



# HEALTHWAYS

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## **NEW RESEARCH REPORT SHOWS POTENTIAL MEDICARE SAVINGS FROM HEALTH PROMOTION, PREVENTION AND CHRONIC CARE MANAGEMENT COULD EXCEED ONE TRILLION DOLLARS OVER NEXT DECADE**

**NASHVILLE, Tenn. – July 30, 2009** – Government investment in programs and solutions aimed at improving the health and well-being of Americans both before and after entry into Medicare could yield up to \$1.4 trillion in savings over 10 years, according to a report – *Potential Medicare Savings Through Prevention & Health Risk Reduction* – released today by the Center for Health Research (CHR) at Healthways, Inc. (NASDAQ: HWAY).

Based on an actuarial model developed and tested by Ingenix Consulting, the analysis shows that even modest reductions or delays in the advent and progression of population health risk can result in significantly reduced cost, even after accounting for corresponding increases in life expectancy. The report is the first-ever analysis based on sound actuarial science to quantify the financial impact of better health and reduced health risk progression in the Medicare Fee-For-Service (FFS) population.

The model described in the report utilized Medicare Parts A and B data from the 5% Sample Limited Data Set for the years 2002–2006, Medicare Trust Fund enrollment projections and Vital Statistics age/gender-specific mortality rates to allow estimates of average Medicare costs based on age and stratified health risk. The model estimates that, per Medicare FFS beneficiary, the government will spend an average present value of \$174,000 over the course of their tenure in the program, from age 65 until death. The total lifetime cost to the nation of the approximately 37.5 million seniors in the Medicare FFS population in 2005 will be \$6.5 trillion.

Those costs will not be evenly distributed across the population. In 2002, half of all Medicare beneficiaries were being treated for at least five chronic conditions, and the treatment of those individuals accounted for more than 75 percent of Medicare spending<sup>1</sup>. Healthways researchers analyzed the cost impact of changing that mix, asking what if more people entered Medicare healthier and with fewer risk factors, and what if programs were implemented to slow the development and progression of risk factors within the existing Medicare population?

Working with the senior professional staff at Ingenix, the CHR developed several scenarios for the model to test. These scenarios examined the impact of varying distributions of population risk for the population entering Medicare at age 65 as well as varying rates of risk progression for all beneficiaries.

The calculations yielded a range of potential savings that could accrue from a combination of health promotion, prevention and chronic care management initiatives prior to and/or after the

age of 65. The savings were estimated at between \$652 billion and \$1.4 trillion over 10 years (in 2008 dollars), specifically:

- A modest scenario that reduces risk prior to and during the years of Medicare by increasing the proportion of Low Risk individuals at age 65 from 54 percent to 65 percent and preventing 10 percent of upward risk transitions that would otherwise occur during the years of Medicare was estimated to save \$65.2 billion annually, or \$652 billion in savings over 10 years
- A more forward scenario of increasing the proportion of Low Risk individuals at age 65 from 54 percent to 75 percent and preventing 50 percent of upward risk transitions that would otherwise occur during the years of Medicare was estimated to save \$142.8 billion annually, or \$1.4 trillion in savings over 10 years

“Due to the magnitude of the savings generated by even modest levels of risk reduction, we replicated our analysis using two additional risk stratification approaches, each of which generated similar or greater savings under the same risk-reduction scenarios,” said Jim Pope, M.D., chief science officer at Healthways. “We feel confident these results support sustained efforts to reduce health risk as a means to substantially reduce future Medicare spending.”

“The government and health care industry have long believed there to be a substantial cost benefit from prevention, health promotion and chronic care management,” said Ben R. Leedle, Healthways chief executive officer. “This research validates and quantifies that assumption and could have significant implications for the reform debate, health benefit coverage and policy in general. The CHR findings provide a model by which lawmakers may score or value the Medicare cost impact of programs designed to improve health for Medicare and pre-Medicare beneficiaries, and, as the model indicates, the savings are more than enough to pay for other aspects of health care reform currently under discussion in Congress.”

In summary, the research indicates there is a major opportunity from the standpoints of cost and longevity resulting from more focus on population-scale programs that keep healthy people healthy, mitigate or reduce health risk factors both before and after entry into Medicare and/or proactively manage chronic conditions after onset. The study also predicts that by preventing or slowing health risk progression, the average Medicare beneficiary would gain 2.4 to 5.7 years of life expectancy, and savings to the taxpayer would still accrue, despite the associated increases in longevity.

The report in its entirety is available at [www.healthways.com/trillions](http://www.healthways.com/trillions).

### **About Healthways**

Healthways, Inc. is the leading provider of specialized, comprehensive solutions to help millions of people maintain or improve their health and well-being and, as a result, reduce overall costs. Healthways' solutions are designed to help healthy individuals stay healthy, mitigate and slow the progression to disease associated with family or lifestyle risk factors and promote the best possible health for those already affected by disease. Our proven, evidence-based programs provide highly specific and personalized interventions for each individual in a population, irrespective of age or health status, and are delivered to consumers by phone, mail, internet and face-to-face interactions, both domestically and internationally. Healthways also provides a

national, fully accredited complementary and alternative Health Provider Network, offering convenient access to individuals who seek health services outside of, and in conjunction with, the traditional health care system. For more information, please visit [www.healthways.com](http://www.healthways.com).

**About the Center for Health Research**

The Center for Health Research performs advanced analytics with data collected from millions of participants over twenty-five years of Healthways programming. Currently, Healthways houses six times the volume of data contained in the Library of Congress. That depth and breadth of information allows the team to conduct a vast range of research, and it is used to advance their thinking in all levels of health care. For access to our Virtual Research Library, and the reports published by the team at the Healthways Center for Health Research, go to [www.healthways.com/research](http://www.healthways.com/research)

<sup>1</sup> Thorpe and Howard, 2006

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