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PCMH: Impact on the Disease Management Industry

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In this issue of Parks Associates' *Digital Health Newsletter*, we will examine the impact of the Patient-Centered Medical Home (PCMH) on the Disease Management (DM) industry, the final in a three-part series examining the PCMH concept from the perspectives of different stakeholders. Last month's essay looked at the payer perspective, while the previous month's essay presented the physician perspective.

The previous essays also included some background on the PCMH concept overall, discussing specifically the factors leading to this concept, what is contributing to its current momentum, and the roles of primary care and disease management in pushing it forward. The transformational power of the PCMH model will first affect primary care practices, but there will be a ripple effect that could reach every corner of the healthcare system.

For doctors, they have been cautious but supportive of the concept – but many are waiting on results from PCMH trials to determine if adoption would be useful.

For insurers, a key factor is cost – specifically, how can the PCMH concept help them control costs and improve efficiency.

For the DM industry, the PCMH could be either a threat or an opportunity. Either way, the PCMH will have a profound impact on the DM industry's future direction.

The DM industry has already generated more than \$2 billion in revenue annually by helping health insurers address the chronic care and wellness needs of the insured population. Through a carefully crafted implementation process, DM service providers have created a unique business model that blends health coaching with care coordination and monitoring.

Most importantly, they achieved this objective with teams of nurses, rarely turning to primary care physicians for support. In effect, they created a model for digital health home applications that excluded physicians. For primary care doctors, DM was a missed opportunity. They and their in-house clinical support team can perform many of the same functions patients are getting from a DM service – but now it threatened to cut them out of future healthcare service paradigms.

The PCMH model is their response to the DM challenge, and from the DM perspective, PCMH could be construed as a threat. However, reacting from such a perspective would be detrimental to the DM industry, which is already reeling from the failed Medicare Health Support Demonstration. In this instance, the Center for Medicare and Medicaid Services (CMS) hired DM firms to address chronic care problems in its FFS population, but the results did not bring the cost savings expected, with several participants withdrawing very early in the process. Since then, CMS has shown a strong interest in the medical home model. In 2007, CMS unveiled its agenda on the PCMH model, which includes a Medicare Medical Home demonstration and a plan to engage state Medicaid programs to test this model.

With the prospect of cost savings coming from these programs, many insurers are likely to shift investments from the DM to the PCMH approach. If the current pilot/demonstration programs prove valuable and successful, the PCMH will be the care management choice of the 2010s. As payers like Medicare shift their chronic care budgets from the DM industry to the physician groups, the DM industry could see its business slow and its customers disappear.

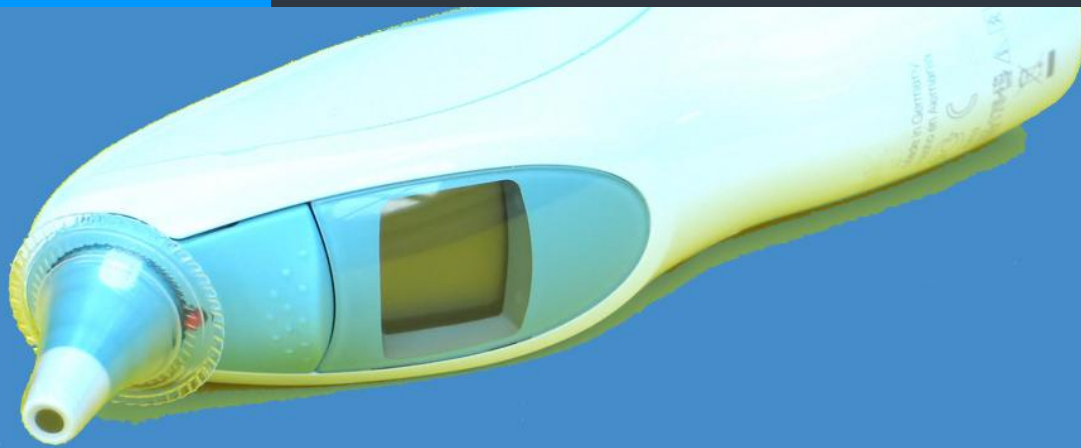
In the face of such a threat, the best approach for the DM industry is to see the growing popularity of the PCMH model as an opportunity. For example, Tracey Moorhead, chair of the Care Continuum Alliance, feels that the PCMH model uses the same basic approach that the DM industry has been promoting and implementing for more than a decade.

Although primary care physicians have the expertise to manage patients on a daily basis, they will need help in optimizing chronic care design and coordination. The DM industry already has the expertise in delivering on such a model and is in a good position to benefit from the shift to PCMH. DM vendors have experienced personnel and market-tested systems; therefore, they are the best partners for the physicians.

In the short term, the strategy of DM vendors is to offer their expertise and become contractors or consultants to physician practices that seek NCQA PPC-PCMH recognition. For instance, Enhanced Care Initiatives (ECI) is an active participant in EmblemHealth's Medical Home High Value Network Project. HealthDialog, another DM vendor, is also a participating stakeholder in the Texas PCMH Demonstration Project.

That is not to say that the transition to the PCMH will be a simple acronym shift for all in the DM industry. Primary care physicians will need DM vendors' expertise in care management and coordination for now, but eventually competition will increase in the digital health field,





with long-term adoption of the PCMH model threatening the survival of DM vendors. A few years down the road, if the PCMH initiative takes root, some DM vendors will likely apply for PPC-PCMH recognition to participate directly as providers of PCMH services. Although the NCQA PCMH recognition program targets mainly primary care physicians, it does not prohibit other types of clinicians from becoming primary care coordinators. Therefore, DM vendors will be direct competitors to primary care physicians.

In the long run, when most primary care physicians have achieved NCQA Level 3 recognition and are using advanced information technology extensively in their practices, the current DM service model—telephone-based nurse coaching—will face extinction. Convenient communication with doctors, easy access to full health information, and low-cost biometric measuring devices will be the cornerstones of a true patient-centered self-care model, with the patient-doctor relationship as the foundation of our healthcare system. The PCMH model is clearly the first step toward this grand vision.

For now, the DM industry is watching for signs that will tell the future direction of the PCMH model. Both physicians and payers need to be convinced of the PCMH's viability. Physicians must have the confidence that PCMH will not be just another reform “fad” and that their up-front investments won't be wasted. To win over payers, the PCMH has to show concrete value in cost savings.

The PCMH model could make deep inroads with both groups with the demonstrable success of current pilot programs. With that, the migration of physicians and payers toward the PCMH model will be a clear sign to the DM industry that it will need to adapt. Players in the DM industry will seek out new ways to integrate their expertise into this new model. While adoption of the PCMH model is not forgone conclusion, it is the current direction of the market, one that DM vendors must be prepared for if they hope to survive.



Parks Associates' latest digital health report *Electronic Medical Records: The Information Center of Connected Care* analyzes adoption of electronic medical records and personal health records among providers and consumers. It offers insights on industry issues like usage models, government incentives, pilot programs, and technology trends.

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Our research clarifies the opportunities and challenges for technology vendors, healthcare providers, and companies considering entering this changing market. Parks Associates' expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, and home control systems and security.

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Harry Wang studies the consumer electronics and entertainment service industries with a focus on portable CE hardware, software, and associated applications and services. He is also the lead analyst for Parks Associates' digital health research program. Harry has presented his research in numerous industry events including CES, Digital Hollywood, Photo Marketing Association Annual Show, American Telemedicine Association Annual Show, World Health Congress, and at Parks Associates' CONNECTIONS™, and Fall Focus conferences

Harry earned his MS degree in marketing research from the University of Texas at Arlington. He also holds an MBA degree in finance from Texas Christian University and a BA degree in international business from Guangdong University of Foreign Studies, P.R. China.

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