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Integrated Healthcare Model Outperforms Traditional Fee-for-Service in Caring for Individuals with Medicare and Medicaid

New Independent Study from Avalere Health Shows SCAN Health Plan Achieving Superior Results in Key Clinical Areas in Caring for “Dual Eligibles”

(LONG BEACH, CA – April 2, 2012) — A new Avalere Health study released today shows that SCAN’s integrated care model, which provides coordinated care for dual eligibles through the Medicare Advantage program, results in fewer hospital stays or readmissions than a group of similar beneficiaries receiving care under traditional fee-for-service. According to the study, healthcare quality can be improved and considerable dollars can be saved by delivering coordinated, integrated care to “dual-eligible” individuals. Dual eligible refers to those individuals who qualify for both Medicare and Medicaid/Medi-Cal.

The study is particularly significant as federal and state budgets continue to be depressed while the nation grapples with how to care for an aging society. Because dual eligibles are more likely than other Medicare beneficiaries to go into and stay longer in the hospital, the ability to avoid hospitalization has meaningful budgetary implications. If the fee-for-service program was able to achieve those lower rates of hospital care, the Medicare program would realize considerable savings.

Avalere Health compared 30-day all-cause hospital readmission rates between California dual eligibles in traditional Medicare vs. those enrolled in SCAN Health Plan, the nation’s fourth largest not-for-profit Medicare Advantage plan. The study found that SCAN’s dual eligible members had a hospital readmission rate that was 25 percent lower than those in fee-for-service. It also found that SCAN performed 14 percent better than Medicare fee-for-service on the “prevention quality indicator (PQI) overall composite”—keeping people out of the hospital to begin with—as established by the Agency for Healthcare Research and Quality, the lead federal

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agency charged with improving the quality, safety, efficiency and effectiveness in healthcare services.

“We have long believed that integrated care can mean better care if individuals are carefully tracked, if care is coordinated, and if members are directed into the types of programs that allow them to age well,” said Chris Wing, president and CEO of SCAN Health Plan. “This study reaffirms this belief and provides to federal and statewide policymakers a path to follow if they are serious about improving care and controlling costs.”

The Avalere study looked at HEDIS 30-day all-cause hospital readmission rates for more than 5,500 SCAN dual-eligible enrollees and an equivalent number of fee-for-service dual eligibles in California with similar medical conditions. This methodology was designed to help ensure that similar risk profiles were being compared across SCAN dual eligibles and fee-for-service dual eligibles. Comparing “apples to apples” on hospitalization rates, SCAN outperformed traditional Medicare fee-for-service in 9 of the 12 individual PQI measures that compose the overall composite. When comparing risk-adjusted readmission rates, SCAN had lower rates for all 12 clinical conditions analyzed in the study, scoring 40 percent better in pneumonia, 29 percent better in diabetes, and 25 percent better in neurological disorders.

“SCAN has been able to achieve these results by effectively integrating care for these members through a team-oriented case management approach,” said Wing. “For 35 years we have been focused exclusively on helping seniors and others on Medicare, with a strong commitment to those who need us the most, including these dual eligibles who are all in Medicare Special Needs Plans that tailor care plans around the patient.”

Concurrent with the improvement of health status for these dual-eligible individuals, the study also showed the potential for additional cost savings in caring for this population. Based on the results of a matched cohort analysis, if California Medicare fee-for-service dual eligibles had the same hospitalization and readmissions rates as SCAN’s dual eligibles, there could be 1,320 fewer hospitalizations and 1,773 fewer readmissions. This would result in approximately \$50 million in annual cost savings to Medicare fee-for-service in California.

“Better coordinated care for low-income elderly patients is a critical imperative for federal and state governments,” said Bonnie Washington, senior vice president of Avalere. “This study shows that well-developed care-management models can result in measurable differences

in quality, hospitalization and rehospitalization – and cost savings – for a vulnerable population in need of close care coordination.”

Dual eligibles, including seniors and disabled adults with acute needs, are the most vulnerable beneficiaries served by Medicare and Medicaid, but federal and state governments face unsustainable growth in costs for caring for these individuals. Medicare costs associated with this population totaled \$127 billion in 2010 and were approximately twice the average spent on non-dual Medicare beneficiaries. In Medicaid, dual eligibles account for 46 percent of total spending but only 18 percent of the program’s enrollment in 2008. In addition to high healthcare costs, dual eligibles have complex needs: 40 percent of duals under age 65 are disabled, and 57 percent live with cognitive or mental impairments.

For 35 years SCAN Health Plan has been focusing exclusively on the unique needs of seniors and others on Medicare. The company currently has nearly 130,000 Medicare Advantage members in California and Arizona. Further information may be obtained at scanhealthplan.com.

Avalere Health is an advisory-services company. Its core purpose is to create innovative solutions to complex healthcare problems. Based in Washington, DC, the firm delivers research, analysis, insight, and strategy for leaders in healthcare business and policy. Avalere’s experts span 160 staff drawn from the federal government (e.g., CMS, OMB, CBO and Congress), Fortune 500 healthcare companies, top consultancies and nonprofits. The firm offers deep substance in areas ranging from healthcare coverage and financing to the changing role of evidence in healthcare decision making. Its focus on strategy is supported by a rigorous, in-house analytic research group that uses public and private data to generate quantitative insight. Through events, publications and interactive programs, Avalere also translates real-time healthcare developments into actionable information. Learn more at avalerehealth.net.

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