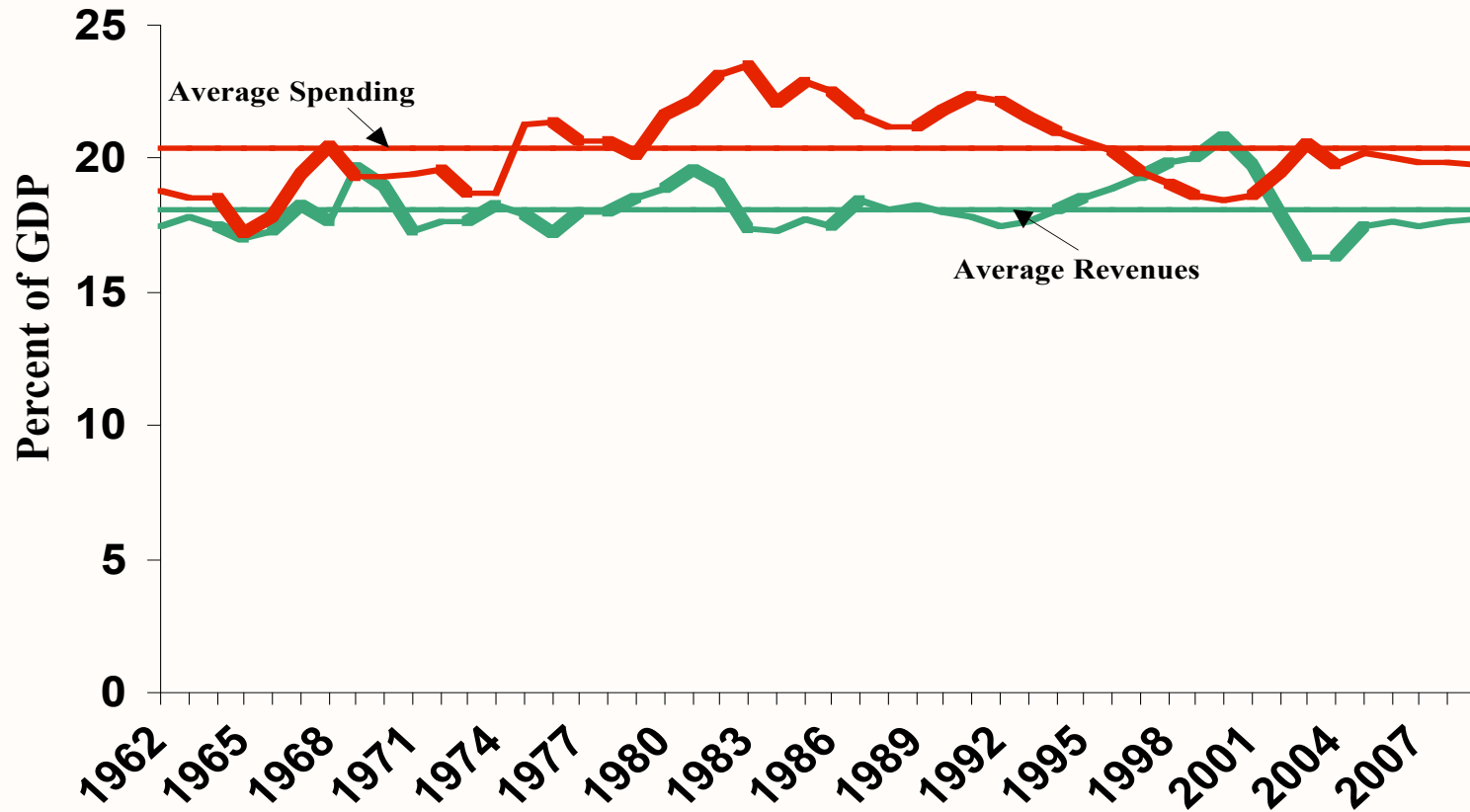


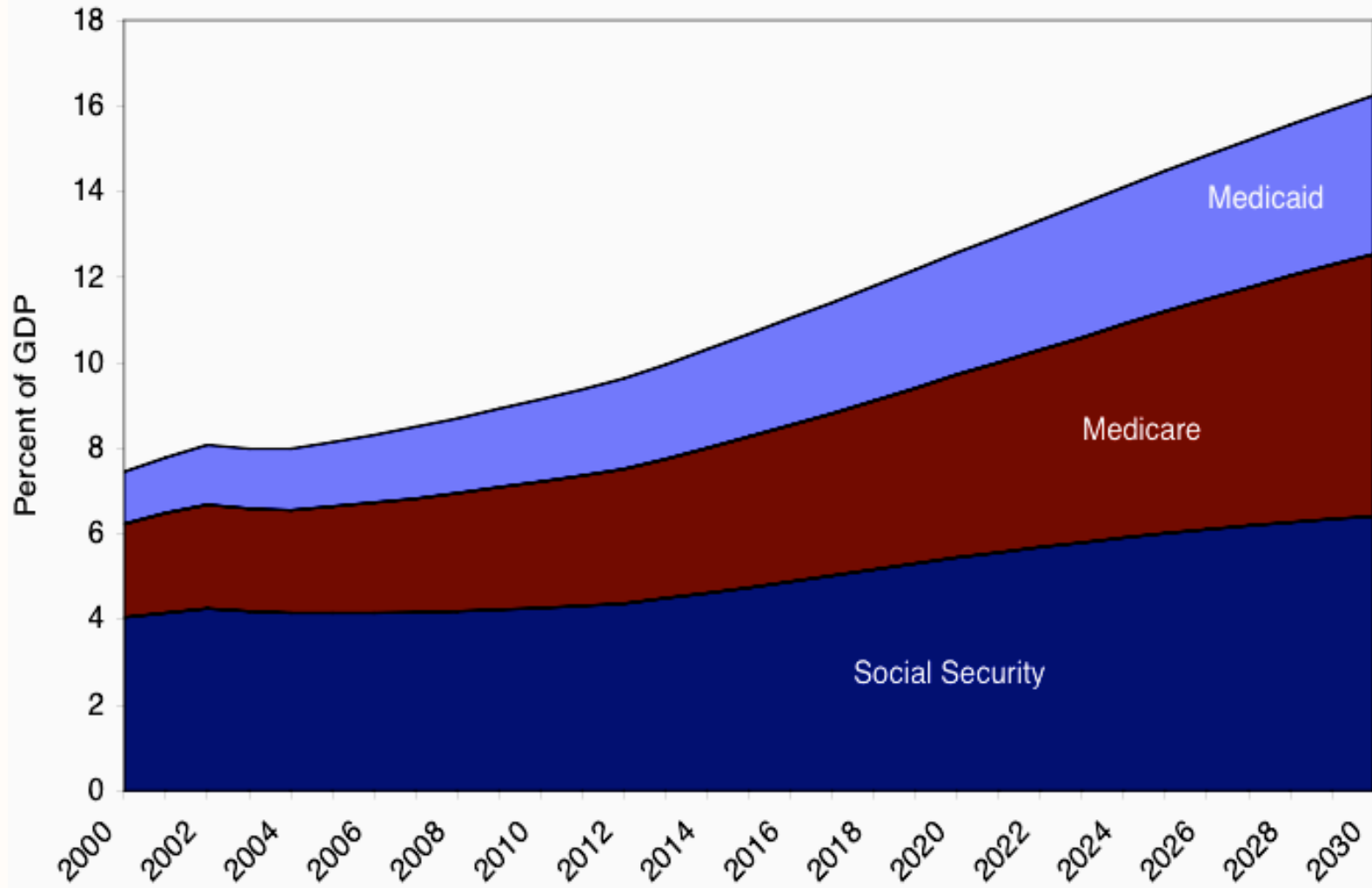
Moynihan's Laws

- 1: If you don't ask the right question, you are unlikely to get the right answer.**
- 2: Before you can solve a problem, you must first measure it (correctly).**
- 3: Beware that you ignore the obvious.**

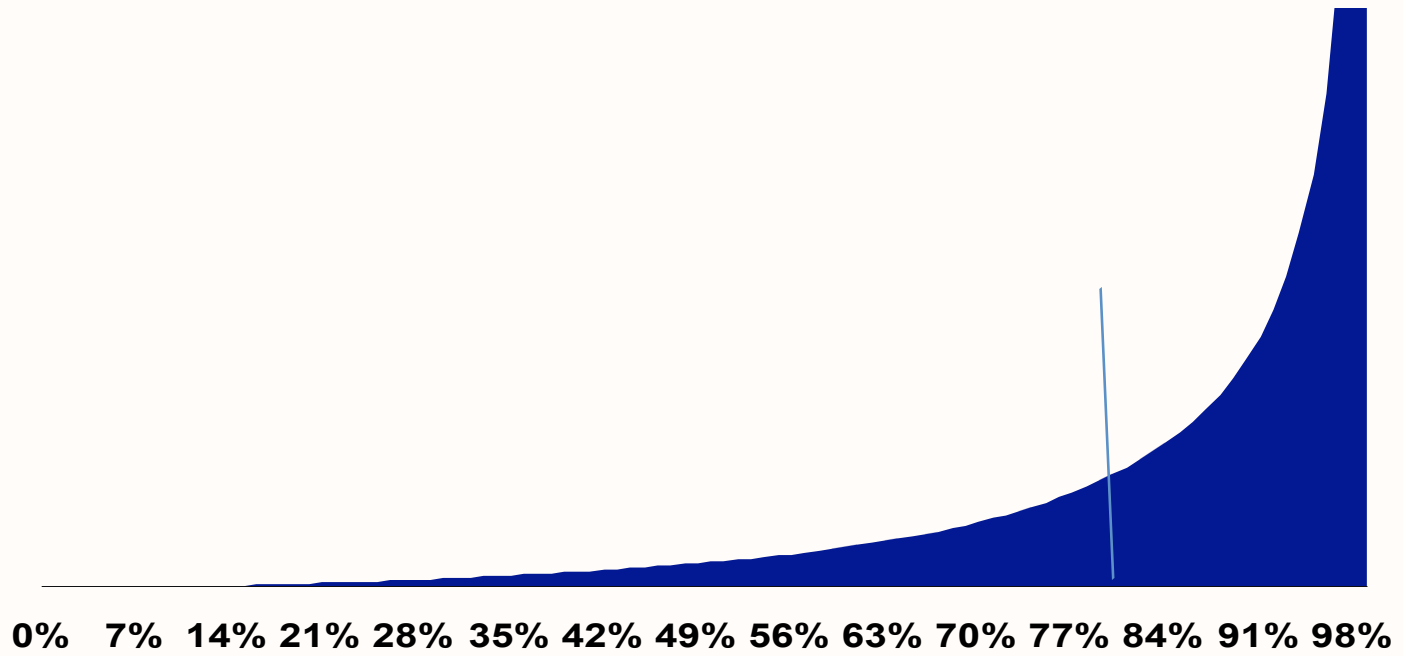
Federal Budget as a Percent of the Economy



Federal Spending for Retirees

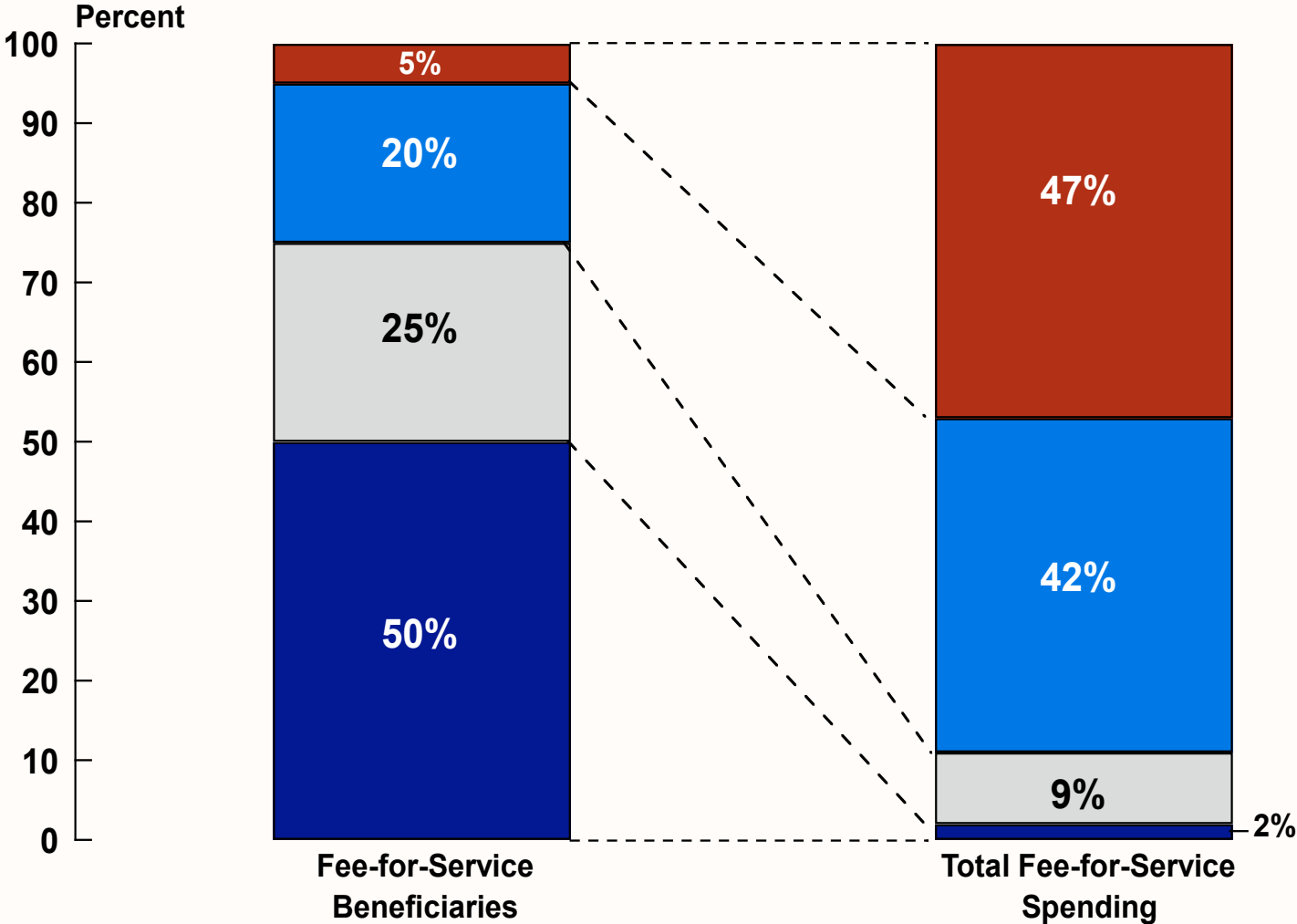


Percapita Distribution of Healthcare Costs



Percent of Population

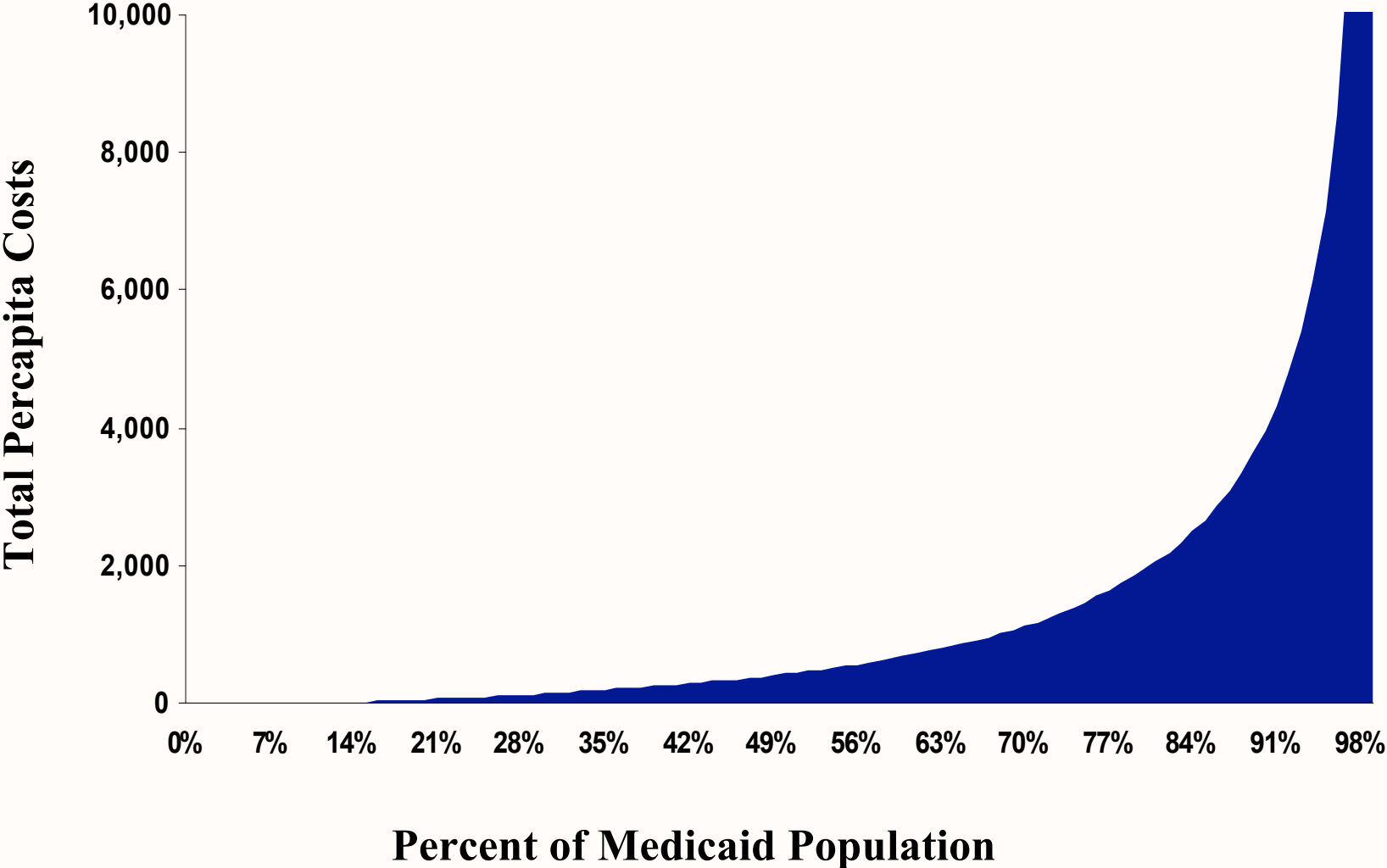
Distribution of Medicare Spending Among Beneficiaries



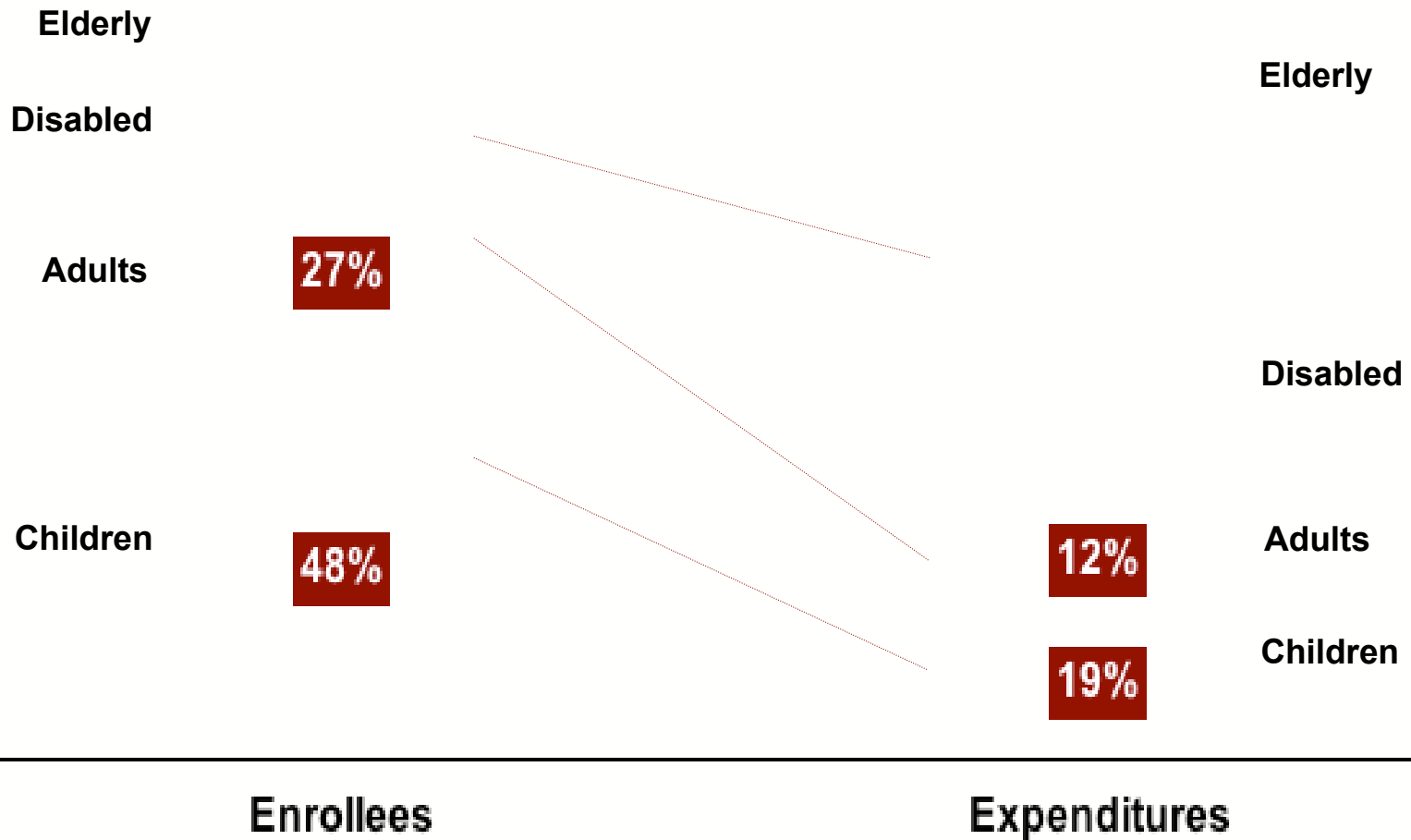
Profiles of Medicare Beneficiaries by Spending Group

Spending Group (Mean Spending)	Top 5 Percent (\$53,538)	Top 20 Percent (\$24,161)	Bottom 40 Percent (\$197)
Inpatient PPS Spending / Beneficiary	\$25,309	\$11,119	None
Physician Spending / Beneficiary	\$8,872	\$4,934	\$165
Chronic Conditions			
Diabetes	43%	36%	14%
CHF	59%	47%	9%
Cognitive impairment	30%	24%	5%

Per capita Medicaid Spending



What Groups Drive Medicaid Spending?



Defining the Population

Identification of Targeted Population--Acute Care

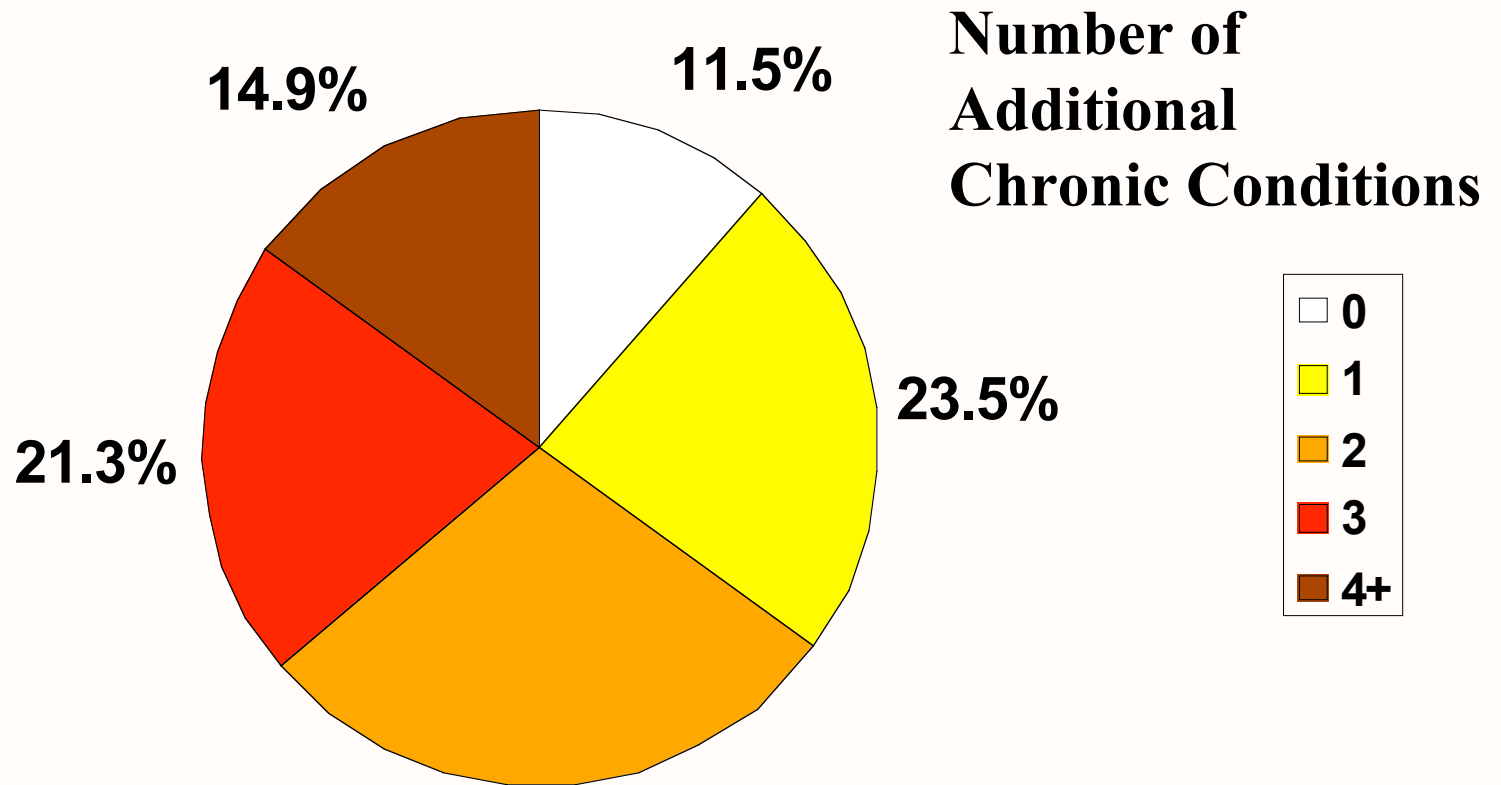
20% of Population Drive > 85 % of Costs

Cumulative Cost Distribution

Percentile	Costs	Percent of Total	# of unique members	Avg Cost Annual per member
Top 1.0%	\$ 197,185,493	33.4%	3,752	\$ 52,561
Top 5.0%	\$ 357,698,636	60.6%	18,758	\$ 19,069
Top 10.0%	\$ 442,423,134	74.9%	37,516	\$ 11,793
Top 20.0%	\$ 517,151,976	87.6%	75,031	\$ 6,892
Top 25.0%	\$ 537,486,942	91.0%	93,789	\$ 5,731
Top 50.0%	\$ 581,370,421	98.5%	187,578	\$ 3,099
Total	\$ 590,438,797	100.0%	375,156	\$ 1,574

- The top 1% of members account for 33% of total costs
- The annual cost of this 1% is \$52,500/member as compared to \$1,500 average annual cost
- The bottom 50% of members (188,000 members) account for only 1.5% of total costs and have an average cost of \$50/member

Percent of People with Diabetes and Additional Chronic Conditions



Source: Medical Expenditure Panel
Survey, 2004.

High-Cost Medicaid Conditions (Top 20% of patients)

- Diabetes
 - 37% Inpatient and ER
- Chronic Heart Failure
 - 50% Inpatient and ER
- Cancer
 - 39% Inpatient and ER

High-Cost Medicaid Patients (Top 20%)

- Inpatient and ER — 45%
- Surgical — 6%
- Physician — 8%
- Imaging — 3%
- Lab — 3%

Hospitalizations

→ Unnecessary Hospitalizations

- One-day admits
- “Convenience”

→ Preventable/Avoidable Hospitalizations

- Readmissions
- Asthma
- Diabetes
- CHF

→ Predictable Hospitalizations

- Pattern of pharma use
- Number and type of physician encounters