



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

March 16, 2004

Motion 11890

Proposed No. 2004-0096.2

Sponsors Phillips and Hague

1 A MOTION approving the initial findings of the health
2 advisory task force that endorse the county's direction to
3 achieve quality of care and cost containment in King
4 County's employee benefit plan.

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 WHEREAS, national health care costs in this country are skyrocketing,
8 approaching a national crisis, and

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10 WHEREAS, King County is, like other employers in the region, state and nation,
11 facing an urgent need to be able to provide affordable, available quality health care to
12 employees while effectively containing the rise in employee health care costs, and

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 WHEREAS, in King County the employee benefits budget is expected to increase
14 fifteen percent or more per year for at least the next five years representing an increase
15 from \$124 million per year spent on employee health benefits in 2003 to \$249 million in
16 2008, and

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 WHEREAS, sixty-eight percent of the county's health care dollars are used by ten
17 percent of its enrollees, and

18 WHEREAS, to address this critical issue, an internal county team conducted a
19 focused and comprehensive research effort to seek best practice approaches from
20 research institutes as well as actual applications. This research included a variety of
21 sources, including, but not limited to: *Epidemic of Care: A Call for Safer, Better, and*
22 *More Accountable Health Care* by George C. Halvorson, George J. Isham, MD; *Crossing*
23 *the Quality Chasm: A New Health System for the 21st Century*, Institute of Medicine;
24 multiple studies and abstracts by the Center for Studying Health System Change, the
25 National Committee for Quality Assurance and the Institute of Medicine; research and
26 surveys conducted by the Kaiser Family Foundation, Washington Business Group on
27 Health and Watson Wyatt Worldwide; and initiatives elsewhere including San Diego,
28 Michigan, Philadelphia, Minnesota, central Florida and Oregon, and

29 WHEREAS, the King County council's Fiscal Year 2004 adopted budget included
30 a proviso requiring the executive to submit to the council for its review and approval by
31 motion the health quality task force's preliminary findings related to quality and cost
32 effectiveness of health care for county employees by February 19, 2004, and

33 WHEREAS, in response to that council budget proviso, King County Executive
34 Ron Sims created the Health Care Advisory Task ("HAT") Force, whose mission is to
35 "(r)ecommend an innovative and achievable set of strategies to improve the quality of
36 health care while mitigating costs in the Puget Sound market," and

37 WHEREAS, in its meetings of January 12 and 26, the executive's HAT Force
38 analyzed the direction recommended by an internal King County benefits strategy group,
39 and

40 WHEREAS, on February 9, 2004, the HAT Force endorsed the county's direction,
41 verifying that King County has accurately defined the health care problem and identified
42 the most realistic, attainable elements to achieve quality of care and cost containment in
43 its own plan and directed the transmittal of an initial findings report to the executive, and

44 WHEREAS, the county executive has approved the initial findings report of the
45 task force and presented the report to the council in conformance with the proviso,

46 NOW, THEREFORE, BE IT MOVED by the Council of King County:

47 The initial findings report of the Health Advisory Task Force, Attachment A to
48 this motion, is hereby approved. The council will continue to exert its authority to
49 approve, legislatively, additional findings provided by the HAT Force and the internal

Motion 11890

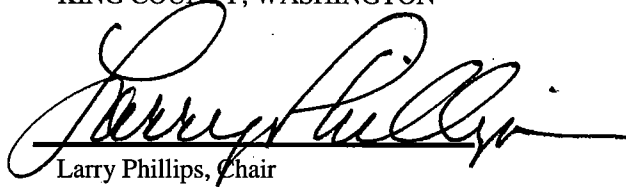
50 benefits strategy group. The council also requests the executive to transmit the final
51 report of the HAT Force to council by motion by June 30, 2004.

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Motion 11890 was introduced on 2/23/2004 and passed by the Metropolitan King County Council on 3/15/2004, by the following vote:

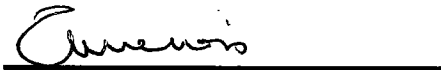
Yes: 12 - Mr. Phillips, Ms. Edmonds, Mr. von Reichbauer, Mr. Pelz, Mr. McKenna, Mr. Ferguson, Mr. Hammond, Mr. Gossett, Ms. Hague, Mr. Irons, Ms. Patterson and Mr. Constantine
No: 0
Excused: 1 - Ms. Lambert

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. King County Health Advisory Task Force-Initial Findings Report-February 18, 2004

King County Health Advisory Task Force
Initial Findings Report
February 18, 2004

Current Situation

King County is facing an urgent need to effectively contain the rise in employee health care costs. National health care costs (and the cost to the county for employee benefits) are expected to increase at a rate of 15 percent or more per year for at least five more years. For the county, that will represent an increase in spending from \$124 million per year on employee health benefits in 2003 to \$249 million in 2008. This staggering rate of increase and the underlying factors contributing to this trend are the same issues threatening to overwhelm employers locally, regionally and nationwide. As the Budget Advisory Task Force, formed by Executive Ron Sims in 2002 noted in its final report in July 2003, it is imperative that the county look well outside traditional approaches to funding employee benefits to identify and implement innovative ways to align the employees' interest in quality, affordable health care and the county's need to control costs.

Initial Internal Work

Early in 2003, Executive Sims pulled together a group of benefits experts from inside county government to determine how King County could achieve real, significant and lasting cost containment through both short-term savings and long-term reform in its system. This internal study group had several key findings, including:

- **The issue is larger than just King County's system; it is a regional, state and national crisis.** In buying health care, the employee is essentially using the employer's "credit card." Employees choose whatever care they need or want, providers deliver whatever care they deem most appropriate, and the bill gets paid by the employer. In this model, the normal market checks and balances of purchasing a product do not exist -- the employee is not well informed of costs, quality or options; the provider is rewarded for providing more treatment and is not rewarded financially for disease prevention or disease management. And, an employer has no control over the quality, appropriateness or efficiency of the services for which it pays.
- **Some employers have demonstrated significant success in managing their health care costs** in the new environment of 15 percent growth trends for the foreseeable future. These more successful employers:
 - Carefully evaluate the competing interests of employees' health care and the need to control costs. This attention to employee concerns effectively reduces the negative effect of plan changes on employee satisfaction.

- Are forward thinking and explore options that have not been done in the past.
 - Emphasize cost sharing through copays and point-of-care mechanisms rather than increased premium share.
 - Lower costs by successfully negotiating with vendors to maintain quality of service and preserve plan essentials at reduced rates.
 - Place significant emphasis on targeted interventions by using demographic and claims data to identify and care for potential health problems before they become too costly;
 - Motivate employees and their families to participate in disease management and wellness programs by using incentives such a reduced premiums or lower copays and deductibles for members who actively manage their health status, and
 - Use data to integrate numerous benefits such as disability and sick leave and reduce or eliminate redundancies and inefficiencies among benefit plans.
- **Claims experience in the county's health plans is typical of all health plans. A very few people with chronic or catastrophic conditions account for the vast majority of claims cost in the plans.** One solution is a successful cost containment strategy, which must include:
 - Using predictive modeling to determine when chronic conditions are likely to develop and providing interventions and incentives for employees and family members to prevent the full-blown condition from developing;
 - Determining evidence-based methods to identify the best treatments and the most effective providers of specialty care;
 - Developing successful programs for managing chronic conditions that have already developed; and
 - Providing support and incentives to employees and family members to become informed, active partners in controlling their conditions and minimizing the impacts of the condition.
- **Several recent studies have shown significant "waste" in the American health care system results from over treatment, under treatment, and inappropriate treatment.** Examples:
 - Dartmouth Center for Evaluative Clinical Science finds that 20 to 30 percent of health care spending in the United States is spent on procedures, visits, drugs, hospitalizations and treatments that do not improve quality or extend life.
 - Institute of Medicine in Washington, D.C., estimates that costs could be reduced by 25 percent if inappropriate care were eliminated.

A number of employers and unions (e.g. AFL-CIO) have joined forces in groups such as the *Leapfrog Patient Safety Initiative*, *Pacific Business Group on Health*, *The Business Roundtable*, *Washington Business Group on Health*, *National Quality Forum* and others. Their goal is to develop standards for measuring and purchasing quality in health care to reduce "waste" and overall costs while improving the effectiveness of care. The approaches common to all of these groups include:

- Developing an independent source of evidence-based information for physicians and consumers regarding the effectiveness of specific health care procedures;
- Exploring ways to measure variations in clinical decision making; and
- Improving consumer understanding of the quality and cost implications of the care they receive and the choices they are making.

The county's internal study group found that no single strategy would effectively change the health care cost trend. Instead, a successful program will address four separate elements to achieve maximum impact:

- Maximizing health plan efficiency and effectiveness by finding best in class vendors and providers to deliver services (managing the plan);
- Building the right plan with the right financial incentives (managing the costs);
- Improving and sustaining consumer health and work/life performance (managing health behavior); and
- Improving the quality, access and value of health care (managing the health system.)

Based on these key findings, the internal study group concluded that to continue to provide the kinds of benefits employees want and that attract and retain qualified staff, King County, in collaboration with its labor unions and non-represented employees, must rethink the existing approach to employee health and health care benefits.

The internal study group developed nine specific actions that the Labor-Management collaboration effort should include in developing the 2006-2008 benefits package:

Engage employees:

1. Educate our employees and their families about regional and national health care cost trends. By helping employees understand that by exploring new ways of evaluating and purchasing health care and staying healthier we will require less health care services, King County can work with employees to look at other options. In order to maintain the status quo benefits, the only options available to the county will be:
 - significant cost share (premium and out-of-pocket) with employees;
 - significant reductions in benefits coverage; and
 - significant reductions in force in all departments and all funds.
2. Authorize resources to implement a comprehensive education plan on the health care crisis, its potential effect on employees, and opportunities for improved health and higher quality health care through active health care consumerism. This program is essential to successful labor-management collaboration on benefits.
3. Engage our employees as informed health care consumers by providing education and tools they can use to shop for high quality health care services and improve their and their families' personal health status.

Develop disease management and wellness programs:

4. Use actual claims data to identify most prevalent and costly health conditions

5. Develop wellness and disease management programs for those conditions to improve employee health and well-being, improve outcomes of care, and restrain increases in plan expenses.

Explore plan-design elements:

6. Research cost sharing arrangements used by other comparable public employers. Use that information to develop plan designs that appropriately share expenses and provide tools to employees for managing those expenses.
7. Consider options for tailoring wages and benefits to meet employee needs for predictability of income and expenses through integrated bargaining of benefit and wage packages.

Influence the health care market:

8. Improve employee health and the quality of health care available in the local market by purchasing effective, evidence-based care.
9. Partner with other employers (public and private) to develop health care consumer education programs and decision-making tools, agree on a uniform set of health care quality measurements, and encourage providers to participate in plans that reward high quality care.

Executive Sims' Health Advisory Task (HAT) Force Creation

In December of 2003, Executive Sims created the Health Care Advisory Task Force, whose mission is to:

Recommend an innovative and achievable set of strategies to improve the quality of health care while moderating costs in the Puget Sound market.

Members of this task force include physicians from the University of Washington School of Medicine and Harborview Medical Center, a pharmaceutical expert from the University of Washington, a labor representative, an attorney with a health care focus, a disease management expert, a health care communications expert, a health care economist, a health care technology expert and other major self-insured employers in the region. Members are listed in Attachment 1.

The task force held an initial meeting in December 2003 and has since established a work plan that will conclude in June 2004. The task force's initial mission was to analyze and verify that King County has accurately defined the health care problem and identified the most realistic, attainable elements to achieve quality of care and cost containment in its own plan. This task was addressed at the group's January 12, January 26 and February 9 meetings and is detailed in this report.

HAT Force Findings: Analysis and Verification of King County's Proposed Strategies

The task force analyzed King County's direction by reviewing the internal employee benefit strategies summarized above. The HAT Force concurs that the action is timely and extremely important.

At its February 9 meeting, the HAT Force endorsed the county's direction and made the following specific recommendations for King County's Labor-Management Collaboration process in building its health care programs:

- Examine the local healthcare market to gain a better understanding of its dynamics, e.g., increases in capacity, levels of competition, and the impact of these factors on employers, plans, and providers.
- Ensure that benefits design clearly takes into account the cost and quality impacts of various shared cost scenarios. The impact on quality resulting from cost sharing measures such as shared premiums, co-pays, and tiered benefits for pharmacy must be analyzed in light of identified financial and health care quality goals. Issues such as equity, quality, cost control, and risk management must also be considered.
- Estimate potential savings and care improvements (prevention, morbidity, mortality, quality of life) that may result from following evidence-based standards; conduct an analysis (first of county data, then include other Task Force participant data) to define areas of highest cost and volume.
- Approach communication with employees the same way one would plan a major public information campaign: identify all stakeholders; use focus groups to develop most relevant and effective communications approach for this employee audience; test messages before delivering; and invest meaningfully in the development of a strategic communication plan for trust-building with employees and unions. Make use of "lessons learned" from other large employers (particularly public employers) who have conducted similar education/cultural change initiatives. This initiative needs to become an ongoing program in order to support success of this approach to health care.
- Provide consistent, meaningful, accurate and simple information on benefits administration and the effect that employee decisions can have on costs.
- Provide employees with information and tools to assist with understanding health conditions, making decisions and successfully carrying out self-care actions and obtaining health.
- Seek feedback from employees on their views about appropriate trade-offs between benefits and cost sharing and their perceptions of the impact of cost sharing on access to and quality of care.

- Research innovative plan designs that create incentives to improve care and reduce costs
- Create benefit designs that motivate beneficiaries to choose identified quality providers, actively participate with their providers in their own health care, participate in wellness and prevention activities, and manage chronic health conditions.
- Ensure that provider contracting includes both cost control and quality monitoring. Contracted providers and health plans must ensure that they are decreasing practice variation in alignment with evidenced-based guidelines.
- Implement a measurement system to continuously monitor the actual costs, cost variation, and necessity of the care provided. Public knowledge of some parameters of cost and quality is needed.
- Participate in regional initiatives that develop health care performance measures; provide meaningful and usable information to providers, beneficiaries, health plans and purchasers; and create consumer health and health care decision-making tools, and provide state of the art health care education materials.

Next Steps

The Executive is committed to this process and will follow the recommendations of the internal working group as validated by the HAT Force as well as the recommendations issued February 9 and shown above.

The HAT Force will now focus its attention on how to develop a regional infrastructure that supports and maximizes both King County's internal strategies and long-term reform for the region. In looking ahead, the task force developed four key outcomes it sees as essential to managing costs, assuring improved health and quality health care, and successfully attaining Executive Sims' stated goal – to achieve real, significant and lasting cost containment through both short term savings and long term reforms in health care consumption, delivery and costs. Their final report work plan focuses on strategies relating to the following outcomes.

Outcome A: Increase the likelihood and predictability that King County employees and other health care beneficiaries in the Puget Sound region will receive high quality, patient-centered health care service.

Outcome B: Mitigate the increases in personal costs/financial responsibility for health care benefits for King County employees by implementing strategies to effectively reduce the increase in total health care expenditures.

Outcome C: Increase the involvement of King County employees and other health care beneficiaries in the Puget Sound region in managing their own health and competence to act as partners with providers in making evidence-based health care decisions.

Outcome D: Develop a system in which health plans, providers and employees use shared health information and technology to continuously improve health outcomes and decrease medical errors. In this system, employers, employees and providers will use appropriate health information to ensure the most effective use of each dollar spent on health care services by monitoring costs, changes in health risk factors, changes in patient behavior, and changes in provider practice patterns.

In the next phase, the task force will make recommendations to King County and the region on how best to improve the quality, access and value of health care in the Puget Sound regional market. Components of these recommendations may include, but are not limited to:

- a. Creating a process to be used in the Puget Sound region for implementing consensus-based standards of health care cost and quality measurements that provide meaningful information about whether care is safe, timely, beneficial, patient-centered, equitable and efficient.
- b. Identifying a mechanism that will generate and make publicly available quality and economic efficiency performance information for all levels of care: health plans, hospitals, medical groups and individual physicians.
- c. Obtaining health coverage from plans that measure and reward providers of high quality, cost effective care.
- d. Promoting consumer understanding and use of health care performance measures and other quality standards.
- e. Reinforcing and rewarding provider and patient focus on wellness, disease management, and active participation in health care decisions.
- f. Encouraging providers to participate in plans that reward high quality, cost effective care.
- g. Identifying opportunities to achieve administrative cost savings as a component of the design and implementation of improved approaches to health care.

The HAT Force is scheduled to meet monthly through May, and will issue a report from this second phase of their study in June 2004.

KING COUNTY HEALTH ADVISORY TASK FORCE**Co-Chairs:**

Alvin J. Thompson, MD, MACP is a clinical professor of medicine at the University of Washington (UW). His experience includes over 50 years of clinical practice, medical teaching, and community leadership, including serving as governor of the American College of Physicians for Washington and Alaska. For over twenty years, Dr. Thompson has also served as president of the Washington Association of Black Professionals in Health Care.

Edward H. Wagner MD, MPH, a physician/epidemiologist, is director of the MacColl Institute for Health Care Innovation. His work includes studies of interventions to reduce disability in seniors and to enhance the care of persons with chronic illness. Dr. Wagner is widely published, on topics ranging from the impact of primary care delivery on the survival rate of persons with AIDS to pharmacist screening of octogenarians starting new medications.

Task Force Members:

Larry Chapman, MPH is the chairman of the board for Summex Corp. He is a national expert, frequent lecturer, and author of numerous books, articles, and columns on innovations in health care management. Mr. Chapman is currently working with state and local policy leaders on a wellness- and consumer-driven health plan model.

Michael Cochran, MS is first vice president for Washington Mutual, Inc. In that position, he manages all health, welfare and wellness benefits for a workforce of 60,000 employees, plus retirees. Prior to joining Washington Mutual, Mr. Cochran managed health and welfare benefits at Microsoft. He has significant experience implementing e-health programs for employee populations.

Sally Fox is the director of employee health services with the personnel department of the City of Seattle. Ms. Fox has extensive experience administering all aspects of health benefit plans for large organizations.

Tom Fritz is the CEO for Inland Northwest Health Services. A recognized leader in electronic medical records, Mr. Fritz serves with the Inland Northwest Technology Education Center. Among his many organizational appointments, Mr. Fritz chairs the Workforce Shortage Task Force of the Spokane Area Workforce Development Council.

Richard A. Feldman is the executive director of the Worker Center since 1995. The Worker Center is the economic development and workforce division of the King County Labor Council, AFL-CIO in Seattle, Washington.

David Fleming, MD is the director of Global Health Strategies at the Bill & Melinda Gates Foundation. Dr. Fleming has a distinguished career in health policy, including serving as director at the Centers for Disease Control and Prevention and as the state epidemiologist for Oregon.

Annette King is the director of Benefits & Savings for Starbucks Coffee Company. Ms. King has nearly 20 years of experience with employee benefits. Today she is responsible for benefit planning on a global scale for the Starbucks organization.

Dan Lessler, MD is an internal medicine physician and associate medical director at Harborview Medical Center. Among his many accomplishments, Dr. Lessler has taught and advised extensively on methods for improving the management of chronic illnesses.

Jodi Palmer Long, JD is the associate general counsel for Children's Hospital and Regional Medical Center where she advises health care practitioners and administrators on the financing and delivery of health care. Ms. Long previously served as associate general counsel to Group Health Cooperative.

Richard K. Onizuka, PhD is the director of health care policy for the Washington State Health Care Authority. In this position, he has a key leadership role evaluating new ideas in the field of health care purchasing.

Charles Royer, former Mayor of Seattle, is national program director for the Urban Health Initiative. As mayor, Mr. Royer became a national spokesman for American cities in health care, housing, the arts, energy, civil liberties, and the needs of children and youth. He has served as director of Harvard University's Institute of Politics and is currently a senior lecturer at UW.

David Saperstein, MD is an assistant professor of Ophthalmology at UW, specializing in the medical and surgical treatment of retinal diseases. He was awarded a Physician-Scientist Research Award from the National Eye Institute to develop a research program concentrating on gene therapy for the treatment of retinal disease. While teaching at Emory University, Dr. Saperstein practiced evidence-based medicine.

Andy Stergachis, PhD, RPh is professor of epidemiology and affiliate professor of pharmacy at the North West Center for Public Health Practice. Dr. Stergachis is a national expert who works closely with the Institute of Medicine, the National Committee on Quality Assurance, and the American Public Health Association, among other organizations.

Mike Stuart, MD is a clinical assistant professor at UW and president of the Delfini Group, LLC. He is a nationally recognized expert on evidence-based medicine. Dr. Stuart is the author of several influential publications on improving the effectiveness of health care delivery.

Jay Tihinen is the assistant vice president of benefits at Costco. He has focused on helping Costco employees become better consumers of care services as the best long-term solution to rising costs.

Debbie Ward RN, PhD is an associate professor of nursing at UW. She is involved locally and nationally in changing the format and content of health service delivery. In addition to teaching in health policy, politics, and systems, Dr. Ward is director of the de Tornayay Center on Healthy Aging. She also recently served as chair of the consumer-elected board of trustees of Group Health Cooperative.

Cindy Watts, PhD, is a professor in the department of health services at UW, teaching in the areas of health economics, health policy, and effective writing. She also serves as the Director of the Northwest Center for Public Health Practice. Dr. Watts' research includes work on access to health insurance, reimbursement, and health care market structure.

Ana White is the senior benefits manager for Microsoft. Ms. White developed Microsoft's guiding principles for benefits. She has designed and managed U.S. and International health plans for the company.