COMMENTARY

Defined Contribution and Alternative Care Meet Personalized Medicine

F. RANDY VOGENBERG, RPh, PhD

Among the many healthcare trends that bear watching, coverage, reimbursement, and evolving medical technologies are at the top of the list.

Some employers are moving away from a *defined benefit* model, e.g., benefits provided by an employer's health plan, and toward a *defined contribution* model, e.g., employees receive a fixed amount of money to buy medical coverage from an online insurance marketplace (Mathews 2012). Uncertainty about reimbursement policies among various provider entities, hospitals, and healthcare systems has set off a number of market shifts. These trends require that consumers become more engaged in decisions about using and paying for healthcare services.

Advances in medical technology in the pharmaceutical, device, and diagnostic fields are increasing financial pressures on healthcare service entities. More patients are seeking costlier treatments even as reimbursements decline. Personalized treatments, in particular, are affecting cost sensitivity and utilization volume — for example, both Express Scripts and CVS Caremark have noted that by 2015, of the top 10 medications in terms of utilization, nearly two thirds will be biologic or specialty products bearing some aspect of personalized medicine. Clearly, reimbursement for personalized therapies will be an important trend to follow in the context of healthcare reform.

And if that's not enough to pique your interest, then consider the rapidly growing alternative healthcare services market.

Alternative healthcare is on the rise

In the past, *alternative healthcare* brought to mind chiropractic massage or naturopathic services. No longer. Today, alternative healthcare refers to site of service — the delivery of care through retail health clinics, urgent care centers, and worksite health clinics.

Primary care physicians, nurse practitioners, physician assistants, and pharmacists are moving to community-based locations or to onsite clinics such as those provided by a large employer. The owners of these clinics, challenged to meet the demand for primary care services in the face of a shortage of practitioners, have doubled their number over the past few years and are expanding the services offered. These services may include medication infusions, minor surgery, and family care across the age spectrum. Employers and unions see this as a way to better control costs, ensure quality of care, and provide a valued benefit to their members. As a result, more and more patients are being cared for in an economy that does not involve traditional mainstream reimbursement services.

Employer insurance coverage is changing

Patients seen at a worksite clinic do not need a traditional employer health plan for routine medical services — only catastrophic or extended care will require insurance coverage, which will significantly reduce *all* purchasers' premium and claim costs. This trend is expected to accelerate as we approach 2014, and it complicates the question of whether employers will stay in healthcare or exit in favor of the health insurance exchanges. Some employers may continue to offer a healthcare benefit — but providers, payers, and drug manufacturers may not like how they do it.

Consumerism is key

As alternative healthcare services increase, what will be the impact on personalized medicine? The increase in consumer choice, at both the patient and purchaser levels, is an important trend that providers and manufacturers need to understand — and fast.

Reference

Mathews AW. Big firms overhaul health coverage. *Wall Street Journal*. Sept. 26, 2012, A1.

Disclosure

F. Randy Vogenberg, RPh, PhD, reports that he has no financial arrangements or affiliations with organizations or manufacturers of proprietary products mentioned in this article.

F. Randy Vogenberg, RPh, PhD, is principal, Institute for Integrated Healthcare, and co-founder, Bentelligence. You can reach him at rvogenberg@bentelligence.com.