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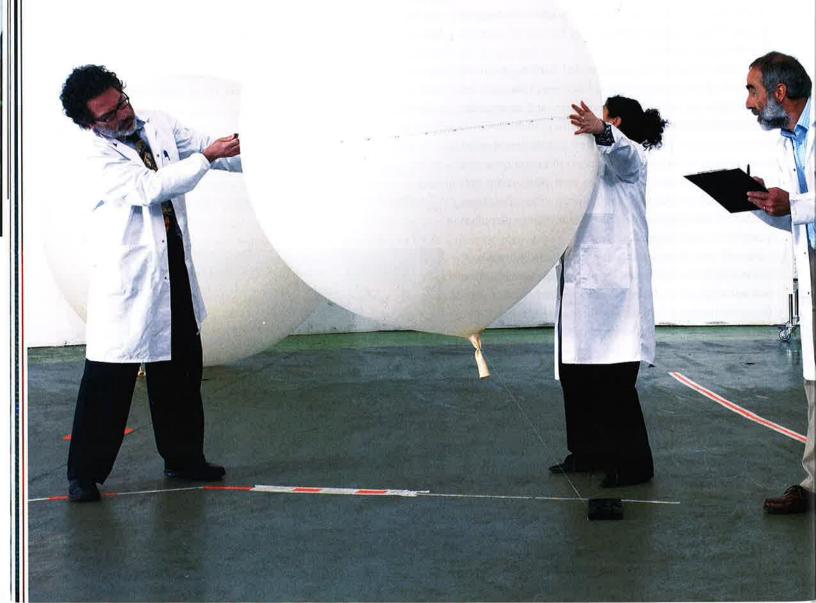
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Don't Just Take Their Word for It: Find Right Health and Productivity Managemen

by | Mark Ungvarsky

Plan sponsors should insist their health and productivity management vendors can show how their programs provide value.





y uniting disparate providers to take a holistic approach to healing, health and productivity management programs can be valuable tools to help control unbridled medical expenditures. They teach and incentivize healthy behaviors and provide extra support to help the sickest workers feel better, which may rein in their higher care costs.

One of the first things providers of these programs should tell prospective corporate customers is: "Do your homework. Don't just believe what vendors tell you." By insisting providers use a sound, transparent methodology, employers of all sizes can see whether the programs might bring value to their organizations.

With rising health care costs affecting companies' bottom lines more than ever, CEOs want to learn exactly how health and productivity management programs work and the specific ways they may create value. First, a little history of why these programs may be needed.

Removing Silos

At the turn of the 20th century, charlatans dispensed poisonous elixirs, hospitals were unsanitary deathtraps and Americans commonly spent more annually on cosmetics than health care. But as medical care grew more effective, it also became less affordable. Addressing the need for an alternative financing mechanism, Baylor University administrator Justin Ford Kimball launched a plan in 1929 that would ultimately become the U.S. current system of employer-based health coverage.

Kimball contracted with Dallas school teachers to spread, over time, the cost of using the university's hospital care with an early version of insurance that was the precursor to Blue Cross coverage. Today, nearly six in ten Americans receive health insurance through employers.

But that trend did not seriously pick up until World War II when factory owners often used benefits instead of wage increases to attract and retain workers. In the 1940s and 1950s, an IRS rule change and a new federal law made employer-sponsored coverage so cost-effective it became the norm by the 1960s.

This convergence of events created our fragmented health care system in which providers, payers and patients operate in silos—unaware of how they can work together to improve health outcomes and cut costs.

Health and productivity management programs seek to break these traditional barriers throughout the medical system. They do so by making health coaches of trained medical professionals, such as nurses, nutritionists, social workers and exercise physiologists.

These health coaches help patients navigate the complex medical system using their own personal road map to better health with checkups, preventive testing and a focus on exercise, nutrition and stress reduction. Health coaches may

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also act as a safety net, fostering communication among doctors, facilities and insurers to potentially avoid unnecessary duplication of care and supporting patient safety.

In the absence of such care coordination, U.S. health care costs have soared so much they are breaking the budgets of businesses and families alike. Driven by escalating care costs, health insurance premiums experienced cumulative growth of 119% compared with cumulative increases of 29% for inflation and 34% for wages between 1999 and 2008 alone.

Employers shouldered most of the bill during that ten-year period. In fact, the Kaiser Family Foundation estimates the average employer portion of health premiums climbed 119% to \$9,325 in 2008 from \$4,247 in 1999.

Most people could not afford to make themselves breakfast if food prices climbed at the same pace as health care costs since the 1930s, according to a 2007 study by the American Institute for Preventive Medicine. If that were the case, today's shopper would pay \$107.90 for a pound of oranges, \$80.20 for a dozen eggs, \$102.07 for a pound of butter and \$122.48 for a pound of bacon.

Consider that just 40 years ago, U.S. health care spending totaled roughly \$75 billion and made up 7.2% of the gross domestic product (GDP), according to federal estimates. By 2009, U.S. health care spending reached \$2.47 trillion or 17.3% of GDP, and by 2019 the government projects those totals will climb to \$4.5 trillion or nearly one-fifth of the U.S. economy.

Businesses have responded by shifting a greater share of health care costs to employees. A 2006 study by the Society for Human Resource Management found 66% of companies polled increased copays in recent years, and more than half upped participant costs for deductibles and prescription drugs. Almost one-third switched health insurance carriers. Yet the savings generated from using a supply-management approach alone inevitably diminish.

Examining Costs

To see consistent annual cost savings, employers must identify and address the source behind much of the health care cost increases. A 2003 meta-review of 42 studies on worksite health promotion programs showed they average reductions of 26% for health costs, 28% for sick leave ab-

senteeism and 30% for workers' compensation and disability management claims, according to the *American Journal of Health Promotion*.

And a growing body of research indicates how illnesses may affect an employer's health care expenditures. A recent analysis by AllOne Health and Reliance Standard Life Insurance Company revealed that workers in poor overall health typically cost businesses 92% more per health episode than healthy employees receiving treatments.

Using survey data compiled by Thomson Reuters, the analysis focused on the costs and length of the illnesses these individuals experienced. Those polled had conditions ranging from pregnancy to mental health issues, fractures and problems of the circulatory, respiratory, digestive and urinary systems.

The researchers divided the workers polled into five categories: "healthy" (49% of employees), "stable" (24%), "at risk" of health problems (18%), "struggling" with illnesses (7%) and "in crisis" (2%).

The analysis, which focused on employees younger than aged 65, determined that employees experiencing health crises are up to eight times less productive than healthy employees, based on the duration of their clinical episodes.

The analysis also showed that the least healthy workers—those labeled "in crisis"—cost employers an average of \$5,810 per illness episode and experienced an average of 70 missed workdays per incident. In comparison, employers spent just \$411 per episode to treat each healthy employee, who typically missed a mere 12 days per incident.

Despite making up just 9% of the

population in the analysis, the sickest two employee groups accounted for half of all health care dollars spent by their employers.

At an average annual cost of \$39,341 per employee, the sickest workers made up nearly one-third of a typical employer's annual health care expenditures. But companies spent an average of just 5% of their health care dollars each year on their healthiest workers.

Not surprisingly, the analysis found that sicker employees had more health episodes that required treatment. For every 100 in-crisis workers, employers could expect to see an average of 443 costly health episodes each year compared with just 33 for every 100 healthy workers.

Among those seeking treatment, the healthiest workers had few hospital admissions, while 85% of in-crisis workers were admitted to a hospital over the course of a year.

But while improving health outcomes to increase productivity and reduce costs may seem like a daunting task for employers, small steps toward wellness today can make a big difference in care costs tomorrow.

More than 87% of health care claim costs are due to an individual's lifestyle choices, according to a 2006 study by Indiana University-Purdue University Fort Wayne.

Obesity-related expenses alone currently make up almost \$1 of every \$10 spent on U.S. health care system costs. Excess weight and physical inactivity are risk factors for hypertension, Type 2 diabetes and arthritis, all of which contribute to the development and severity of other chronic conditions.

For its part, the Partnership to Fight Chronic Disease, a group of patient, provider and community organizations, estimates that chronic illnesses account for 75% of all U.S. medical spending.

And it seems every day, a new study reveals more benefits from regular, moderate exercise—such as anti-aging effects and the potential to lower incidences of Type 2 diabetes and lessen the risks of cardiovascular disease.

With these facts in mind, the decision to invest in health and productivity management programs may become much easier.

Yet, employers focusing entirely on direct health care costs miss the greater benefit of lowering absenteeism and increasing output among those who do not miss work but are less productive because they're unhealthy.

These programs may act as a recruiting and retention tool and improve morale by helping workers feel healthier and more engaged with employers and co-workers.

Program Features

Before finally picking the right health and productivity management program, it's essential to know how the programs are meant to work.

To create baseline data, employers share their claims information with a program's operators. Next, workers fill out and submit health assessments, which become a rich source of data on health habits ranging from diet and exercise to how employees utilize the medical system.

After gathering information on a company's workforce, vendors typically perform a risk stratification of the employee population. Employees with chronic or more serious conditions receive the most attention.

Then, workers who choose to participate in workplace health and productivity management programs are contacted one by one by a health coach, who engages individuals in setting and achieving wellness goals. For example, a health coach can provide employees with diabetes or hypertension with the diet and exercise guidance they need to get and stay on the right track.

Before a company signs up for a program, a vendor should perform an analysis demonstrating reasonable projections for potential improvements to a workforce's health.

Companies should, however, be careful of vendors that predict benefits without using an industry standard such as the research methodology developed by DMAA: The Care Continuum Alliance (formerly the Disease Management Association of America).

Remember, even the best health and productivity management programs will not succeed without getting em-

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takeaways >>

- Workers in poor overall health typically cost businesses 92% more per health episode than healthy employees receiving treatments.
- The vast majority of health care claim costs are due to an individual's lifestyle choices, with obesity-related expenses alone making up \$1 of every \$10 spent on health care.
- Even the best health and productivity management programs won't work without employee buy-in.
- Know how vendors measure the success of their programs.

<< bio



Mark Ungvarsky, vice president of health informatics for Wilkes-Barre, Pennsylvania-based AllOne Health Group, has 25 years of experience in the field of designing and imple-

menting analytic and reporting solutions for clinical programs. Ungvarsky holds a bachelor's degree from Wilkes University and an M.B.A. degree from Alvernia College. He can be contacted at mark.ungvarsky@allonehealth.com.

ployees to buy into it. That's why a good vendor will tailor such programs to meet the culture and needs of each business. Those needs can vary widely among employers and industries. Customized health and productivity management programs need not be just for a business with an older or sicker workforce. A company may have a high number of employees going out on maternity leave; younger, generally healthy employees; or an older, mostly male workforce.

Many seemingly healthy employees do not get regular checkups. But after basic testing they may learn they have cholesterol issues or high blood pressure levels. Treatment for these conditions can prevent encounters with more serious problems down the road, helping an organization protect its most valuable resources.

Working with a vendor to craft the right health and productivity management program is only one of the keys for companies to maximize the value of these offerings. Employers also need to get as many employees as possible to participate and potentially succeed in the programs.

Some vendors accomplish that goal by integrating shortand long-term disability management functions with wellness and disease management programs. Such offerings allow an employee on disability leave to get help managing illnesses and receive continued coaching and education when he or she reports back to work.

Another way for companies to maximize participation in health and productivity management programs is to offer incentives such as days off, cash payments and awards certificates. Plus, employees are more likely to join health and productivity management programs when a company's senior leaders set a positive example by participating and acting as role models for healthy behaviors.

Making the Choice

In the end, finding the best health and productivity management program begins with learning how the programs measure their success. All vendor contracts should include experiential, clinical and financial metrics. These measurements should factor in whether employees feel better and more in control of their health as a result of the services.

Vendors should measure satisfaction for a variety of stakeholders, including the employees and physician providers who participate in the program, so that it can build on what works and fix what does not.

When measuring a program's success, companies should make sure vendors do not count savings multiple times for one enrollee. A worker may participate in several aspects of a disease management program due to having several chronic conditions. Such an employee should be counted only once.

In the same vein, a good health and productivity management program should have a clear system to gauge the product's effects. For example, the success of a program should not be measured until the end of a claims submission period, which can bleed into a new year by several months.

And employers should be cognizant of the ways in which vendors calculate inflation and rising health care costs when assessing how much a vendor's program can "bend the health care cost trend."

If a program's cost-saving projections sound too rosy, companies should hire outside auditors. In that case, vendors must be able to show how they made their calculations, including disclosing reproducible methods based on industry-accepted methodology.

Companies should work with a health and productivity management program to set and raise ambitious year-end improvement goals. For their part, employers also should seek fair ways to link these goals to the renewal of contracts or performance bonuses.

Finally, as an employee becomes healthier, a good health and productivity management program will let the worker move from one-on-one coaching to a self-guided improvement regime. That way each engaged employee can literally pick up the ball and run with it. •