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Disease Management NEWS

Independent, timely business intelligence on disease and demand management

Diabetes takes large toll, but DM can help

The prevalence of diabetes continues to grow, and annual productivity-related costs of the disease equal about half of medical expenditures, according to a new American Diabetes Association (ADA) study, published in the March *Diabetes Care*.

But disease management (DM) apparently can affect some of these costs: interim results show that participants in the Diabetes Ten City Challenge (DTCC) improved across all key clinical and patient satisfaction indicators in the early stages of the program.

Although the ADA did not address the DTCC results directly, **Matt Petersen,** director of information resources for the association, says that DM in general can improve care. "Poor diabetes care has a strong and direct link to debilitating and expensive diabetes complications," he says. "Improved disease management programs have the potential to save billions of dollars a year in direct and indirect costs of diabetes, while also significantly improving quality of life."

The number of people in the United States with diagnosed diabetes has reached 17.5 million, according to the study from the ADA, which examined diabetes prevalence rates and other epidemiological data, healthcare costs, and economic data.

In its analysis, the study found that the total estimated diabetes cost in 2007 is $174 billion, including $116 billion in excess medical expenditures and $58 billion in reduced national productivity.

Medical costs attributed to diabetes include $27 billion for care to directly treat the illness, $58 billion to treat the portion of diabetes-related chronic complications that are attributed to diabetes, and $31 billion in excess general medical costs.

> **"Poor diabetes care has a strong and direct link to debilitating and expensive diabetes complications."**
>
> *—Matt Petersen*

According to the study, the largest components of medical expenditures attributed to diabetes are:

- Hospital inpatient care, 50%
- Diabetes medication and supplies, 12%
- Retail prescriptions to treat complications of diabetes, 11%
- Physician office visits, 9%

People with diagnosed diabetes incur average medical expenditures of $11,744 per year, of which $6,649 is attributed to diabetes.

Those with diagnosed diabetes, on average, have medical expenditures that are around 2.3 times higher than what their expenditures would be in the absence of diabetes, the study said.

For the cost categories studied, about $1 of every $5 healthcare dollars in the United States is spent caring for someone with diagnosed diabetes, whereas about $1 in every $10 healthcare dollars is attributed to diabetes.

Indirect costs include absenteeism ($2.6 billion) and reduced productivity at work ($20 billion) for the employed population, reduced productivity for those not in the labor force ($800 million), unemployment from

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disease-related disability ($7.9 billion), and lost productivity due to early mortality ($26.9 billion).

The study notes that the actual national burden of diabetes is likely to exceed the $174 billion estimate because that figure omits the social cost of intangibles, such as pain and suffering, care provided by nonpaid caregivers, excess medical costs associated with undiagnosed diabetes, and diabetes-attributed costs for healthcare expenditures categories not included in the study.

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Early DTCC results promising

In a second report, the American Pharmacists Association (APhA) Foundation said this month that it's seeing promising results in its DTCC.

The DTCC is an employer-based diabetes self-management program conducted by the foundation with support from GlaxoSmithKline.

Since it was launched in October 2005, 31 employers in 10 cities have joined forces with hundreds of pharmacists to help more than 1,000 people manage their diabetes.

Through the DTCC, employers establish a voluntary health benefit for employees, dependents, and retirees with diabetes, and waive copayments for diabetes medications and supplies if they work with a pharmacist coach to manage their condition in collaboration with their doctors and diabetes educators.

Initial data show a positive trend in controlling diabetes, according to the foundation. The report released this month analyzed aggregate data on 914 DTCC participants who were in the program at least three months as of September 30, 2007. It documented clinical improvements in all the recognized standards for diabetes care, including:

- Decreases in laboratory measures for hemoglobin A1c (HbA1c), LDL cholesterol, and blood pressure over the initial year of the program
- Increases in the number of participants with current influenza vaccinations and foot and eye examinations
- A 21% increase in the number of participants achieving the ADA goal of HbA1c levels less than 7
- An increase from 43.8% to 57.7% in participants achieving nationally recognized National Cholesterol Education Program goals for LDL cholesterol
- A 15.7% increase in the number of people achieving recognized goals for systolic blood pressure

The initial report was published in the March/April *Journal of the American Pharmacists Association*. The final DTCC report, due out in 2009, will include cost savings data for DTCC employers. ■

Contact: ADA spokesperson Shana Starkand, 703/549-1500, Ext. 2622, and Caren Kagan Evans of the DTCC, 301/309-8487.

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Questions? Comments? Ideas?

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Potential CIGNA insourcing a worry

Healthways 2Q08 earnings in line, but concerns linger

Healthways, Inc., this month reported earnings of 33 cents per share for its second quarter, right in line with analysts' expectations, but investor concern over future prospects for the Nashville-based company and the overall disease management (DM) industry lingers, analysts say.

The company's third-quarter guidance of 38 cents to 39 cents per share is 9% below the consensus estimate of 42 cents per share and implies that the company would need to make up considerable ground in the fourth quarter to make its 2008 guidance of $720 million–$740 million in revenues and $1.50–$1.55 in earnings per share.

But there could be reason to invest now, says **Thomas Carroll,** an analyst at Baltimore-based Stifel Nicolaus. "Is the business broken? In our opinion, no. Wellness and DM solutions continue to be of interest and evaluated by employers, health plans, and government payers, both domestic and international," Carroll says. "We believe the pendulum has swung fully back toward considerable investor disdain for Healthways shares. We believe this is when the shares should be bought."

However, **Michael Glynn,** an analyst at New York City–based Credit Suisse, remains neutral on the stock, noting concerns that Healthways management could not provide assurance that Healthways' recently announced five-year contract extension with CIGNA would allow for growth, and that Healthways' contract with German insurance company Deutsche Angestellten Krankenkasse, unveiled in late summer 2007, is unlikely to be considered for expansion until late in fiscal year 2009.

CIGNA has accounted for 21% of Healthways' fiscal 2008 year-to-date revenues, according to the company, and Glynn says concerns about the health insurer giant insourcing its DM programs linger.

"At the $32 price level, the stock is embedding stable margins beyond 2009 and a 6% long-term revenue growth rate (after 19% growth in fiscal year 2008), which we believe is reasonable," says Glynn.

Revenues up 12% from 2Q07

In the quarter, which ended February 29, total revenues increased to $179 million, up 12% from $160.3 million in the second quarter of 2007, according to Healthways. This came in below expectations of $182.6 million, says Carroll, adding that "revenue continues to be a concern and be a source of bearish opinion for Healthways shares."

Net income for the second quarter of 2008 increased 13% to $12.5 million from $11 million in the second quarter of 2007, the company says, and net income per share for the most recent quarter was, at 33 cents, up 10% from 30 cents per share from the prior year.

"Our domestic results reflected the impact of a significant number of contracts that began operations on January 1, which we expect will contribute more substantially to our revenue growth in the second half of the fiscal year," Ben Leedle Jr., Healthways president and CEO, said in a statement.

"In addition to the costs associated with the startup of these contracts, these results included costs related to the opening of three domestic call centers in the first half of fiscal 2008, continued integration work from the Axia transaction, and participation in our Medicare Health Support pilots," Leedle said. Healthways bought Axia Health Management for $450 million in late 2006.

Leedle also announced several new contracts for Healthways, including:

- A contract with Abbott Laboratories to provide online, on-site, and telephonic health improvement services for approximately 37,000 employees
- A three-year contract with Caterpillar, Inc., for biometric screening and health coaching for approximately 40,000 employees
- A three-year contract with AARP and UnitedHealthcare for Healthways' SilverSneakers Fitness Program, which will be made available to more than 400,000 members

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Healthways

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of the AARP-endorsed Medicare supplemental policies underwritten by United

- A second contract with United to provide SilverSneakers to all its MedicareComplete members in Alabama
- A three-year contract with WWP Group USA for a full suite of Care Support programs and Health Risk Assessment with lifestyle coaching for the group's approximately 12,000 eligible members
- A contract with Blue Cross Blue Shield of North Dakota to provide its members with access to Healthways' integrated wellness portal
- A contract with Care1st Health Plans in California for DM and Forever Fit programs for its Medicare and Medicaid members ■

Contact: Healthways CFO Mary Chaput, 615/665-1122; Stifel Nicolaus analyst Thomas Carroll, 443/224-1310; and Credit Suisse analyst Michael Glynn, 212/325-8642.

News in brief

Secured Independence wins first contract

Scottsdale, AZ–based Secured Independence, Inc., says it has entered into the first contract for its Secured Wellness Long-Term Care Insurance program with Penn Treaty Network America Insurance Company, a subsidiary of Penn Treaty American Corp.

The program is the first comprehensive wellness and disease management program for the long-term care insurance market, Secured Independence says.

It is specifically designed to help long-term care insurance policyholders identify their risks of chronic illness or disability and manage those risks proactively.

"The application of best practices, including recent treatment and service advances, for Alzheimer's disease, falls, frailty, and other conditions that contribute to long-term care insurance claims may significantly reduce community and facility services for long-term care insurance policyholders, but only if proactive screenings are performed so these conditions can be addressed in the earliest stages," says **Geoff Walton,** president and CEO at Secured Independence.

Contact: Secured Independence president Geoff Walton, 602/206-4018.

WellDoc diabetes program lowers blood glucose

Baltimore-based WellDoc Communications, Inc., a technology-based healthcare company focused on improving diabetes management, says that patients in its initial pilot program experienced significant improvements in their diabetes control.

Patients using WellDoc's Web- and cell phone–based diabetes management platform achieved, on average, a two-point drop in their hemoglobin A1c (HbA1c) within 90 days, the company says. The pilot results will be published in June in a peer-reviewed diabetes journal, the company says.

The American Diabetes Association recommends that a person's HbA1c be less than 7%, but the majority of type 2 diabetes patients in the United States have an average HbA1c of more than 9%, greatly increasing their risk of a heart attack, stroke, blindness, and kidney failure. Each one-point drop in HbA1c can reduce these risks by up to 40%.

WellDoc's pilot program involved 30 patients, with an average age of over 50. Patients in the intervention group were given WellDoc's cell phone–based diabetes management software, which securely captures data and provides real-time diabetes management feedback.

In addition, WellDoc's system analyzes patient data and provides suggested action plans to patients' healthcare providers. The solution promotes patient self-management and enhances communication between patients and their healthcare providers, the company says.

Contact: Tonya Bacon for WellDoc, 301/408-4500, Ext. 1085. ■