

Humana - The Health Hub

Sponsored by Humana Inc.

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Agenda

Background

Analysis

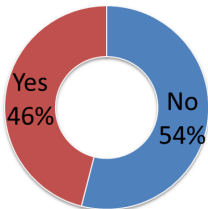
Conclusion

Referneces

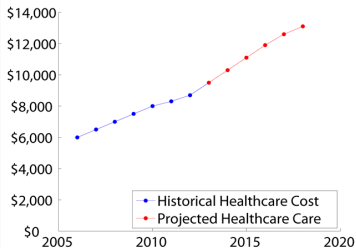
Background: Current Problem

What is happening in the health insurance industry

46% of consumers who have **deferred care** in the past year because of cost



More than 5% Annual Increase
In Healthcare Expenditure



Customers are **not satisfied** with the quality of service while suffering the **skyrocketing cost** of healthcare expenditures

Background: Project Deliverables

1. Understand the detailed situation of the health insurance industry
2. Find potential possibilities and directions in the industry
3. Understand the current status of Humana Inc.
4. Compare Humana with other competitors within the industry
5. Provide Short-term and Long-term strategy

Analysis: Possibilities within Industry

Obama Administration passed the American Recovery and Reinvestment Act (ARRA) in 2009

- ARRA allocates \$19.2 billion for healthcare IT
- Expected to help healthcare industry save billions of dollars in the long-term.

Case in Point: e-Prescribing

- Advantage: Decreased prescription errors and adverse drug events for medication management
- Investment: \$7.7B – \$13.0B
- **Cost Savings:**
\$10.2B – \$22.6B

Information Technology is the solution!

Analysis: Industry's Current Efforts

1. Empowering Consumer:

- 1.1 By engaging members in managing their own health, insurance companies can improve medical outcomes while controlling skyrocketing costs.

2. Driving Affordability :

- 2.1 By enabling members to better control and anticipate their health care costs, insurance companies can align product offerings and business models with health insurance exchanges.

3. Improving Quality and Access:

- 3.1 By understanding the health data and streamlining the information process , insurance companies can effectively and affordably manage patient care.

Analysis: Humanas Efforts So Far

Empowering
Consumer

Sensei

YOURSHAPE
FITNESS. EVOLVED. 2012

HUMANA. fit



Driving
Affordability



Family Health Budget

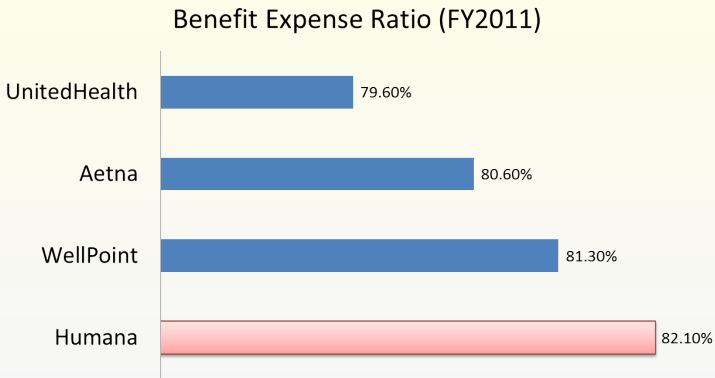
Improving
Quality and
Access



availity®
Patients. Not paperwork.

Humana has a RICH portfolio of products and services focusing on consumerism

Analysis: Competition Cost Analysis



(BER: Represents total benefit expenses as a percentage of premiums revenue)
However, after comparison, Humana spent **MORE MONEY** on benefits expenses than their competitors.

Conclusion: Short-term Strategy

1. Leverage the technology of the current data base to interpret members health data and predict future health issues.
(Benefit: Enable consumers to anticipate health care cost)
2. Utilize social network and crowd-sourcing to give educated suggestions to consumers.
(Benefit: Help consumers to make affordable and optimal decisions)
3. Merge Humana fitness program into Humana mobile app
(Benefit: Engage and educate consumers to manage their health)
4. Introduce annual body check system to customers to increase the early detection rate of disease.
(Benefit: Save high cost for the late stage treatment)

Proof of Short-term Strategy: Anticipate Health Costs

Case Study: Prostate Cancer

Statement

- Prostate cancer has a high incidence rate
- Late-stage detection → high cost
- Early detection significantly reduces cost burden

Approach

- Based on consumers' health data (such as age, blood test, lifestyle, etc), the new app can recommend high-risk population (in this case, over fifty male consumers with certain lifestyles) to take prostate-specific antigen test (PSA) for early detection

Results

- **Reduce** total benefit expenses by **0.4%** (detailed calculation is included in the notes section)

Proof of Short-term Strategy: Make Optimal Decision

Case Study: Diabetes Drugs

Statement

- Older diabetes drugs cost \$10 to \$60 per month
- New diabetes drugs cost \$350 to \$900 per month
- For those with diabetes, older drugs are often best.

Approach

- By connecting the diabetic community, consumers will better understand their options and make the optimal decisions.

Results

- **Reduce** total benefit expenses by **2%** (detailed calculation is included in the notes section)

Proof of Short-term Strategy: Encourage Healthy Lifestyles

Case Study: Obesity and Smoking

Statement

- Medical cost is enormously high due to poor lifestyles nationwide (i.e., \$200 billion for Obesity and \$191 billion for Smoking)

Approach

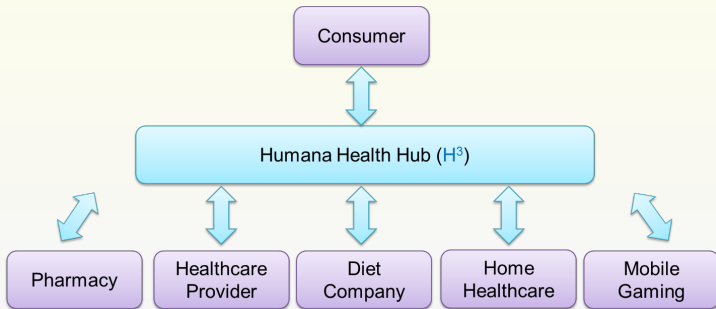
- Merging Humana fit and MyHumana into a simple solution, we will engage and educate our consumers to enjoy a better lifestyle.

Results

- With 10% compliance rate, **reduce** total benefit expenses by **9%** (detailed calculation is included in the notes section)

Conclusion: Long-term Strategy

Since the current healthcare system is ineffective, we recommend Humana to introduce a revolution of the managed care industry.



Advantages: 1. Enhance consumerism 2. Reduce costs 3. Promote health awareness 4. Increase customer base

Conclusion: Future Work

1. Build mathematical model to prove the cost reduce of the short-term strategy
2. Experiment on the small-group customers to test the model result
3. Design of detailed features and user interface of the mobile app
4. Draft the implementation plan of the new healthcare system

Referneces

1. PwC Health Research Institute Top health industry issues of 2012
2. BlueCross BlueShield Sssociation Healthcare Trends in America A Reference Guide from BCBSA 2010 Edition
3. Annual Report of Companies
4. United Healthcare Innovation Summary of 2012

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