



**Ohio University College of Osteopathic Medicine (OU-COM)
Year 4 Health Care Management Clerkship (OCOM 895)
2006-2007 Example Case Study**

- I. Summary of the Case
 - A. 30 year old male (John Smith) with Type 2 diabetes.
 - B. John Smith is also obese.
 - C. John has a history of diabetic attacks that result in him needing to go to the local hospital Emergency Room (which is usually at capacity).
 - D. John Smith is employed by Ajax Manufacturing and has healthcare benefits that cover 80% of the hospital costs and 100% of the emergency room costs of a hospital.
 - E. John Smith's healthcare benefits cover all physician services, but require a \$15 fixed copay for each visit to the physician office.
 - F. John Smith's healthcare benefit does not include coverage for wellness benefits.
 - G. Ajax Manufacturing is self-insured for healthcare benefits and it pays a managed care company to administer the health claims. As a self-insured employer Ajax has the ability to dictate the type of healthcare benefit coverage for its employees. Ajax has very little turnover and employees like John Smith usually work for Ajax for 25 to 30 years.
 - H. Ajax Manufacturing is experiencing double digit healthcare cost increases on an annual basis. A large percentage of the healthcare costs can be directly and indirectly attributed to the high percentage of diabetics that are employed by Ajax. Many of these diabetics, similar to John Smith, are obese.
 - I. Ajax is located in a semi-rural area of the state (Sparse County), which has one hospital in the town. All of the primary care physician specialties are located within a reasonable drive time but there is limited access to some of the physician specialties. The closest big city with major hospitals and access to all physician specialties is approximately 1 ½ hrs.' drive. Some of the employees that work for Ajax live in bordering counties that have very limited access to healthcare providers.
 - J. Physicians in Sparse County are reimbursed by the Managed Care Organization employed by Ajax based on a fee schedule that equates to Medicare. Physicians complain that this fee schedule is not adequate and requires them to spend less time with their patients. Physicians in Sparse County do not believe in physician extenders and, except for minimal nursing support and receptionists, there is no additional staff.
 - K. Sparse County has a high percentage of residents with Type 2 diabetes which in many cases is a result of the large percentage of obese people living in the county.
 - L. Ajax Manufacturing is the largest employer in Sparse County.
 - M. There are a number of health organizations located in Sparse County including a home health company, hospice, and nursing homes.

II. Case Study Specific Questions

- A. You are a physician consultant hired by Ajax Manufacturing to provide recommendations to the owner concerning its healthcare costs. The owner is not only concerned about the direct healthcare costs, but he is also concerned about the high absenteeism and disability costs that are health related. Finally, the employer is very receptive to any of your recommendations that could potentially address both his short and long-term healthcare cost issues.
- B. Given the above case study scenario, what would be your overall recommendations to Ajax Manufacturing in regards to its healthcare costs?

Potential answer:

- 1. Ajax manufacturing needs to recognize that the majority of its workers will be employed by Ajax for many years; consequently Ajax needs to develop both short and long-term strategies to address its healthcare costs.*
 - 2. Ajax needs to make sure that its managed care administrator provides all of the appropriate services to help address the short and long-term care needs of the employees (egg., services such as case management, disease management, etc.)*
 - 3. Ajax, in conjunction with its managed care administrator, needs to develop a strategy the specifically focused on employees with diabetes.*
 - 4. Ajax should work with its managed care administrator to make sure there are diabetes management programs in place. In evaluating these programs, they will also need to determine overall level of compliance as well as reasons for non-compliance.*
 - 5. Employee education should be a key component of the healthcare strategy, specifically as it relates to diabetes.*
 - 6. Wellness healthcare benefits should be reviewed to determine if they are adequate for the needs of its employee population.*
 - 7. In developing and implementing these strategies, Ajax needs to be sensitive to HIPAA laws as it relates to patient identifiable information, as well as the American Disability Act when designing any incentives, etc. relating to wellness and disease management programs.*
 - 8. Finally, Ajax should look at ways that it could effectively partner with local physicians and the hospital.)*
- C. Would you recommend any changes in Ajax's employee healthcare benefits, and if, so what? Would you recommend any additional proactive programs to address the healthcare issues of Ajax employees?

Potential answer:

- 1. Ajax needs to address the wellness benefits for its employees. These benefits are especially important since historically employees stay with Ajax for many years. Ajax should consider paying for*

100% of the costs relating to wellness services (including no co-pays, etc.) to encourage employees to take advantage of this benefit.

- 2. Wellness benefits should be focused on the entire employee population of Ajax since prevention and early detection will positively impact future healthcare costs.*
- 3. Ajax should also consider implementing proactive wellness programs, such as exercise classes, smoking cessation, weight loss sessions, nutrition education, etc. Ajax may also want to consider providing incentives for employees who take advantage of these programs (movie tickets, days off, etc.)*
- 4. Ajax should also work with its managed care administrator to find ways to more effectively use disease management programs (egg., diabetes management) to address the needs of employees with chronic health problems. Examples of such efforts would include focused employee communication relating to diabetes care management and implementation of programs specifically focused on diabetes care management.)*

D. If Ajax Manufacturing was in the position to influence the type of reimbursement for physicians what changes would you recommend?

Potential answer:

- 1. Currently physicians receive fixed fee reimbursement from the managed care administrator of Ajax. Ajax should work with its managed care administrator and the applicable local physicians to determine if there could be a more appropriate payment methodology for reimbursing physicians. Specifically, it should consider implementing a “pay for performance” program with the local physicians, especially those physicians that would primarily focus on diabetes care. Performance targets would then be identified and, if achieved, would result in additional compensation for the physician.*
- 2. Based on the managed care administrator’s data, Ajax should be able to identify the key physicians that would impact employees’ diabetes care.)*

E. As a physician consultant to Ajax Manufacturing you are in the position to conduct outreach efforts with the local physicians and the local hospital. If you were in the position to develop a model to address the diabetes issue of Ajax but also provide the appropriate incentives to the local physicians and/or hospital, what would your recommendations be? Would you recommend any staffing changes for the physicians? Be as specific as possible? What role, if any, would the Managed Care Organization have in this model since it is hired by Ajax Manufacturing?

Potential answer:

- 1. Ajax should work with its managed care administrator and the applicable local physicians to determine if there is any understanding relating to the appropriate care methodology for a diabetes patient.*
- 2. As part of this “care review” there should also be an identification of the appropriate roles of all of the stakeholders (egg., Ajax, managed care administrator, physicians, hospital, the “John Smiths” that work for Ajax, etc.). Examples of some roles would include: review of most recent literature relating to diabetes care management, including nutrition guidelines, especially those focused on obese patients (role of managed care administrator?); identification of the universe of employees with diabetes that work for Ajax (role of managed care administrator with special sensitivity to HIPAA); creation of employee education material relating to diabetes (role of managed care administrator); distribution of employee education material relating to diabetes (literature targeted to diabetes population should be distributed by a third party (egg., managed care administrator), literature distributed to entire employee population could be distributed by Ajax; identification of appropriate incentives that would encourage employees to enroll in a comprehensive diabetes management program (role of managed care administrator in conjunction with Ajax and applicable physicians) (examples of such incentives could be free diabetes management care (egg., no copays, etc.) in addition to free medication, etc. needed to manage diabetes; identification of specific criteria and targets that would be linked to the “pay for performance” diabetes management program for local physicians (role of managed care administrator, local physicians and Ajax); if legal, consideration should also be given to the implementation of additional rewards for patients that achieve targeted goals (role of managed care administrator, local physicians and Ajax); should there be telephonic follow-up with the diabetes patients to ensure they are compliant with “program” (role of managed care administrator and/or physician office); a review of local community services should take place to determine if they could provide value to the diabetes patient (egg., exercise facilities, home health organizations, etc.) (role of managed care organization, local physicians, Ajax); finally, discussion should focus on Ajax employees in outlying counties in order to address their access to appropriate diabetes care management services (possible use of home healthcare services, etc.)*
- 3. The local physicians should evaluate their staffing to determine if it is the most effective in providing cost effective, quality diabetes care management. Some areas that should be addressed relate to patient education. Should a diabetes educator be employed by the practice (would Ajax financially assist in this investment?). Does*

the physician spend adequate time “lecturing the patient” on the importance of diabetes care management? Are the physicians adequately compensated for this additional time commitment?)

III. Cost, Access and Quality

A. Identify the problems in this case relating to cost, access and quality from the various perspectives of the healthcare stakeholders (Ajax Manufacturing, John Smith/Ajax employees, local physicians, local hospital, etc.)

Potential answer:

- 1. Ajax healthcare costs are negatively impacted by employees that have diabetes. Specifically costs relating to emergency room use and health complications related to diabetes have very negative short and long-term costs implications for Ajax. Ajax is also experiencing greater disability costs and absenteeism, which also negatively impacts their profitability.*
- 2. Ajax costs are impacted if quality diabetes care is not provided to its employees. Quality of care (and in turn Ajax’s healthcare costs) is also impacted if access to appropriate diabetes care management services are not available to their employees.*
- 3. Ajax employees’, such as John Smith’s, quality of life are impacted by poor diabetes care management. Ajax employees’ out-of-pocket healthcare costs increase as a result of poor diabetes care management (egg., additional hospitalizations, 20% of which is paid by the employee). Ajax employees that live in outlying counties may be negatively impacted by the lack of local and convenient diabetes care services.*
- 4. The local physicians’ revenue is negatively impacted by the low levels of fixed fee reimbursement provided by Ajax’s managed care administrator. The local physicians do not effectively utilize physician “extenders”, which has a negative impact on their costs and also negatively impacts the quality of care being provided to their diabetes patients.*
- 5. The local hospital’s emergency room, which is already overly crowded, is negatively impacted by the number of diabetes patients needing care as a result of poor care management.)*

B. How does your recommendation address the cost, quality and access issues of each of the above stakeholders?

Potential answer:

- 1. A coordinated diabetes care management program will positively impact Ajax’s short and long-term healthcare costs, as well as positively impact employee disability expenses and absenteeism.*
- 2. Employee healthcare out-of-pocket healthcare costs would decrease (fewer hospitalizations) and their quality of life would*

increase. Access to effective diabetes management care for Ajax employees in outlying counties would be addressed by a number of coordinated activities (egg., home healthcare, services provided at the Ajax work site, etc.)

- 3. Physicians' financial status would increase (as a result of the implementation of "pay for performance") and the quality outcomes of their patients from the use of effective diabetes management would improve.*
- 4. The local hospital would be able to more effectively address the care needs of their emergency room population rather than address the needs of the non-compliant diabetes patient.)*

C. What lessons, if any, did you learn from this case study in regards to broader issues of cost, access and quality that impact the U.S. on a national basis?

Potential answer:

- 1. Cost, access and quality are linked both on a local level and on a national level.*
- 2. There needs to be increase coordination and communication between all of the healthcare stakeholders (egg., employers, managed care administrators, consumers, physicians, hospitals, community providers, etc.) to more effectively impact cost, quality and access issues both on a local and national basis.*
- 3. We need to address healthcare issues on both a short and long-term basis. There needs to be focus on all aspects of care management (egg., wellness, disease management, case management, etc.)*
- 4. There needs to be further experimentation with different types of physician and hospital payment methodologies that reward and incent good outcomes and the use of evidence based medicine.*