

SYSTEMS RESEARCH FOR BETTER HEALTH



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In Remembrance

Early in 2008, Dr. William M. Brown, the founder and first president of the Environmental Research Institute of Michigan (ERIM), passed away after a long illness. Under his leadership, ERIM was at the forefront of researching and developing many of the technology innovations that have protected America for decades. ERIM's strong financial legacy helped to create Altarum and we are proud to carry forward ERIM's commitment to objective research in the nation's interest. We are deeply grateful for Bill Brown's twenty-two years of leadership of this predecessor organization.

MISSION

Altarum serves the public good by solving complex systems problems to improve human health, integrating research, technology, analysis and consulting skills.

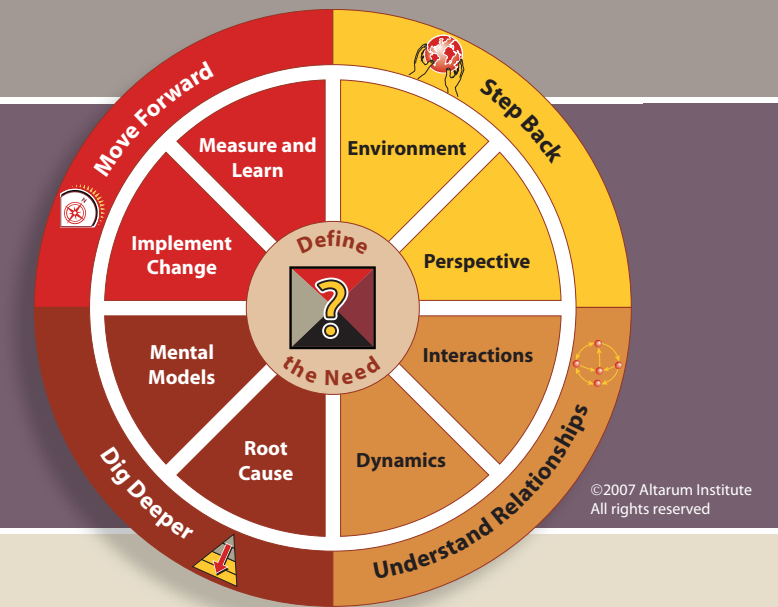
VISION

Altarum will be the preeminent provider of health systems research. By 2020, Altarum will drive a shift in the pattern of health care spending in the U.S. from programs consumed by cost of care to systems centered on the value of health.



Lincoln T. Smith
President and CEO

ALTARUM SYSTEMS CHANGE MODEL



As Altarum's President and Chief Executive Officer, I look back on a very successful 2007 and see three overriding themes in our accomplishments: refining our mission, broadening our impact, and ensuring financial stability.

We sharpened our focus on what it means to be a leading nonprofit health systems research institution.

Altarum's tagline reads "Systems Research for Better Health." In 2007, we developed the Altarum Systems Change Model that differentiates us from our peers. The methodologies captured in this five-step model characterize how we approach, analyze, and solve the problems facing the American health care system. We believe that meaningful change in how America delivers care and improves health will only come when we understand and optimize the interactions of the many systems — provider, financing, public health, and educational among them — that define the complex landscape of health care in America.

We increased our reputation as objective thought leaders and agile problem solvers in our chosen fields.

For us, nothing validates the quality of our research and solutions better than the opportunity to serve a new client or to serve an existing client in new ways. Last year we realized exciting opportunities to do both. For the Substance Abuse and Mental Health Services Administration, we are helping enable a program that takes a systems-based approach to meeting the needs of people dealing with substance use disorders. Within the Veterans Health Administration, we are leading the effort to evaluate mental health services for veterans with post-traumatic stress and other mental health disorders. These are but a few of the client research projects initiated or expanded in 2007.

Our internally funded research and development (IRAD) program is creating new knowledge about several of the toughest problems in health care and, in some cases, will deliver new tools to help clients better meet the needs of the populations they serve. Our IRAD program, which represents a commitment to spend approximately \$1 million of internal funds, is core to advancing Altarum's broader research agenda.

We continued to demonstrate the financial performance required to secure our long-term future and enable institutional growth.

With the sale of the last pieces of Altarum's non-healthcare related operating divisions, we created — temporarily — a smaller institute. That said, our health units have continued to show strong year-over-year growth. Growth in our operating business is facilitated, for sure, by acquisitions such as our 2006 purchase of Health Systems Research, Inc. Yet the growth we most strive for — and saw in large measure in 2007 — is organic; it comes from the energy, creativity, and productivity of our technical and infrastructure teams. This success belongs to our staff.

On a personal note, I would add that it was a tremendous honor to assume leadership of Altarum Institute in July of 2007. I have been, and continue to be, in awe of the passion for intellectual achievement and business integrity I see in my colleagues, the loyalty I see in our clients, and the enthusiasm I see in all for being a critical part of the solution to the health care crisis in America.

Linc Smith

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION (SAMHSA)



CLIENT-FUNDED RESEARCH AND CONSULTING SERVICES

In partnership with its clients, Altarum is enabling better care and better health for veterans, members of our Armed Services, vulnerable populations and communities across America.

TREATING SUBSTANCE USE DISORDERS: A SYSTEMS APPROACH

Millions of people suffer from substance use disorders in the United States. The standard approach to treating such disorders is a provider-driven, acute-care regimen with little, if any, support during clients' ongoing recovery. The Substance Abuse and Mental Health Services Administration's Access to Recovery (ATR) Program represents a significant break from this approach by making services available to clients at any stage of the recovery process, from contemplation through lifelong recovery.

ATR takes a systems-based, holistic approach, responding to the needs of clients and their families. It recognizes that substance use disorders are chronic diseases in which relapses and other setbacks can be common. The ATR approach acknowledges that different clients may need different types of recovery support.

Altarum brings providers into the system of care by providing vouchers that clients may use to get the services that most closely meet their needs. Altarum works with the state and local jurisdictions to create voucher-based service systems, strengthen business processes and infrastructures, and fashion diverse workforces. Altarum provides technical assistance and training, develops publications and Web products, and plans and conducts biannual grantee meetings to support the ATR program.



U.S. DEPARTMENT OF VETERANS AFFAIRS



OFFICE OF THE NATIONAL COORDINATOR (ONC) AND THE AMERICAN HEALTH INFORMATION COMMUNITY (AHIC)

EVALUATING MENTAL HEALTH SERVICES FOR VETERANS

The Department of Veterans Affairs (VA), through the Veterans Health Administration (VHA), provides some of the best mental health care in the nation. However, due to the growing stress of extended troop deployments in recent years, the severity and frequency of mental health disorders have increased dramatically. These increases have intensified the demands on the systems delivering mental health care and have raised the issue of how well those demands are being met.

Altarum and the RAND-University of Pittsburgh Health Institute are collaborating on a four-year comprehensive evaluation of the capacity of the VHA to deliver mental health services as well as the quality of treatment being provided to mentally ill beneficiaries. The evidence-based evaluation is assessing mental health care services for veterans with schizophrenia, bipolar disorder, major depressive disorder, post-traumatic stress disorder, or substance abuse disorder. The evaluation team surveyed VHA facilities across the country and analyzed VA administrative data. The next steps are to review medical charts, interview patients, and repeat the facility survey.

The ultimate objective of this comprehensive evaluation is to develop a better understanding of the quality of mental health services across the continuum of care and, where performance falls short, develop specific recommendations for improvements. Simply put, this program will help ensure that every veteran within the VHA system who needs mental health care receives care that will improve the quality of his or her life.

SUPPORTING HEALTH INFORMATION TECHNOLOGY LEADERS

Health Information Technology (HIT) holds the promise of lowering health care costs, reducing medical errors, enhancing health care quality, and providing improved health care information for both patients and providers. If health information systems can operate together securely, health care providers and consumers can manage care more effectively. Interoperable HIT will bring many public health benefits, including the early detection of infectious disease outbreaks around the country and improved management of chronic diseases. Finally, HIT will enable more effective, value-driven evaluation of care that is delivered to patients.

The American Health Information Community (AHIC), a federal advisory committee under the Office of the National Coordinator, was chartered in 2005 to recommend to the Secretary of the U.S. Department of Health and Human Services effective ways to accelerate the development and adoption of HIT. Its objective is to help provide access to secure electronic health records for most Americans by 2014.

Altarum supports the work of AHIC by coordinating and facilitating executive briefings and in-person and Web-based meetings with experts in the field. Altarum provides technical, logistical, and writing and editing support to a growing number of AHIC expert workgroups and subgroups. In addition, Altarum has identified expert consultants and conducted focus groups for this initiative and maintains a Web site specifically for AHIC.

TRICARE MANAGEMENT ACTIVITY



FORECASTING THE FUTURE OF THE MILITARY HEALTH SYSTEM

The Fiscal Year 2005 (FY2005) Defense Base Realignment and Closure (BRAC) Commission's list included significant changes to many Department of Defense (DoD) medical facilities in the United States, including major medical centers in or near large cities. These changes will affect access to care for military health care beneficiaries who live in those areas. The TRICARE Management Activity sought Altarum's assistance in estimating the effects of the FY2005 BRAC list on the future cost of providing and purchasing health services for DoD beneficiaries.

The Altarum solution projected where beneficiaries will reside in the future and what purchased care and direct care costs they are expected to generate. The Managed Care Forecasting and Analysis System (MCFAS) developed by Altarum identified the projected relocation of active duty beneficiaries and their families associated with the BRAC list and other force structure changes.

Historical relocation of retirees and their families to areas supported by military and private sector medical facilities provided information from which future movements of retirees and their families could be estimated, given proposed changes in the military medical infrastructure. Altarum estimated annual purchased care and direct care costs per beneficiary, controlling for differences in age, beneficiary category, and the availability of military inpatient and ambulatory services. Altarum's work is helping decision makers in the military health care system understand how cost-effective care for military beneficiaries is inextricably linked to an expansive network of military ambulatory treatment facilities and private sector hospitals.

PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA (PhRMA)



ESTIMATING U.S. HEALTH EXPENDITURES BY MEDICAL CONDITION

The U.S. National Health Expenditure Accounts (NHEA) tracks personal health expenditures by type of service (hospital, physician) and source of funds (private insurance, Medicare) but not by medical condition. Yet such information is critical to understanding what lies behind the increase in expenditures, what we are getting in return, and where we should focus efforts to improve health and health care in the United States.

While some researchers have made significant progress toward filling this information gap, they have tended to focus on limited subsets of the population (e.g., civilian non-institutional), specific conditions (e.g., substance abuse and mental health), or single years. Altarum has applied our systems research expertise to filling the gap with annual NHEA-consistent estimates of personal health expenditures by medical condition for 1996 through 2005. Our methodology supplements the NHEA with data from other national sources. We cover the entire U.S. population, address all medical conditions, include expenditures for prevention, and eliminate double-counting of expenditures that target multiple conditions simultaneously (such as a hospitalization of a diabetic with a heart condition). Altarum's approach allows annual updates. Understanding how health expenditures change over time is important to identifying effective and financially sustainable pathways to better health.


 TRICARE MANAGEMENT ACTIVITY


 HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA) OFFICE OF RURAL HEALTH POLICY

IMPROVING CARE FOR MILITARY PERSONNEL OVERSEAS

The Military Health System (MHS) provides beneficiaries health care in the U.S. and overseas. The TRICARE Overseas Program untangles the complications of health care while abroad. For example, if a military retiree is seriously injured while vacationing in Honduras, where should she receive care when there is no MHS facility in the country? What is the best method for transport back to the U.S., and which medical center should receive her? Three TRICARE Area Offices (TAOs) — Europe, Latin America/Canada and the Pacific — handle such issues every day.


To improve TAO operations, Altarum evaluated how each office operates. Our analysts interviewed staff and stakeholders. We traveled to TAO Europe located at Sembach Air Base in Germany and to TAO Pacific located at Camp Lester in Okinawa, Japan, to observe operations. We assessed how TAOs work with beneficiaries, military treatment facility personnel, embassies, managed care support contractors, and host nation providers. Finally, we analyzed TAO infrastructure, staff functions, and the effects of the external environment, host nation provider network, and time and distance, to characterize the support TAOs provide. In doing so, we are helping MHS directors better understand the current function of TAO operations, future requirements, and the transition to one global, managed care support contractor.

PROMOTING THE HEALTH OF RURAL POPULATIONS

Health care systems in rural communities are often fragmented and uncoordinated, making it difficult for residents to access necessary services. The Critical Access Hospital (CAH)-Health Information Technology (HIT) Network Implementation Grants fund rural communities to strengthen their health care systems. These funds help current grantees implement sustainable health information technology projects, including electronic health records, health information exchanges, and telemedicine in critical access hospitals and their associated networks of providers. The goal is to ensure that clinical information about patients served by the CAH-HIT network is accessible to providers across the continuum of care, from ambulatory care to acute service delivery sites.

In a series of pilot projects, Altarum is supporting the use of health information technology to improve the safety, quality, efficiency, and effectiveness of health care delivery. These projects are expected to serve as a model for rural communities facing similar challenges to adopting health information technology.

Altarum is also assessing the performance of current grantees in their ability to design, create, and implement functioning pilot networks that improve coordination of care for the rural population. We are capturing information from a systems perspective rather than from a single entity or grantee, and collaborating with the client and with diverse grantees to design an evaluation that gathers information in a way that can improve program development and implementation.



U.S. ARMY INSTITUTE OF SURGICAL RESEARCH



THE CENTERS FOR DISEASE CONTROL AND PREVENTION'S COORDINATING CENTER FOR INFECTIOUS DISEASES (CDC/CCID)

ANALYZING MILITARY INJURIES AND MEDICAL TREATMENTS

The U.S. Army's Institute of Surgical Research (ISR) is working to improve the overall quality of medical care provided to wounded soldiers from point of injury through rehabilitation care. To do this, ISR joined with Altarum and Texas A&M University to enhance the content, quality, and outcomes associated with combat casualty care data collection and management. Information being collected and analyzed on service members' injuries and medical treatments is maintained in a single trauma registry.

As part of this data collection and analysis effort, Altarum is surveying Tactical Combat Casualty Care provided by recently redeployed combat medics and combat life savers from Iraq and Afghanistan. The goals of the survey are to improve the depth of data in the Joint Theater Trauma Registry; improve the quality and timeliness of trauma treatment analysis; and provide data-supported evidence from which to make changes in training, policy, doctrine, organization, and equipment.

Survey questions are designed to elicit information about protective equipment, mechanism of injury, medical treatment provided, and evacuation method. Combat medics also are asked about their tactical combat casualty care training and certification.

In addition, Altarum is working with Army hospitals to determine the best approach to implementing trauma registry programs. Site visits have been made to Carl R. Darnall Army Medical Center in Texas and Landstuhl Regional Medical Center in Germany to gather "lessons learned." The final report will assist the ISR in determining the training, equipment, and personnel requirements needed for successful trauma registry implementation.

HELPING TO PROTECT THE PUBLIC AGAINST INFECTIOUS DISEASES

In today's interconnected world, infectious disease is more than a simplistic cause and effect and must be addressed systematically. The Coordinating Center for Infectious Diseases (CCID), comprising four National Centers and the Office of the Director, is dedicated to protecting health and enhancing the potential for full, satisfying, and productive lives of all people in all communities impacted by infectious diseases.

Altarum strengthened the CCID's infectious disease capacity through improved communication, collaboration, and partnerships. We identified new and existing partners by gathering data through the review of literature, action plans, and reports and interviews with key CCID staff members. We assessed constituent needs and knowledge by interviewing key partners, synthesized the findings in an assessment report, and developed recommendations and strategies for how CCID can best address the identified needs. Altarum also developed and tested key messages tailored to the center's partners and created tools for CCID staff to use to involve these partners. This effort helped ensure that the CCID fulfills its promise to operate as an effective, cohesive, coordinating center dedicated to protecting the public's health against infectious diseases.

UNIFORM BUSINESS OFFICE



HELPING TREATMENT FACILITIES RECOVER MEDICAL EXPENSES

The TRICARE Uniform Business Office (UBO) oversees the Department of Defense's billing and collection system by developing and promulgating reimbursement policy guidance, setting reimbursement rates for services furnished, monitoring performance, maintaining a training program, and advocating appropriate information technology solutions for military treatment facilities (MTF) worldwide. Each local UBO works within the revenue cycle and its system components as part of overall facility operations.

All Active Duty military personnel, reservists, retirees, and their immediate family members are eligible for care at an MTF. Eligible patients are not charged for covered services. For some patients with other health insurance, MTFs will submit a claim using UBO-established rates. MTFs retain these funds and can use them to enhance their health care.

Since 2004, Altarum has supported the UBO by creating annual rate tables for all health care services — e.g., inpatient, outpatient, pharmacy — rendered by an MTF. We help develop policy documents associated with the rate tables and other billing issues. Altarum documents the business rules that guide UBO operations and information technology solutions used for billing and collection. We develop and lead educational sessions and manage an annual conference that provides system-wide training for front-line UBO personnel. Finally, we gather, consolidate, and analyze operational performance metrics for third-party collections from MTFs worldwide and conduct extensive data mining of corporate patient care databases to access UBO operations.

In the end, better collection processes are making more funds available to improve the care provided by these facilities.

NATIONAL INSTITUTE FOR HEALTHCARE MANAGEMENT FOUNDATION



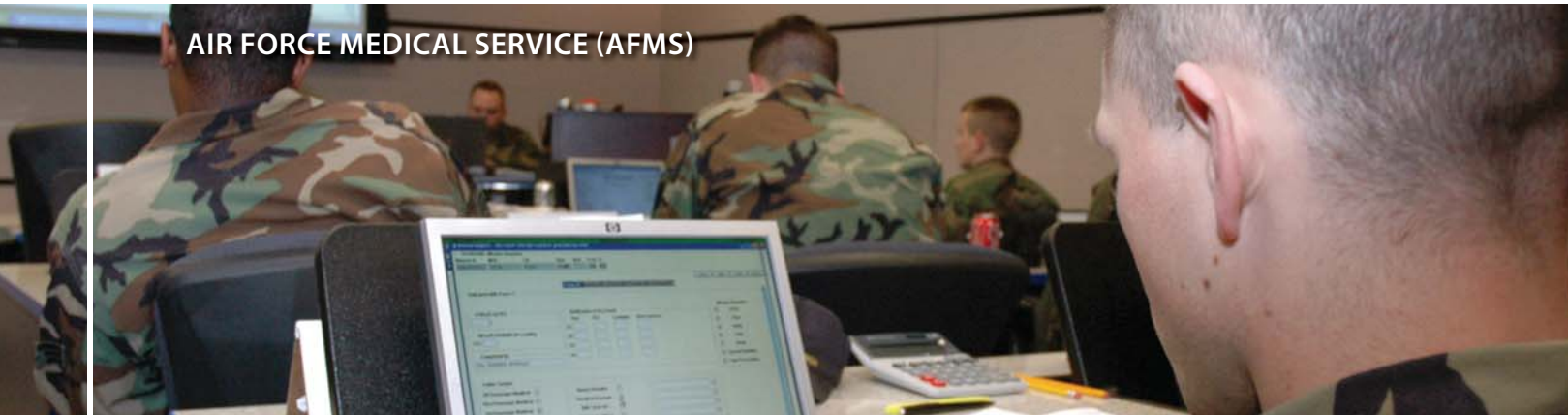
WORKING TO IMPROVE ADOLESCENT HEALTH

Complex issues affect adolescent health services and outcomes. To address these issues, the Maternal Child Health Bureau of the Health Resources and Services Administration offers the Partners in Program Planning for Adolescent Health (PIPPAH) Collaborative. The Collaborative brings together the activities and resources of diverse organizations to create a multifaceted, systemic response. Working together, these partners are building a more powerful platform for elevating issues and are creating stronger information and strategy-sharing networks. With this tool, they can better support efforts to increase service access, improve health outcomes, and decrease health disparities among adolescents.

Altarum is evaluating PIPPAH through a contract with the National Institute for Healthcare Management Foundation. Altarum will be measuring and analyzing how the partners address adolescent health, safety, and well-being individually, collaboratively, and collectively. Altarum is also assessing the evaluation and data-gathering capacities of individual PIPPAH grant recipients and evaluating the joint strategies and activities of these partners.

Altarum is using a program logic model to develop evaluation questions, measures, and methods that can capture the effects of the important networks, connections, and relationships created by PIPPAH, as well as those of their combined and individual initiatives. This evaluation builds on Altarum's knowledge of adolescent health and collaborative evaluation strategies and lets us work directly with key national public health and wellness organizations to improve services provided to adolescents.

AIR FORCE MEDICAL SERVICE (AFMS)



MICHIGAN DEPARTMENT OF COMMUNITY HEALTH



ORGANIZING HIGH-QUALITY MEDICAL CARE WITH THE AIR FORCE

As part of the next generation of modernization and re-engineering, the Air Force Medical Service (AFMS) is consolidating and restructuring the common activities at 10 major commands into one Field Operating Agency (FOA). Currently, major commands serve as the conduit for Air Staff-developed policy related to assigning manpower and financial resources to Air Force military treatment facilities.

Critical to the success of the FOA is proper staffing. Using Altarum developed and tested staffing tools, our staff members were able to provide immediate expert assistance supporting the FOA. We developed the FOA's organizational charts and Manpower Documents, gathered information on current "spaces and faces," and planned the transition of responsibilities from the major commands to the FOA.

Altarum directly contributes to an AFMS culture of innovation with aligned authority, accountability, and incentives to promote performance-based, cost-effective, customer-focused services. The Field Operating Agency will guide the military treatment facilities to provide high quality, patient-centered, evidence-based care to support our war fighters, retirees, military families, and other beneficiaries.

USING INFORMATION TECHNOLOGY TO IMPROVE HEALTH CARE

Clinical evidence shows that information is at the center of an efficient and effective health system. Too often, health information is organized around the needs of individual organizations, creating "silos" of care and leaving providers to make clinical decisions without access to complete patient information.

Health information exchanges (HIEs) hold the promise of focusing health information on the needs of the patient. They do this by exchanging clinical data across sites of care, providing more complete and timely information as well as supporting quality improvement and reporting, public health activities, and clinical research.

Altarum is guiding the Southeast Michigan Health Information Exchange (SEMHIE) in planning sustainable approaches to advancing the availability of health information across the region. This information will support the decisions of physicians, health systems and hospitals, health plans, and other regional constituents. Our goal in planning the health information exchange is to achieve a patient-centered information exchange for the most densely populated region in Michigan.



INTERNALLY FUNDED RESEARCH AND DEVELOPMENT

Altarum's internal research and development (IRAD) program promotes a culture of intellectual curiosity, entrepreneurism, and partnership; builds a base of knowledge and tools that can be applied in our work; and enhances Altarum's reputation for innovative and objective health systems research.

PREDICTING THE EMERGENCE OF VIRAL THREATS

Each year, thousands of Americans fall ill from influenza, a virus that mutates rapidly. Mutations in the surface antigen of influenza A, hemagglutinin, allow the virus to avoid detection by the human immune system and therefore increase the risk of infection. These seasonal mutations are termed "antigenic drift."

Antigenic drift is the reason that the formulation of flu vaccines is reviewed annually. The review process relies on the identification and evaluation of virus strains circulating in the current year and expected to return and be dominant in the following year. In an effort to develop the most effective flu vaccine, the Centers for Disease Control and Prevention uses tests of virus samples to determine the reactivity of antibodies to the surface antigens of a particular circulating strain.

Altarum is dedicating internal funds to research the development of a stochastic model that would predict antigenic mutations in an effort to improve the review and formulation process. In partnership with Longhorn Vaccines & Diagnostics, an independent virology lab that analyzes virus samples collected worldwide, Altarum is working to investigate the feasibility of applying discrete-event simulation to model random mutations in viruses. Altarum researchers hope one day to use this innovative model to predict emerging epidemiologically significant influenza virus strains.



DEVELOPING A DISASTER CASUALTY ESTIMATION TOOL

Planning for an uncertain medical workload resulting from a natural or man-made disaster is a continuing concern for federal, state, and local agencies. Altarum wants to help medical planners by developing a disaster casualty estimation tool that can be used to forecast medical workload arising from such disasters as earthquakes, hurricanes, or industrial accidents. Our aim is to develop a deterministic tool that can be used with minimal training, has an intuitive interface, and provides graphic data displays.

Altarum has developed a prototype model that addresses two types of disasters: hurricanes and earthquakes. Simple statistical analyses have indicated strong correlations between population density and rates of mortality and morbidity within disaster groups. Given this success and the interest expressed in this work from several federal agencies within the Departments of Defense, Health and Human Services, and Homeland Security, Altarum plans to continue developing this tool by increasing the depth of existing data, adding additional disaster types, improving the statistical analysis of the data, and enhancing the estimation of required medical services.

ADDRESSING THE REPRODUCTIVE HEALTH NEEDS OF YOUNG PEOPLE

The United States has the highest teen birth rates among industrialized nations. At the same time, one in four American girls aged 14–19 are infected with at least one sexually transmitted disease (STD). The figure is even higher among African-American female youths, where nearly 50 percent have at least one STD^[1]. Nowhere is this issue more important to address than in the District of Columbia. In a 2007 study by the D.C. public school system, 60 percent of high schoolers and 30 percent of middle schoolers reported having had intercourse. Twenty percent of the high school students said they had had sex with four or more people, and 12 percent of the middle schoolers said they had had three or more partners^[2].

Altarum has launched an ambitious effort to study youth populations in the District of Columbia to provide a window of understanding into effective measures to prevent teen pregnancy and sexually transmitted disease infection. The study aims to increase the amount of local-level behavioral health data available on the District's youth that explores the knowledge, attitudes, and behaviors that increase the risk for teen pregnancy and sexually transmitted diseases. The Altarum research also seeks to contribute to the integration of evidence-based practices among city youth service providers.

Ultimately, it is hoped that the results of this research will improve access to and use of sexual and reproductive health systems among the city's youth. True to Altarum's systems-based research model, the study also seeks to enable the District to build an integrated service *system* to better meet the needs of the affected youth population in the city.

^[1] 2003–2004 Data from the Center for Disease Control and Prevention

^[2] *Washington Post*, March 13, 2008



ANALYZING OUR HEALTH INSURANCE SYSTEM

Many believe that our nation's health insurance system has a fundamental flaw. Some groups — such as the young and those with adequate health insurance — subsidize the cost of care for others, such as the elderly and the uninsured. It is feared that if health care costs continue to rise, the burden of these subsidies will become too great and the system will collapse.

Altarum is conducting research designed to model the relationship between health care cost growth and the level of subsidies required to provide everyone with insurance without regard to the method of finance. This study will focus on determining the true cost of subsidies if they were limited only to those in need, rather than provided to those who can actually afford health care coverage at its true cost. The resulting model seeks to develop a clear distinction between the problems with our current methods of financing health care and the problems with the growing subsidy requirement.

The knowledge we gain from this research will contribute to the national dialogue about the financial sustainability of our nation's health care system. By separating subsidy issues from the larger debate about health care financing mechanisms, we can focus the policy debate more clearly on developing comprehensive and sustainable solutions.

HELPING COMMUNITIES STRENGTHEN HEALTH SYSTEMS

Strategic planning is a key management tool that can help organizations or communities develop goals and objectives that lead to sound choices about programs that need to be put in place. Too often, however, strategic plans never get out of the planning stages, wind up obsolete before they are implemented, or simply do not work.

Altarum's researchers are developing a strategic planning model designed to help communities and other organizations strengthen health systems. True to the philosophy of Altarum, the proposed model will be based on a systems approach, versus a categorical approach, to health care. The model stresses the participation of all stakeholders and can be adapted for use in various locales to address an array of issues that impact a community's health status.

This strategic planning model will be unique because of its focus on health system *change*. Many other models for strategic planning in health care are focused narrowly on organization-specific strategic planning or are only community-based models. The Altarum model will have the flexibility to be used across multiple levels, making planning more reliable, valuable, and robust.



PREDICTING IMPORTANT HEALTH EVENTS

While once considered too costly or impractical, experimental methods and processes in economics are increasingly being used to predict a range of events. These experimental techniques, known as information aggregation mechanisms (IAMS), typically involve a small set of relevant experts who use a Web-based voting process to predict the outcome of a near-term event.

Altarum is seeking to determine if such techniques can be meaningfully and reliably used to predict the outcome of important events in the health care policy and economics arena. This work is being conducted in collaboration with Dr. Charles Plott of the California Institute of Technology's Laboratory for Experimental Economics and Political Science.

Should the results from this initial research prove the concept valid, Altarum envisions developing a predictive modeling capability that could help inform and shape the national health care policy debate.

QUANTIFYING NATIONAL SPENDING ON WELLNESS AND PREVENTION

Most health care reform proposals call for our health care system to make a significant transition from a culture of reactive treatment to one of proactive disease prevention and health promotion, the logic being that a system that invests in health will require fewer dollars to be spent providing care to the sick.

Despite significant discussion in the policy community about the importance of spending more on wellness and prevention, surprisingly little is actually known about how much we spend today on these activities.

Altarum has been analyzing the National Health Expenditure Accounts (NHEA) and other information sources to assess what the nation is actually spending on prevention and to develop more precise definitions and transparent methodologies that can be used to inform these critical policy debates. Our research is developing a series of metrics, methods, and tools that will help policy makers better understand what percentage of health expenditures are spent on prevention and what types of prevention programs are proving most cost-effective.



ALTARUM PARTNERS

ALTARUM-SPONSORED WOMEN'S COMPETITIVE CYCLING TEAM

Altarum is a proud sponsor of the *HPC Powered by Altarum 2008* national women's cycling team.

Bicycle racing is an extremely dynamic system with each member of the team interacting with teammates to achieve a defined result. As a group of health systems researchers, Altarum sees our partnership with women's cycling as a natural fit.

We look forward to an exciting season of racing and we wish *HPC Powered by Altarum* much success. To learn more about the cycling team members, and view the 2008 racing calendar, please visit www.hpcracing.com.





WE CAN!

We Can! — “Ways to Enhance Children’s Activity and Nutrition” — is a national program designed for families and communities to help children achieve a healthy weight. The program focuses on three important behaviors: improved food choices, increased physical activity, and reduced screen time.

Altarum is a proud supporter of the *We Can!* program and is currently working to incorporate *We Can!* materials into the Virtual Health Academy, a collection of online learning experiences to help Michigan youth achieve lifelong health and pursue careers in the health professions.

To learn more about *We Can!*, please visit www.wecan.nhlbi.nih.gov.

COMMISSION ON THE FUTURE



FOR AMERICA’S VETERANS

COMMISSION ON THE FUTURE FOR AMERICA’S VETERANS

On September 11, 2006, an independent commission was convened to define a “future for America’s veterans.” The Commission on the Future for America’s Veterans was created by a coalition of America’s leading veterans service organizations, including the American Legion, Veterans of Foreign Wars, Disabled American Veterans, AMVETS, and Paralyzed Veterans of America. Since then, other veterans and military service organizations, corporations, foundations, and other interested parties have joined the coalition, making it the most representative organization for veterans issues in America.

The Commission, chaired by former Veterans Administrator Harry N. Walters, is made up of ten highly knowledgeable individuals from a variety of backgrounds who independently guide the direction of the Commission and advance its recommendations. Funding for the body comes from foundations, individuals, corporate sponsors, and member organizations. No federal funding has been accepted. However, the Department of Veterans Affairs and the U.S. Congress have shown great interest in the Commission and there are frequent, high-level interactions between the Commission, the Administration and the Congress.

The task before the Commission is as straightforward as it is comprehensive: to conduct a thorough analysis of the current and future needs of America’s veteran population and to develop both a long-range vision and series of implementable recommendations on how to provide veterans with the disability care, health care, and compensation benefits they have earned. One of the Commission’s underlying beliefs is that veterans are a national asset and should be viewed and treated as such in all activities the government addresses.

Altarum is proud to have been selected to serve as the host and an analytical resource of the Commission; over the life-span of the Commission, Altarum will help assess the policy and programmatic recommendations advanced by this unique entity. The Commission’s final report is to be released in the summer of 2008.

To learn more about the Commission, visit www.future4vets.org.



Mark A. Kielb
Senior Vice President and
Chief Financial Officer

In 2007, Altarum changed its fiscal year to conform to the calendar year. This report reflects a single fifteen-month reporting period, from October 1, 2006, through December 31, 2007.

Revenues for the fifteen-month period were \$81.0 million. Tangible Net Assets increased significantly from \$24.4 million in FY 2006 to \$63.4 in 2007, largely the result of the sale of NewVectors LLC. Total Assets, which were at \$76.2 million in FY 2006, increased to \$98.1 million.

Altarum continued to focus its revenue-generating activities on health-related contract research and consulting services. The acquisition of Health Systems Research, Inc. in 2006, combined with significant organic growth in Altarum's health services, resulted in health-related revenue for the fifteen-month period ending December 31, 2007 of \$46.0 million, up from \$21.0 million in FY 2006 (a twelve-month period).

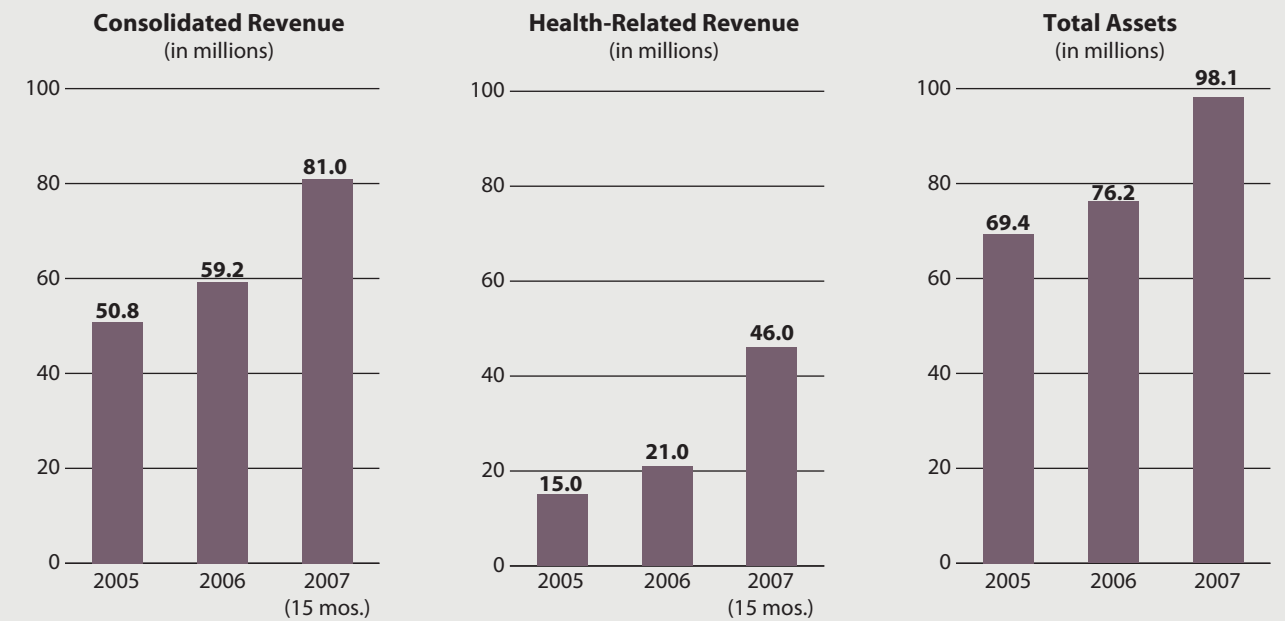
In fiscal year 2007, the Institute sold both NewVectors LLC and the Environmental and Emerging Technologies Division. These divestitures helped complete the transition to an entirely health-oriented enterprise.

In October 2007, Altarum invested \$500,000 in Cielo MedSolutions, a start-up clinical quality management software company. As part of that transaction, Cielo is now located in the Altarum headquarters building in Ann Arbor.

As FY 2008 opens, Altarum's balance sheet remains strong, operations continue to integrate and demonstrate solid organic growth, and the Institute is investing in projects and initiatives that advance our nonprofit mission and help better meet the needs of our growing client base.

Copies of audited financial statements for the Institute are available by written request to Chief Financial Officer.

Mark Kielb





Charles Harvey Roadman II, M.D.
 Lt. General USAF (Ret.)
 Chairman of the Board of Trustees

The Board of Trustees of Altarum Institute is charged with four primary responsibilities, each of which we carry out in partnership with the management team. We help to set a clear and compelling organizational purpose; we ensure adequate resources are available to advance the Institute's mission; we validate success against established success measures; and we make certain that business practices adhere to the highest ethical standards.

As Chairman, I can say our organizational purpose is strong and it is more strongly relevant with each passing day. The health care system in America today is in a period of tremendous challenge and change. Altarum's objective, systems-based approach to shaping, implementing, and evaluating that transformation — whether in the active military, veteran, or civilian worlds — is more important than ever.

With our internally funded research and development program, we are testing the validity and value of the many approaches to reform being considered today. In the view of the Board, this is a vital use of the Institute's intellectual and financial resources and one that unquestionably advances our mission. The need for these efforts will only grow.

The targets the Board set to drive a repositioning of the Institute to a health-centered business model, while demanding strong financial performance in the process, have been ably met by management and staff alike while adhering to rigorous ethical and business standards.

By every measure, 2007 has been a year of which we all can be proud.

On behalf of the Board, I thank our staff for their superb work and dedication, and I thank our clients and partners for their continued loyalty.

Charles Harvey Roadman II, M.D.



L.J. Evans, Jr.
Principal and CEO,
SFI Financial
Group



**Jacques Gansler,
Ph.D.**
Professor and
Roger C. Lipitz
Chair in Public
Policy and Private
Enterprise, School
of Public Policy at
the University of
Maryland



**Larry G.
Garberding**
Retired Chief
Financial Officer
of DTE Energy
Company



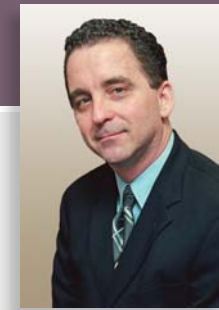
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Editor's Note

Staff members from across the Institute have contributed to this report and I thank each of them. In particular I want to recognize Marijka Lischak, Liz Ritter, and Mary Joscelyn for their extraordinary efforts in bringing this 2007 annual report to fruition.

Jeff Moore

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