Accountable Care Organizations & Consumerism

Designing Health Plans that Support Accountable Care

The perspective of a large employer: Target
About Target

- $65 Billion Annual Sales
- 1,740 Stores in 49 States
- 26 Distribution Centers
- 4 Food Distribution Centers
- 4 Import Warehouses
- 2 Target.com Warehouses
## Employee Demographic

<table>
<thead>
<tr>
<th>Location Type</th>
<th>Population Size</th>
<th>% Female</th>
<th>% Less than 34</th>
<th>% Exempt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores</td>
<td>307,000</td>
<td>60%</td>
<td>60%</td>
<td>5%</td>
</tr>
<tr>
<td>DC</td>
<td>16,300</td>
<td>30%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>HQ</td>
<td>12,300</td>
<td>60%</td>
<td>45%</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td>335,600</td>
<td>58.5%</td>
<td>58.5%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Health Care Costs Concerns

- Increase in behavior-related chronic diseases
- Lack of employee engagement, preventive care and resulting high cost claims
- Provider inefficiencies, waste and high degree of variability
Actions to Bend the Cost Curve

- Infusing health and well-being into our strong culture through encouraging:
  - Healthier lifestyles
  - Preventive care
  - Consumerism
Actions to Bend the Cost Curve

- Incentive alignment:
  - Health Insurance Discount
  - Project Stork
  - Exploring plan design incentives for utilization of:
    - Preferred Provider Networks
    - Centers of Excellence
  - Considering direct provider contracting for high cost procedures (e.g. CABGs)
  - Payment reform pilots
Payment Reform Challenges

- Gap in employees vs. employer definition of health care quality
- Lack of tools that provide transparency to employees
- A culture of “more” health care is “better” health care
- Lack of consistency in clinical guidelines needed to measure quality
Payment Reform Challenges

- Multiple payment models will be confusing to providers
- Employees want choice (or at least the perception of choice)
  - Restricting choice may be required to ensure maximized value of health care spend
Payment Reform Challenges

- Highly decentralized population issues:
  - Challenge to integrate back to community’s health care system when health care is provided outside community
  - Plan design is not equitable if employees in markets without “preferred providers” cannot qualify for an incentive
  - Administrative challenges with multiple payment models in multiple communities
Population Health

- Focuses on the health and well-being of the entire population rather than only ill or high-risk individuals.
- Addresses the entire range of factors that determine health, rather than focusing on risks and clinical factors related to particular diseases.
- Improves the clinical and financial outcomes.
Critical Elements of Population Health

- Transparency
- Technology
- Payment Reform
- Consumer (employee) centric
- Integration
- Education
Thank You