

Industry Update

Healthcare Payer Solutions



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The Future of Healthcare and the Evolution of Analytics

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The stock market has recently put a high price on companies that control large data bases. The value of data-focused companies in the health industry has been particularly strong because investors believe that reform and other changes in medical care will force providers, payers, and purchasers to scrutinize their numbers like never before. While I agree that data will quickly become a critical success factor, I am not sure that Wall Street has paid enough attention to the factor that will ultimately create value from the data - analytics. Having numbers is essential but knowing how to extract operational value from them will separate winners from losers in the long-run.

To extend the metaphor of (data) mining, owning a rich vein of resources isn't solely sufficient to realize its full value. The key to maximizing ROI is using appropriate extraction and refining processes. Also, to borrow a statement in ads for mutual funds, past success does not indicate future returns. Successful investment managers constantly update their portfolio allocation techniques to reflect relevant changes in market fundamentals. Both principles - using the right tools and techniques - should guide users of healthcare data. Consequently, this article explores how analytics must adapt to changes in the medical marketplace. Conversely, it suggests that analytic techniques of the past may not be appropriate to mine health data of the future.

New Data for Old

One of the most important challenges for healthcare analytics is to ensure that the data being mined are relevant and accurate. Outdated and/or inaccurate data may have been "good enough" in the past, but they will be increasingly (even dangerously) poor measures in the future for two reasons: 1) healthcare's scientific paradigm is shifting from "one size fits all" to personalized predictive medicine that recognizes significant differences in patients and their diseases; and 2) economic limitations will have a major impact on healthcare decision-making as patients are expected to pay a much larger portion of their bills for medical services. Successful enterprises will update their data bases and analytical techniques to capture these two powerful trends that are redefining healthcare.

- The **advent of personalized predictive medicine** is the direct result of technology transfer from the human genome project to everyday clinical care. Medical scientists have learned over the past five years that many health problems defined by common symptoms and physical signs are actually different diseases requiring different treatments. For example, the race to develop blockbuster drugs for diseases like cancer or diabetes has shifted to a methodical search for targeted combinations of therapies to control diverse, patient-specific chronic conditions—something quite different from finding a single drug or surgical intervention that "cures" a single acute condition in all patients.



Consequently, medical records and the data in them need to evolve with the changing understanding of disease. Analytics must follow, or organizations will be extracting outdated and misleading information from their data. Payers and providers that continue to rely solely on old data bases and analytical tools will be missing the opportunity to match patients with individualized therapies—a cost-effective alternative to traditional medicine's trial-and-error search for a treatment that works.

- **A significant increase in patients' out-of-pocket payment responsibility** has equally significant implications for the future of analytics. Historically, “private pay” has not been considered in utilization studies. It promises to be a major factor from this point forward because out-of-pocket payment obligations are likely to double in the next 2-4 years. The latest data on consumer health spending already suggest significant changes in insured patients' demand for medical services, from deciding not to seek care to choosing therapies based on price. Analytics must begin factoring consumer economics into the equations that providers and payers use to understand utilization. If healthcare was “different” from other markets in the past (because consumers did not pay the bills), it is going to be like other price-sensitive markets in the future. Data and analytics must be updated to capture this major change in the demand for care.

The Good News

Fortunately, data analysts have powerful new tools to study major changes in the medical marketplace. Systems to collect, store, and understand data have advanced impressively with medical science. (Indeed, new analytic technologies made personalized predictive medicine possible!) Graphic's interfaces literally provide new and better ways to look at data. Our capabilities to store and process data are also up to the task of helping us understand complicated new relationships between patients, providers, and payers. We have unprecedented opportunities, working together as business partners, to use state-of-the-art analytics for extracting top value from healthcare's expanding repositories of new data.

Detailed analysis of ideas presented in this column can be found in articles available for free download at www.jeffbauerphd.com/acsindustryupdate.htm.

Dr. Jeff Bauer, an internationally respected health futurist and medical economist, is Vice President for Healthcare Forecasting and Strategy for ACS, a Xerox Company. He welcomes comments on this article and solicits dialogue with leaders in the Payer and Provider communities, including suggestions for his future contributions to this newsletter. He can be contacted at (773) 477-9339 or jeff.bauer@acs-inc.com. His blog is published at www.thehealthydebate.blogspot.com, and his numerous publications can be downloaded at www.jeffbauerphd.com/writing.htm.

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Stay Updated With Our "Healthcare from the Hill" Monthly Broadcasts

To help keep you up to date on the ever-changing healthcare world, Xerox and ACS are teaming up to provide free, live-broadcasts each month. These broadcasts will provide insight into the latest developments and issues in healthcare.

ACS Healthcare Futurist Jeff Bauer and Xerox Manager of Government Policy Marty Reiser will team up to deliver the latest talking points for Payer, Provider and Pharma organizations.

Here are the upcoming dates for our Healthcare from the Hill broadcasts:

November 17, 1-2 PM (EST) - "The Votes Are In - Will Healthcare's Momentum Change?"

December 15, 1-2 PM (EST) - "Who's Telling the Patient? - Costly Healthcare Literacy Gaps"

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