and bring the health care revolution to fruition. Thank you.

I'd like to start by asking you to use your imagination.

Picture in your mind someone who is interacting intensely with the health care system, whose EKG readings are being transmitted to their clinicians even as they sleep, whose blood pressure is monitored, as is their calorie burn hour by hour and day by day, where physicians are looking for early warning signs of a possible heart attack, stroke, or other serious event.

How did you envision that health care consumer—were they in a hospital, perhaps in intensive care?

Did any of you envision a patient or an active, working consumer who connects by a smartphone, real-time, to a variety of health assessment and monitoring technologies?

I'm going to come back to this ubiquitous device during this talk, because I think it may be a significant enabler for the biggest change we'll see in health care during our lifetimes.

As Helen mentioned, I spent the bulk of my career working in and leading integrated health care delivery systems. I think that perspective of having been close to the patient and the physician is especially important as health care undergoes a tectonic shift. When you are close to the patient, as I have been throughout my career, you recognize health care is extremely personal and deeply human—and it is that perspective that informs my view not only on what is coming, but on what we should seek.

What is coming is an ever growing and ever richer set of information, and what we should seek is the wisdom to apply this data and the incentives to advance health care access, affordability, and outcomes. Information, wisdom, and incentives are the three elements that are core to the transformation of the nation's health care system.

We have only scratched the surface of the benefits that will emerge from better collection, analysis, and distribution of information.

**Our responsibility as a health plan has evolved as well—we truly need to help purchasers of healthcare decide how to choose and consume health care—not just pay for it.**

We are talking about data as we've never envisioned it before—data that helps us be predictive, not merely responsive; data that suggests answers to questions we may not have even thought of.

There is a cautionary statement that I must make: we're in a sea of information and dying of thirst. We have vast stores of information, but we need to liberate the wisdom of payers, providers, and consumers so that we can transform the information into insights.

Regarding the last core element, we know that wisdom and information won't bear fruit unless consumers, physicians, and payers are motivated by the proper incentives and form a well-functioning ecosystem.

I say "ecosystem" because I think health care has evolved beyond "integrated delivery systems" into a place where we are all truly interdependent on one another for success and where the consumer's role in decision-making has been elevated. Our responsibility as a health plan has evolved as well—we truly need to help purchasers of healthcare decide how to choose and consume health care—not just pay for it.

Over the course of my four decades in health care, change has tended to advance incrementally. The nature and complexity of health care is such that change often happens much more slowly and reluctantly than in other industries. However, the pace of change is accelerating and gaining traction to the point that we can now call it "revolutionary."

In just a few years, health care will consume about one-fifth of our nation's GDP, which is roughly double that of other economically developed nations.

And while it's somewhat easier to deal in huge macro-economic terms, when you bring it down to the individual level, these figures become more troubling. Over the last ten years, household income for Americans rose only about 4% to around $51,000, while household health care costs—not employer costs, not government spending, but actual premiums and out-of-pocket expenses—has more than doubled to over $22,000 per year for a family of four. That represents a year's college tuition or three times the annual cost of groceries.

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But this isn't just a problem of health care costs—this is a problem of health and well-being.

More than one-third of U.S. adults and roughly 1 in 5 children are obese. Worse, childhood obesity is an unfortunate foreshadowing to diabetes, where an additional 2 million are diagnosed each year. 25% of Americans have early onset diabetes—so almost 80 million—but only 11% are aware of it.

20% of the population still smokes and 80% don't get enough exercise, which contributes to the fact that 7 of the 10 leading causes of death in the United States are chronic diseases, and nearly half of Americans are living with at least one of them.

**Revolutions happen because the status quo is unacceptable.**
**Well, the status quo for our health care right now is unacceptable.**

And if these are problems today, they will only be exacerbated by the changing demographics of our country. Almost 10,000 baby boomers will age into Medicare each day for the next 16 years! Over time, we also expect to see 13 million new Medicaid enrollees flowing from the ACA expansion, and an additional $300 billion in annual spending on the "Duals" population—the highest risk populations that qualify for both Medicare and Medicaid.

For those unfamiliar, the dual-eligible population is almost 10 million of our most vulnerable Americans whose health is challenged by disproportionately high rates of chronic disease combined with a multitude of social, economic, and environmental challenges.

Revolutions happen because the status quo is unacceptable. Well, the status quo for our health care right now is unacceptable and we have two paths forward—either a revolution led by market forces and innovation that drives down costs and improves quality through greater efficiency and better use of technology, or an approach that focuses on scarcity and reduces the options available to all Americans. I'm choosing revolution—a revolution enabled by market forces and innovation.

I was struck by one number I read recently—that only 10 to 15% of our health is attributable to the health care we receive. Of course genetics play an important role as well, but many genetic conditions are a disposition, not necessarily a destiny. A substantial degree of our health and well-being is determined by diet, exercise, living conditions, etc.

In other words, things that, to a greater or lesser degree, are within the control of individuals and communities.

It stands to reason, then, that if 85 to 90% of health is attributable to factors outside the traditional health care setting—then we, too, need to extend our reach beyond the traditional medical setting and reward population health management. We need to open up the aperture and address those factors outside of the traditional care setting, extending our reach to influence the other 85 to 90% of factors that influence our health, taking into account the environment, societal, and community contributing factors. And we need to acknowledge that doing so involves answering tough questions about how to pay for those services and how we quantify the benefits and savings from them.

There are two major shifts happening that both put pressure on us to move quickly but should also make our job easier.

**I was struck by one number I read recently—that only 10 to 15% of our health is attributable to the health care we receive.**

The first shift is simply in the way consumers relate to companies of all stripes. The demand for true engagement and information is moving at warp speed. Consumers want to consume information from a variety of trusted sources to make informed purchase decisions.

**Technology means many things, but let me focus on three main areas—social networks, personal connectivity, and big data.**

Research shows consumers want access to their physicians through multiple channels, particularly via mobile devices—using apps, text, email, and social media like Twitter and Facebook. Consumers want ongoing counsel. They want information to compare costs and quality, and they want someone who they believe is looking out for them in the health care system.

We also know from research that consumers are visiting many sources of information before coming to a doctor's office. Unfortunately, the information they receive is often unreliable or incomplete. So the problem is certainly not lack of interest, but rather a lack of integration and context—and that's a problem we can solve with the help of a second major shift: technology.

Social revolutions are often aided by shifts in technology; the Protestant reformation would likely not have progressed as quickly without the printing press. Similarly, I would argue our revolution in health care is going to be dependent on our rapidly evolving technology landscape.

Technology means many things, but let me focus on three main areas—social networks, personal connectivity, and big data.

Because of social media, information intended for mass audiences can be shared more rapidly and with more people than at any time in human history.

Currently, 4 billion people on Earth don't have access to a doctor, but 2 billion of them have access to a smartphone. In the U.S., among those 18 to 34 years old, 35% named a smartphone as their primary mode of entertainment. In just a single generation there has been a fundamental shift in the way people interact with personal technology.

Your companies know it and are adapting—and despite the many complexities and hurdles, health care must adapt as well.

In addition to personal technology we have also made great advances in data-mining on the back-end of care delivery. Advances in computing power have given us the ability to examine massive amounts of data in real-time to help inform clinical interventions and decision-making. This computing power is going to be put to good use, because we are not just talking about looking at claims data (which is already a very large data set); we are talking about looking at hundreds of millions of individuals generating real-time data about their health. This represents an exponential increase in our information management requirements and our ability to help individuals manage their health better.

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These are exciting changes, but they still require energy and momentum to succeed. I'm excited about the future because I think our cause is being aided by many of the recent and really profound articles written by authors such as Steven Brill in *Time* magazine, and Atul Gawande in *The New Yorker* (just to name a couple) that highlight the need for revolutionary change.

These articles are powerful, because they capture the public's attention and change the dialogue, mobilizing the momentum of change.

The revolution is in its early days and the movement that is occurring is now being built upon the principles that we have discussed this evening—and impacted by wisdom, information, and aligned incentives.

The trends I mentioned earlier are giving rise to exciting new opportunities to advance how we consume health care. WellPoint, like many of our peers, is addressing these opportunities. I'll address four of these: consumerism; provider collaboration; mobile and telehealth; and data coupled with sophisticated analytics.

## Consumerism

Once consumers are empowered with information and they are incented to make smart choices, they use that power wisely and begin to reshape the marketplace in ways we can't entirely predict—but ways that will ultimately drive toward greater efficiency, convenience, and quality. As a health plan, our responsibility is to make that data available and to facilitate those choices.

A modern health plan has to be much more than a payer—we have to be an advocate, an engaged partner with consumers helping them make the best choices for their health.

We are seeing "consumerism" evolve in a number of different areas:

First, Consumer Driven Health Plans. There are skeptics who claim that consumers can't have adequate knowledge to influence their own health care in a meaningful way, but the research suggests they are wrong.

When markets are not constrained, we see that consumer-driven decision-making drives toward greater efficiency and higher value. Where your companies have established these, they are delivering results. Essential to consumers having greater engagement is that they have skin in the game, and that they understand the levers they can pull to impact their investment in their own health.

According to research, almost one in five employees was enrolled in a Consumer Driven Health Plan in 2012.

And those enrolled were more likely to search for information on quality of care of doctors and more likely to use that information than their counterparts in traditional health plans. Consumer Driven Health Plans are showing promise in our efforts to transform health care consumers into informed, empowered purchasers. These consumers are the first wave of revolutionaries and their numbers are only trending upwards.

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In order to help consumers utilize their market power we need to create tools. As one example, we developed a reference-based benefit program that uses a combination approach to promote value-based decision-making. With reference-based benefits, employers can set a maximum they will pay for particular procedures. If employees choose a lower cost provider, they can receive their full benefit. If they choose a facility higher than the reference benefit limit, the employee pays the difference. We've enhanced these capabilities by teaming up with Castlight to give employers even greater flexibility to configure reference-based benefit designs to fit their own needs and employee populations.

In California, we saw reference-based benefits work exceptionally well. We partnered with CalPERS, the California Public Employee Retiree System, and identified a range in price for hip and knee replacements—from $15,000 to $110,000—with no discernible difference in quality.

So, we developed reference-based benefits that would help guide CalPERS members who needed knee or hip replacement to hospitals that met or exceeded quality thresholds and priced procedures below $30,000. Those members could choose any provider they preferred, but were responsible for fees above the $30,000 reference threshold. What we saw was the number of people who chose low-price hospitals increased by over 20%, while the number who chose high-price facilities declined by more than a third—and a quarter of facilities originally priced above $30,000 came down to the reference level. CalPERS saw its costs drop by close to 20% per surgical-related admission.

## Provider Collaboration

Provider Collaboration is essentially paying physicians for how well they do, not how much they do. Coming from the provider community, I can attest that while adapting to new payment models is challenging, they understand it is necessary and unavoidable.

At WellPoint, we have achieved success paying providers based on quality measures and then sharing in cost-savings on the back-end. This ensures that incentives remain aligned around quality while also having a tangible way to share in the success of keeping health care costs down.

For example, we believe hospital reimbursement increases are earned, not guaranteed. So, depending on market, hospitals can earn meaningful year-over-year reimbursement increases by demonstrating value through improved patient safety, health outcomes, and patient satisfaction.

The threshold measures are set by nationally recognized organizations, and we now have more than 740 hospitals participating, representing almost three-quarters of our in-patient admissions.

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In addition, our patient centered medical home programs in Colorado, New York, and New Hampshire have meaningfully reduced in-patient admissions and ER visits by a range of 11 to 17%.

Our goals with providers don't exist in a vacuum; they are guided by the "triple aim": improved patient experience and outcomes, better population health, and reduced per capita costs. We believe that primary care providers have a critical role to play in achieving these aims. Participating practitioners receive enhanced fee schedule payments and clinical coordination fees, and they share in the savings from improved care coordination, better outcomes, and reduced costs.

**Provider engagement isn't just physicians and hospitals having better information; it is about them using that information as partners to drive toward better patient care.**

But the program is not just about incentives; it's about partnership. Beyond our financial and reimbursement investments, we've also invested heavily in data analytic and information sharing capabilities that, for example, enable clinicians to treat "newly identified" high risk patients more effectively in a variety of settings (especially those with chronic conditions) by supplying them with clinical information and insights not previously available to them.

We also help enable expanded access through virtual visits, and in some cases provide in-office support from WellPoint's own nurse care managers. The response to this program has been overwhelmingly positive, and we expect to have nearly half of our network primary care physicians in this program by the end of 2014.

Aligned incentives are already delivering results which is why we are confidently tying more than a third of our commercial reimbursement to these and our other pay-for-value quality programs. We are accelerating this quickly and by the end of this year, may have more than 50% of our commercial spend tied to value-based payments to providers.

So for us, provider engagement isn't just physicians and hospitals having better information; it is about them using that information as partners to drive toward better patient care and, in the process, holding down the cost of care. For the system to work, we have to find win-win partnerships.

## Mobile & Telehealth

We are doing some groundbreaking work in response to today's health care consumers wanting greater convenience and control. They want immediate access to information, and they want a personalized health care experience. Let me provide you with two examples: our telehealth solution and our consumer portal.

Our LiveHealth Online product, a partnership with American Well, is an innovative telehealth solution that enables consumers to have an actual physician visit whenever and wherever they may be—at home, in the office, or on the go between running errands. Consumers can access it from their home computers, or they can visit kiosks deployed in retail settings or even on-site provided by their employers.

They can choose from a wide range of physicians, and then engage in a video conference, an online chat, or they can transfer the discussion to a phone. It's currently available 16 hours a day, 7 days a week in 43 states and physicians can recommend additional treatment or testing or, depending on state law, prescribe medications remotely.

However, while we have some great early wins, I think we are on the cusp of seeing more far-reaching victories.

Remember the consumer I talked about at the very beginning—the one with the smartphone. Assuming that you now have a smartphone, consider: what would you be willing to share to enable better treatment from your physician and more predictive intelligence for health issues? Remotely monitored blood sugar, EKG readings, caloric expenditure, and sleep profile? Blood pressure and heart rate readings? What about using an app and this inexpensive little device to record and transmit an EKG reading to your physician.

If we can engage consumers in this kind of technology-enabled conversation, the benefits grow from there, and the system becomes a learning lab that adapts to consumers and helps them improve their health. When we combine that with greater pricing transparency, we have the building blocks of revolution.

## Data & Sophisticated Analytics

Technology is being used extensively on the back-end right now to perform sophisticated and meaningful analytics. I'm going to share three compelling examples to make the point: Resolution Health, HealthCore, and IBM Watson.

First, our Resolution Health subsidiary aggregates data from the more than half a billion claims we process each year, combines it with pharmacy and laboratory data, and, where possible, supplements it with other provider data to create a comprehensive picture of each patient's health history.

Those data run against a "clinical rules engine" built off of evidence-based rules developed in collaboration with Johns Hopkins University School of Medicine.

**IBM Watson is IBM's super-computer technology that is capable of analyzing more than 200 million pages of data and information in under three seconds.**

The output is clear, actionable information delivered to patients and physicians about potentially harmful drug interactions, gaps in recommended care, such as missing cancer screenings or diabetic eye exams, and tips on staying healthy and saving money.

Secondly, our clinical research subsidiary, HealthCore, is linking our daily pharmacy and clinical data to monitor treatment and prescribing patterns and evaluate the safety and effectiveness of drugs and treatments in the "real-world." For example, we recently studied more than 8,000 adolescents diagnosed with recurring headaches. We found nearly 50% of them were prescribed opioids such as codeine and oxycodone versus the recommended treatments of aspirin or ibuprofen. Unfortunately, opioids treat pain but not the underlying cause of headaches—and in this young population, there is a heightened risk of abuse and addiction. So we are now working with the American Academy of Pediatrics and other professional organizations to raise awareness and promote prescribing patterns consistent with the accepted recommendations.

On a national scale, HealthCore has worked with the CDC and FDA on a variety of safety programs and analyses including the diabetes drug Avandia and the H1N1 vaccine.

And finally, we were the first company in any industry to partner with IBM Watson technology. IBM Watson is IBM's super-computer technology that is capable of analyzing more than 200 million pages of data and information in under three seconds. We are innovating in partnership with IBM to create health care solutions in the areas of utilization management and oncology. A team of clinical experts fed IBM Watson more than 25,000 real-life medical case scenarios, and our nurses worked more than 14,000 hours—roughly the equivalent of 10 nurses working full-time for a year—training IBM Watson how to apply WellPoint's medical policies and clinical guidelines.

IBM Watson will increase the efficiency of our prior authorization process while ensuring our members receive appropriate and medically necessary care.

By the end of last year, more than a third of WellPoint's utilization management nurses were using the IBM Watson technology in the decision-making process. Currently, the preauthorization process for non-emergency treatment can take several days. Nearly 3,500 physician practices are using the technology today to receive near real-time responses to prior authorization requests that could otherwise take up to 72 hours for non-emergency conditions and 3 to 5 days for elective procedures.

As we look to the future, when this technology is fully deployed, we will be able to provide doctors with real-time data gathered from millions of patients, matched up against the individual circumstances of their patient, to help make the best, most personal decisions on treatment.

Think about it this way: if you had a choice between seeing a doctor who had seen your condition in a hundred patients or a doctor who had seen your condition in a million patients—which would you choose? Of course, only technology allows that "million patient" scenario to be realized.

Consumerism, provider collaboration, mobile and telehealth, and data and sophisticated analytics are all powerful opportunities shaping health care. Each of these opportunities is a stand-alone solution when considered independently—but when merged, they become infinitely more powerful. Combining all of these opportunities has a multiplier effect which exponentially increases their impact thereby strengthening the health care revolution.

**Our role in health care puts us as the hub of the ecosystem with a responsibility to act as a convener and an integrator.**

As a health plan, our responsibility in this revolution is to be the connective tissue that binds the ecosystem together. We have data coming in from every direction that is combined with us being a trusted source of information for our members.
That idea of trust brings me to a topic I'm really passionate about: the relationships that are at the heart of the health care delivery system.

Relationships power our health care system and, at the same time, make it complex. Certainly, the most important relationship in health care is the one between patients and their physicians, nurses, and other health care providers.

However, the relationships and integration between, and among, employee and employer, hospital and community, payer and manufacturer, member and health plan, etc., are also essential.

The dynamic web formed by all of these relationships is the basis for the health care ecosystem. Like any ecosystem, it has its traditions and mores—but the environment is changing so quickly that this ecosystem must either adapt or become marginalized. If we want to thrive we need to speed up our evolution and turn it into revolution.

This is where health plans have a unique role to play. Our role in health care puts us at the hub of the ecosystem with a responsibility to act as a convener and an integrator. It is our job to work with our customers to help define the incentives and the standards through which progress can take place and to be a trusted advisor to health care consumers.

One advantage we have is that our affiliated Blue Cross Blue Shield plans are literally the single most trusted brand in all of health care. As we heighten consumer engagement, we need to realize that brand—as an indicator of trust and a predictor of willingness to engage—is going to be of increasing importance.

Empowered consumers are going to make choices—including about who they want to engage with when it comes to health care and who they trust—so I think our company and our industry needs to pay close attention to brand and be hyper-focused on earning and maintaining the trust of our customers.

**In addition to our fiscal responsibility we also have a moral responsibility to do everything we can to preserve, protect, and promote health.**

Each of us knows how sacred our health is—and so in addition to our fiscal responsibility we also have a moral responsibility to do everything we can to preserve, protect, and promote health. The approach I've outlined will help align and engage the entire health care system—including the consumer—toward achieving those shared goals.

I know I've covered a lot of ground, so let me finish where I started:

## First—Information

Information is the life-blood of revolution. We have a lot of information now that needs to be deployed, and we need to ensure that consumers, providers, and employers have access to the information they need when they need it and in a format that allows them to act on it which will lead to better choices.

## Second—Wisdom

There is a great deal of untapped wisdom in the marketplace today because consumers don't yet have the full range of information or choices to act on their best judgment. In addition, doctors have tremendous wisdom they can apply to better serve patients if we give them the data to inform that wisdom and save them time elsewhere in their practice. The wisdom is out there—but the system is still a hurdle and not yet letting that wisdom be fully utilized.

**I hope you'll consider my remarks today both a call-to-arms and a pledge for us to join together in this most important fight.**

## Finally—Incentives

Wisdom and information are important fundamentals—but they won't go far if the incentives aren't aligned. We have to create a virtuous circle where engaging in positive health behavior creates reward for providers, employers, and consumers. This has to happen within defined ecosystems where all the participants can clearly understand and react to their incentives, guided by sound information.

Consumers are taking greater control, pricing transparency is picking up momentum, and the technology of tomorrow is already here. The revolution is on our doorstep; each of us has to choose how we will play our part.

I am genuinely convinced that the change occurring in health care delivery—consumer engagement, greater connectivity to health information, more robust data collection and analytics, and new incentives—may one day be as impactful as the discovery of penicillin.

These advances have vast potential to save lives and truly transform care for millions of people—and that's the best possible reason for all of us to embrace this revolution.

Everyone present today has the privilege of being able to make decisions without bi-partisan agreement and without a CBO score. This latitude gives you the chance to lead and be at the forefront of this revolution. I hope you'll consider my remarks today both a call-to-arms and a pledge for us to join together in this most important fight.

Helen, thank you for this invitation. It was an honor to share the stage with you this evening among our trusted friends and colleagues—because this is truly your evening.

Thank you.


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