

Innovative Employer Benefits Strategies and the Business Value of Health

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Presentation content

- ▶ Business value of a healthy workforce
- ▶ Benefits innovations – demand-side strategies
- ▶ Benefits innovations – supply-side strategies
- ▶ Integrating demand and supply approaches
- ▶ Summary: employer action steps

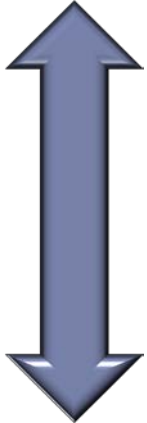


Traditional view of employee value



Responsible department	Operations	Human Resources
Components	Business productivity Supply chain management	Wages, health benefits, WC costs, recruitment, vacation...
Representative metrics	<ul style="list-style-type: none"> - Labor hours per unit - Waste as % of total output - Revenue per employee 	<ul style="list-style-type: none"> - PEPY healthcare costs - Employee engagement - Turnover rate

Evolution of health as a business imperative

	Organizational Tactics	Measurement Approach
Health as employee responsibility  Health as business imperative (culture of health)	Informal offerings	Not monitored
	Program-based offerings (health impacts medical costs)	Program-specific metrics (ROI)
	Integrated health and productivity programs (health impacts productivity)	Health & productivity metrics integration (total cost/value)
	Organizational policies and practices influencing health (health impacts revenue)	Comprehensive integration and reporting (business/shareholder value)

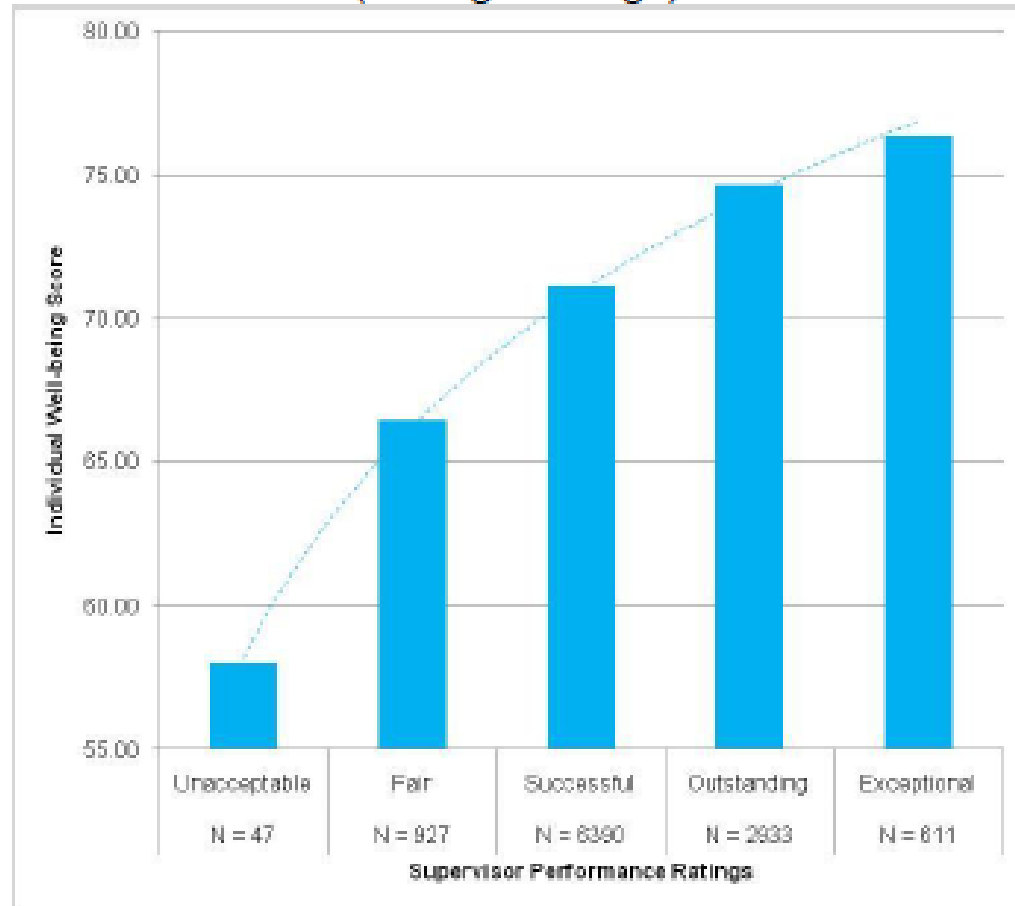
What's the value of a healthy workforce?

- ▶ **Triple Aim goals**
 - ▶ Improved quality
 - ▶ Better health outcomes
 - ▶ Lower healthcare costs
- ▶ **Lies in alignment of health management strategy with company business strategy**
 - ▶ Increased worker productivity
 - ▶ Enhanced worker performance
 - ▶ Increased company profitability
- ▶ **Optimal services generate optimal value**

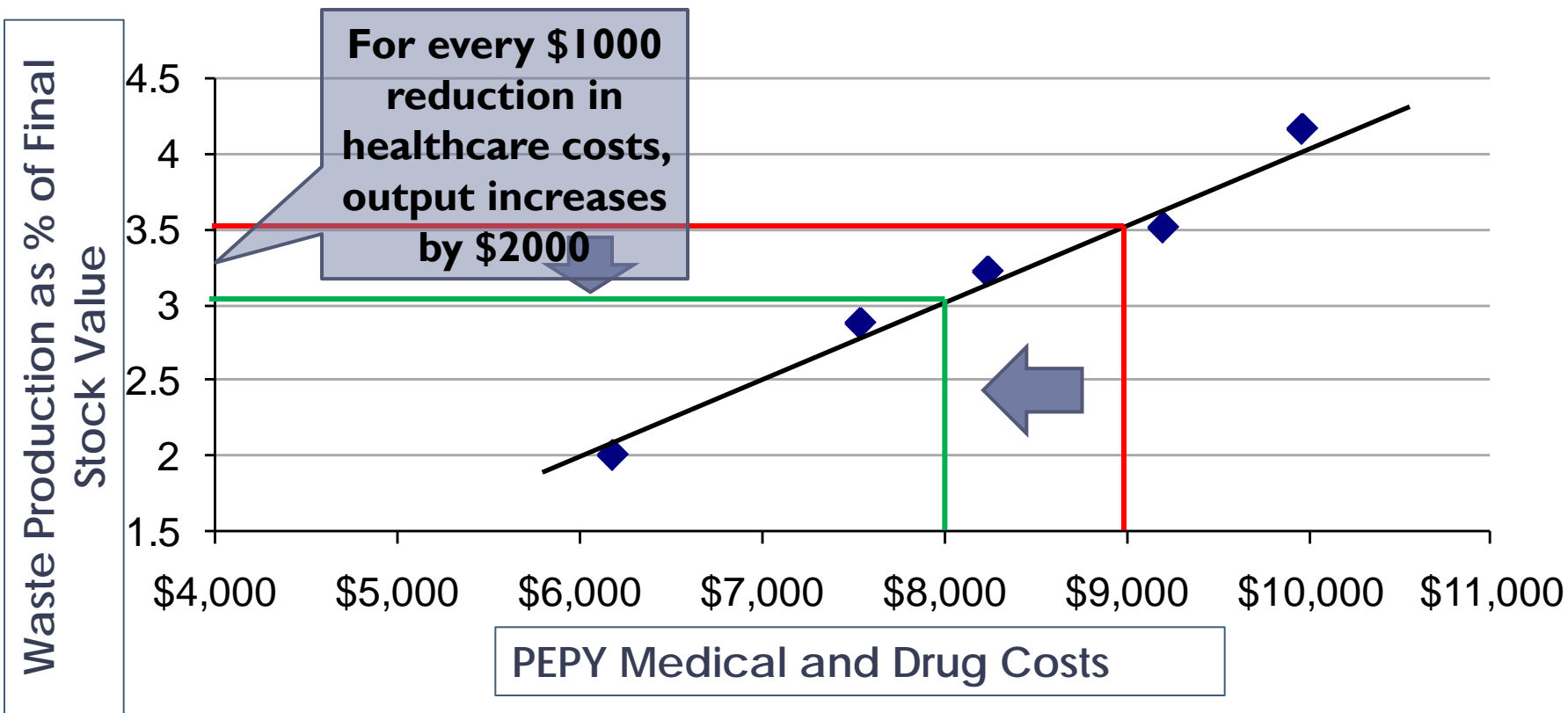


Higher well-being is associated with improved workplace performance

Well-being and Job Performance (Manager ratings)



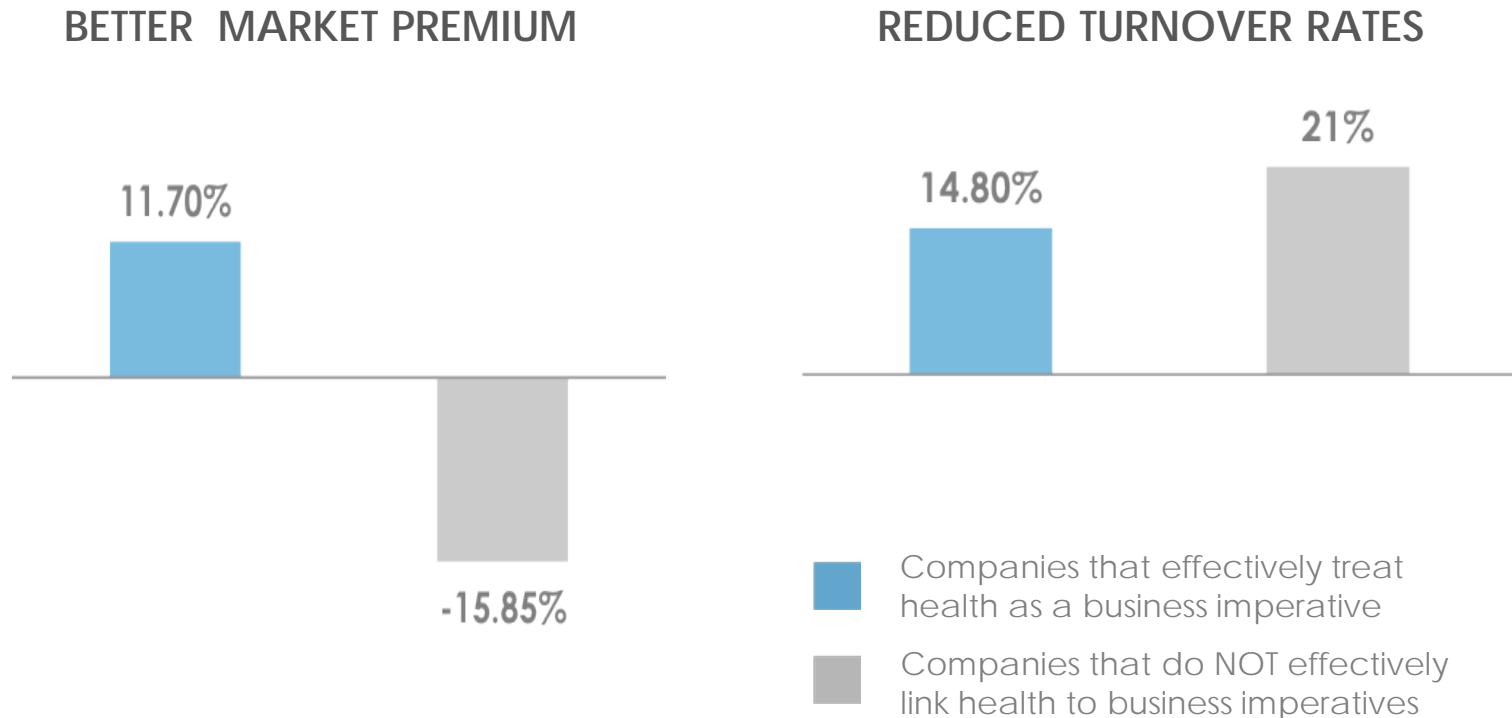
What if business and HR metrics were more effectively – and strategically – integrated?



Compelling opportunities exist to more closely link health and business goals

Health as a business imperative

Companies with health as a business imperative achieve significantly better financial outcomes and lower employee turnover



Representative business metrics

Industry	Individual business performance metrics	Aggregate business performance metrics
All industries	Supervisor performance evaluation Workplace accident rate Employee engagement	Voluntary turnover rate OSHA injury rate and WC costs Net income Customer satisfaction
Insurance	Average handling time of claims Net written premium amount Number of new insurance policies	Average insurance policy size Average handling time of claims Net written premium Number of new insurance policies
Manufacturing	Quantity of merchandise produced Value of merchandise produced Occupational injury prevalence	Throughput/work unit Defects per million opportunities Production plan variance Man-hour per equivalent unit
Retail	Shelf stocking efficiency Sales transactions per selling hour	Comp stores sales growth year over year Customer satisfaction Profit per customer visit Sales per selling hour
Call center	First call resolution rate Average time to answer calls Calls handled per hour	First call resolution rate Contact quality Customer satisfaction

The value of data...

- ▶ Data analysis can focus investment strategies to maximize not just health, but business value
- ▶ Merge health/productivity and business metrics to strengthen business case for investments in workforce health and well-being
 - ▶ Individual level – health, well-being, and work performance
 - ▶ Organization level – business performance and profitability



Supply and demand strategies for managing healthcare costs

Supply side

- ▶ Healthcare delivery innovation
- ▶ Condition management
- ▶ Lifestyle behavior mgmt.
- ▶ Employee assistance program
- ▶ Worksite clinics
- ▶ Retail clinics

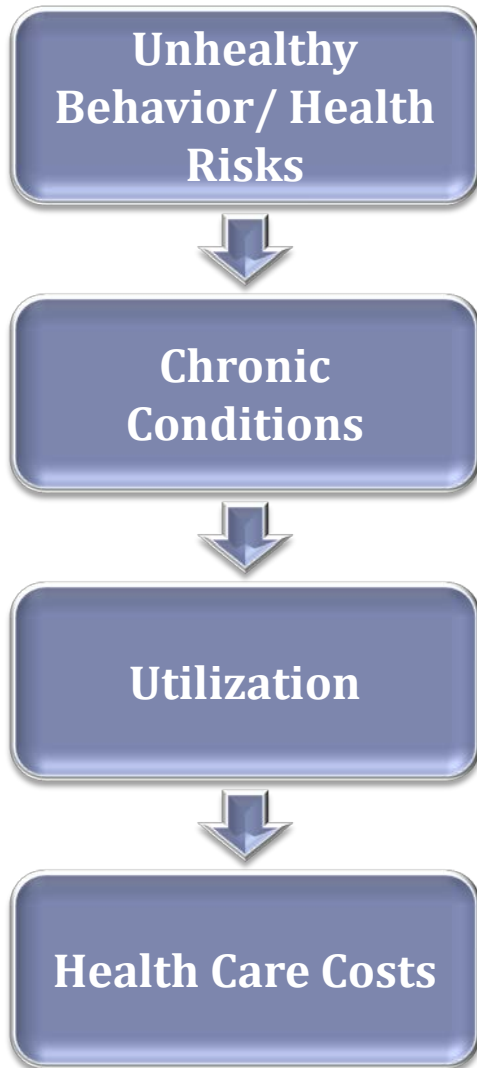
Demand side

- ▶ Cost-shifting
- ▶ Insurance design
 - ▶ Value-based
 - ▶ Account-based plans
- ▶ Incentives/penalties

Expanded focus areas:

- well-being as a broader health construct
- workplace “environment of health”
- organizational “culture of health”

The health – cost connection



- Unhealthy behaviors and health risks lead to chronic conditions
- Chronic conditions drive healthcare utilization
- Healthcare utilization drives healthcare costs

More than 75% of healthcare costs are the result of chronic conditions¹.

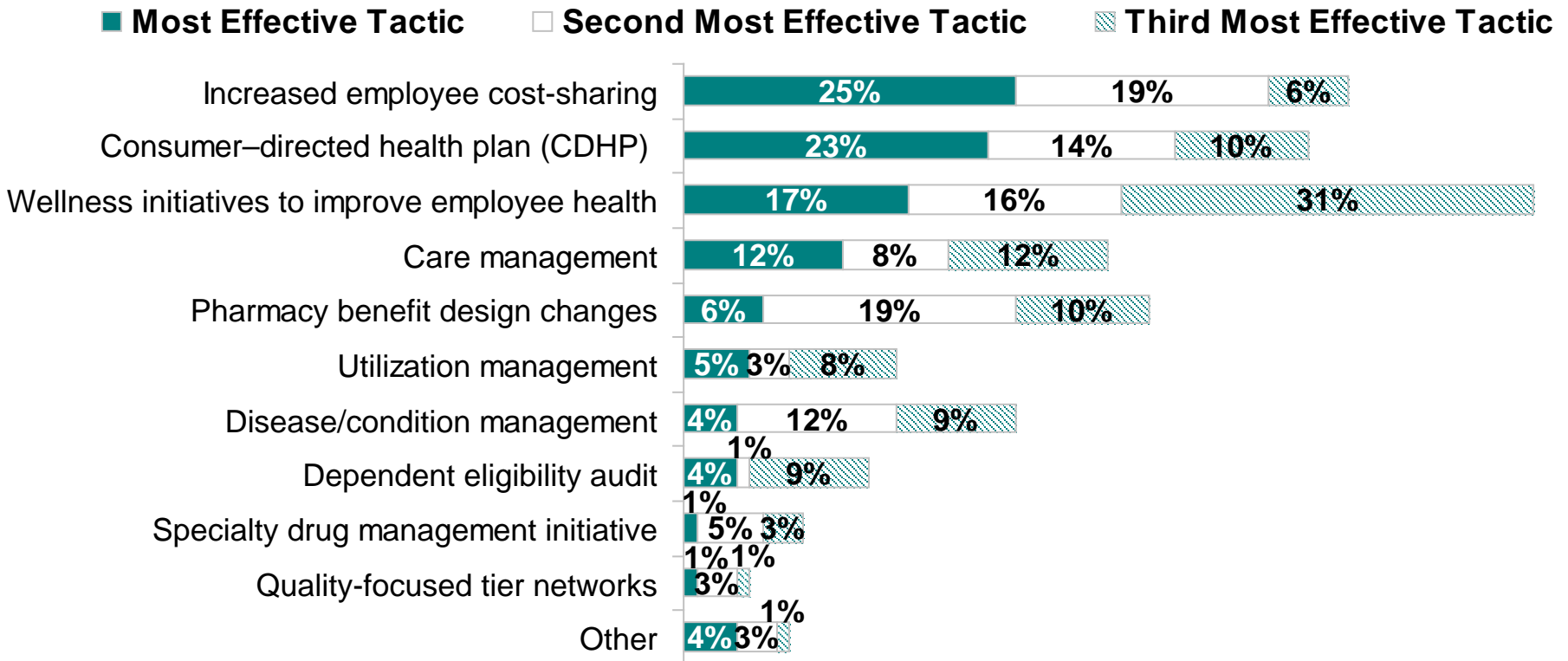
About 70% of healthcare costs are due to unhealthy behaviors².

¹ www.cdc.gov/chronicdisease/resources/publications/AAG/chronic.htm

² The Costs of Unhealthy Behaviors. WELCOA, 2007

Employer focus continues to be cost-based

Q: What do you consider the top 3 most effective steps you have taken or will take to control health care cost increases?

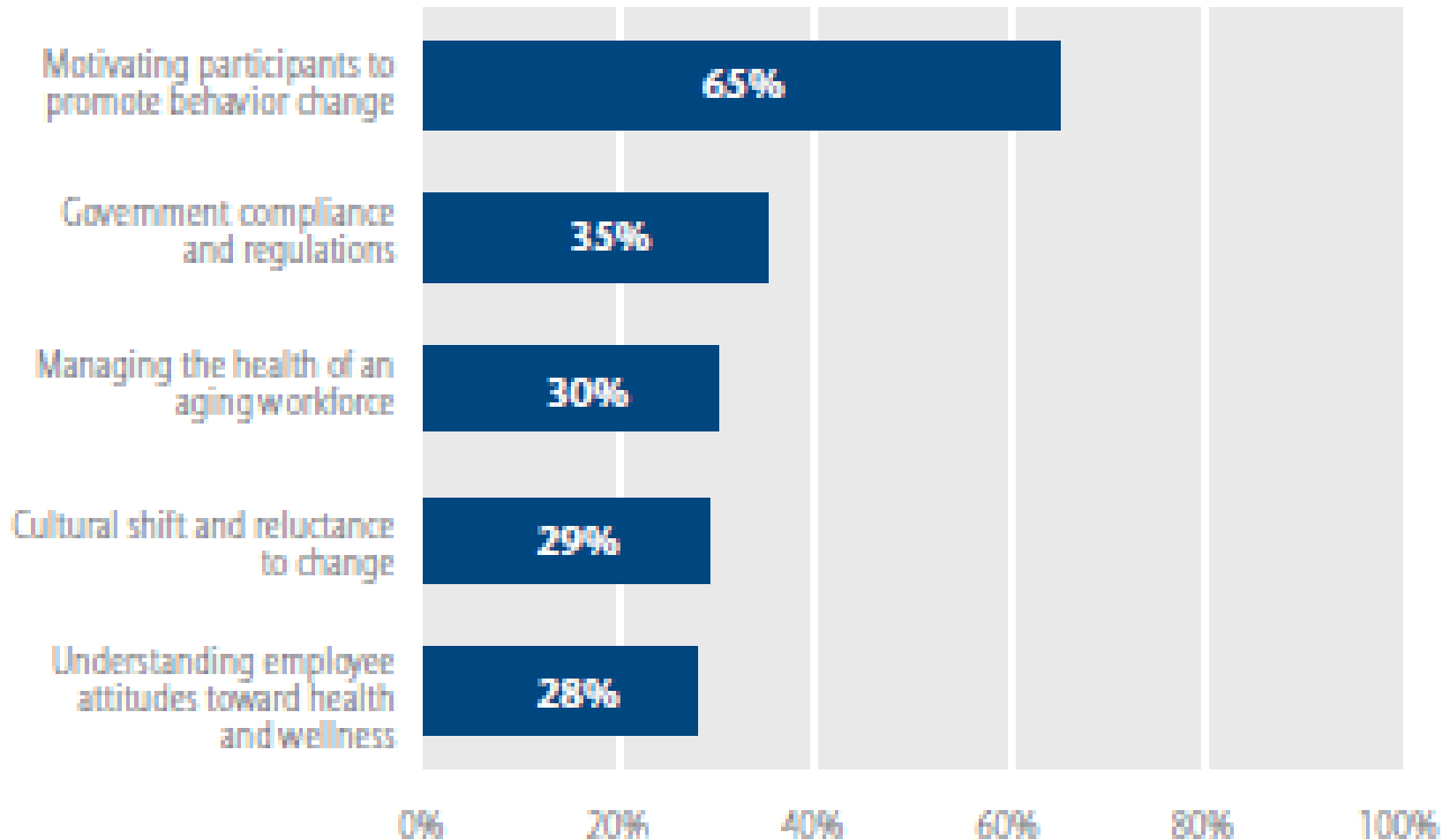


Demand-side strategies

- ▶ Historically focused on cost control
- ▶ Current approaches promote use of high-value services
 - ▶ Preventive care
 - ▶ Generic medications
 - ▶ Incentives
 - ▶ Value-based insurance design (VBID/VBBD)
- ▶ **Issues:**
 - ▶ Can't manage costs by managing cost
 - ▶ Approach assumes healthcare services are commoditized
 - ▶ Quality has not been a significant focus



Employer top challenges



Unhealthy behaviors are a major focus



drive 15 chronic conditions

1. Diabetes
2. Coronary Artery Disease
3. Hypertension
4. Back Pain
5. Obesity
6. Cancer
7. Asthma
8. Arthritis

9. Allergies
10. Sinusitis
11. Depression
12. Congestive Heart Failure
13. Lung Disease (COPD)
14. Kidney Disease
15. High Cholesterol

accounting
for **80%**
of total costs
for all chronic
illnesses
worldwide

Use of financial incentives in wellness programs is becoming more prevalent

	2011	2012	Planned for 2013
Use financial rewards for individuals who participate in health management programs/activities	54%	61%	21%
Use penalties (e.g., increase premiums and/or deductibles) for individuals not completing requirements of health management programs/activities	19%	20%	22%
Reward (or penalize) based on smoker, tobacco-use status	30%	35%	17%
Reward (or penalize) based on biometric outcomes other than smoker, tobacco-use status (e.g., achievement of weight control or target cholesterol levels)	12%	10%	23%



Median incentive amounts for healthy lifestyles are increasing



Sample multi-year incentive design

Category	Year 1 Wellness Goals	Year 2 Wellness Goals	Year 3 Wellness Goals
Participation in HRA	Mandatory	Mandatory	Mandatory
Tobacco/Nicotine:	Affidavit: Tobacco Free -or- Completion of Smoking Cessation Program	Negative Test Result -or- Completion of Smoking Cessation Program	Negative Test Result -or- Completion of Smoking Cessation Program
Physical Activity	Completion of Walking Challenge	Completion of Challenge	Log a minimum of 90 minutes of exercise per week
Age Appropriate Screenings	Mandatory	Mandatory	Mandatory
Blood Pressure:	Participate	≤135/90	≤120/80
Glucose:	Participate	≤125	≤100
Cholesterol:	Participate	≤4.0 (Cardiac Ratio)	≤4.0 (Cardiac Ratio)
Body Mass Index:	Participate	≤30.0	≤27.0
Coaching:	Participate	Complete	Complete
Impact	Qualify for Incentive	Up to 20% Reduction in Premium Contribution	Up to 20% Reduction in Premium Contribution

Adapted from Provant Health Solutions, 2012. Used with permission.

PPACA: expanding the role for incentives in benefit design

- ▶ Currently, employers may use up to 20% of the total amount of an employee's health insurance premium to provide outcome-based wellness incentives.
- ▶ In 2014, this will increase to 30% (up to 50% discretion per HHS)
- ▶ Outcomes-based incentives for healthy behaviors
 - ▶ Essential components: Organizational assessment, goals, target population, design
- ▶ Penalties vs. rewards
 - ▶ People may be more motivated to avoid loss (i.e., penalties) than to make equivalent gains.
 - ▶ Rewards for healthy behavior are more consistent with a long-term strategy of creating a partnership culture.



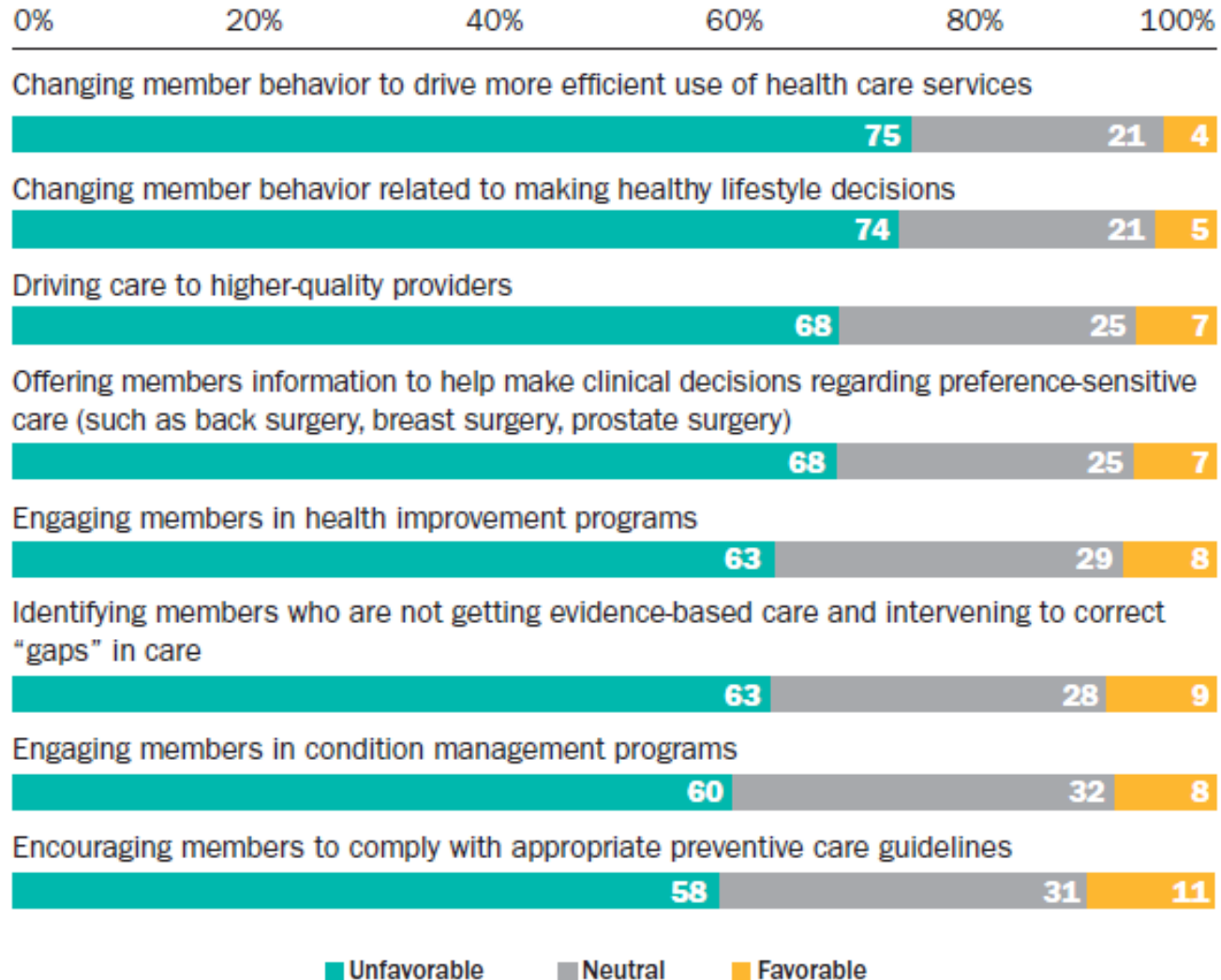
Supply-side strategies

- ▶ Newer focus for employers/plan sponsors
- ▶ Focus on service delivery efficiency and effectiveness
- ▶ Reflects intent to move “upstream” in the delivery chain to improve outcomes

What do employers understand about healthcare quality?



Employers aren't happy with health plan vendors, but don't appear to be demanding change

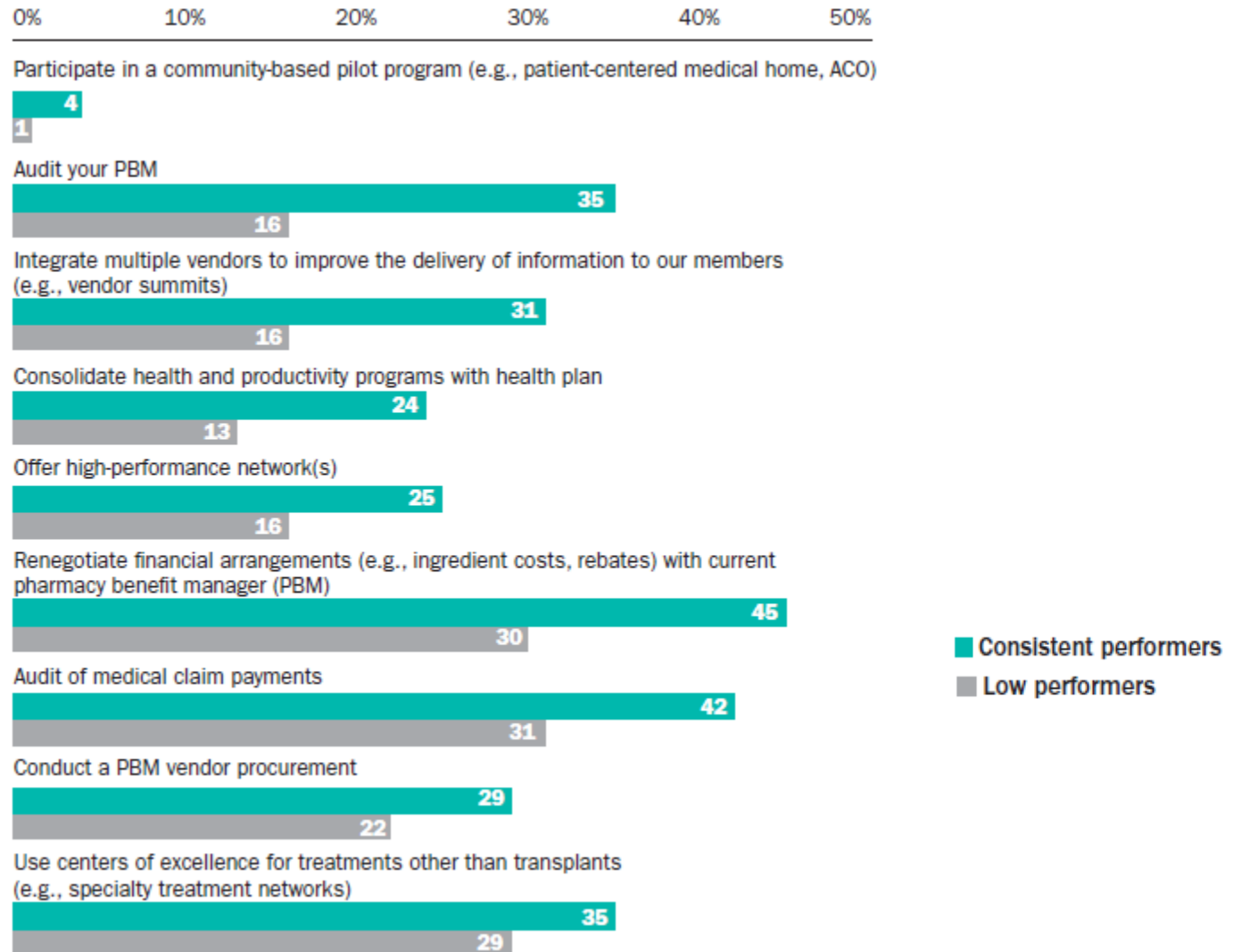


Employers and the healthcare supply chain

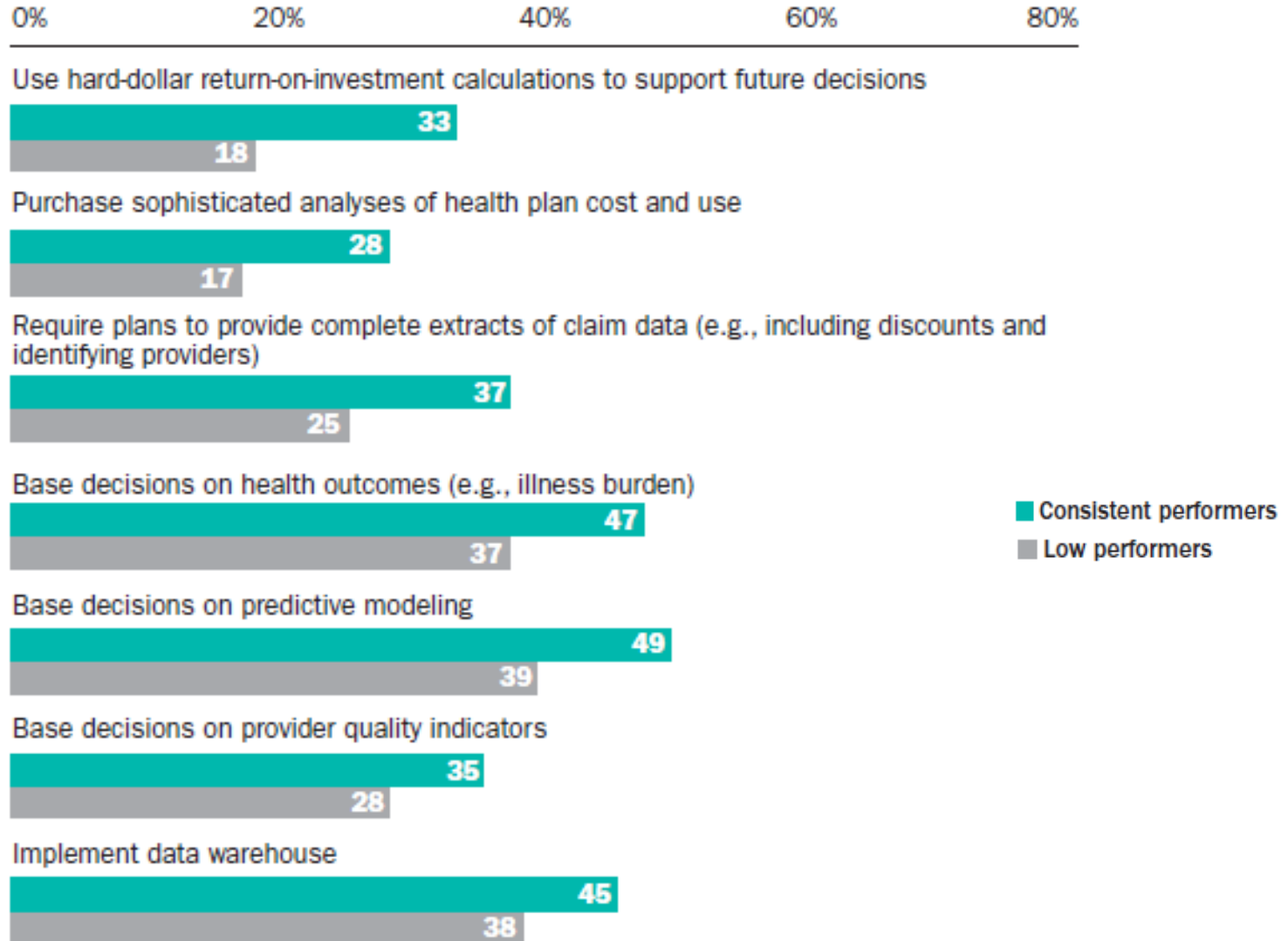
- ▶ Business supply chain vs. healthcare supply chain
- ▶ How have employers impacted the healthcare supply chain?
 - ▶ Understanding and incentivizing quality
 - ▶ eValue8
 - ▶ Pay for performance/Bridges to Excellence
 - ▶ Leapfrog
 - ▶ Community quality reporting initiatives
 - ▶ High performance networks/Centers of Excellence
 - ▶ Direct contracting
 - ▶ Worksite clinics



Employer tactics to improve care quality



Employer strategies for monitoring supply-side services

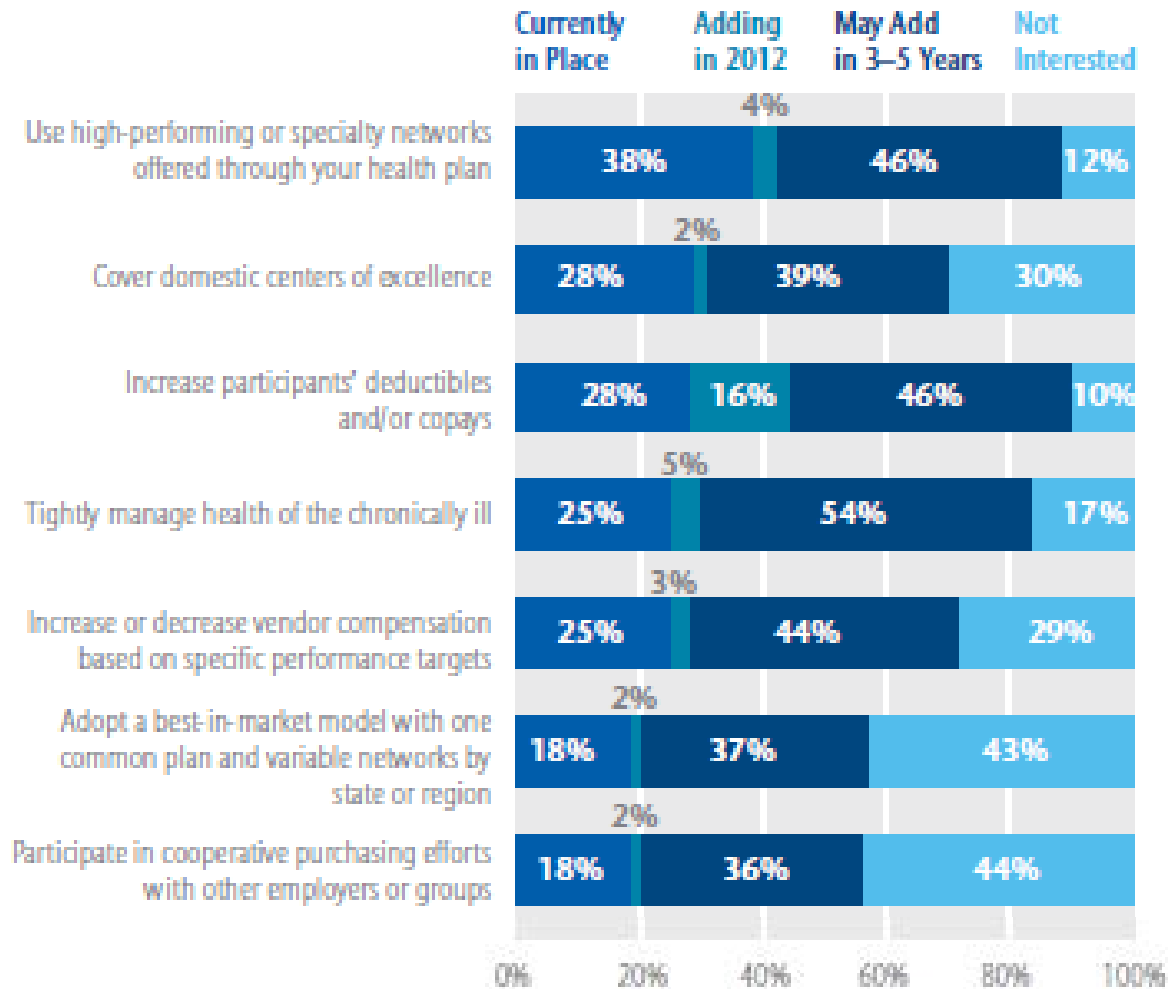


Innovative employer strategies to improve quality and lower costs

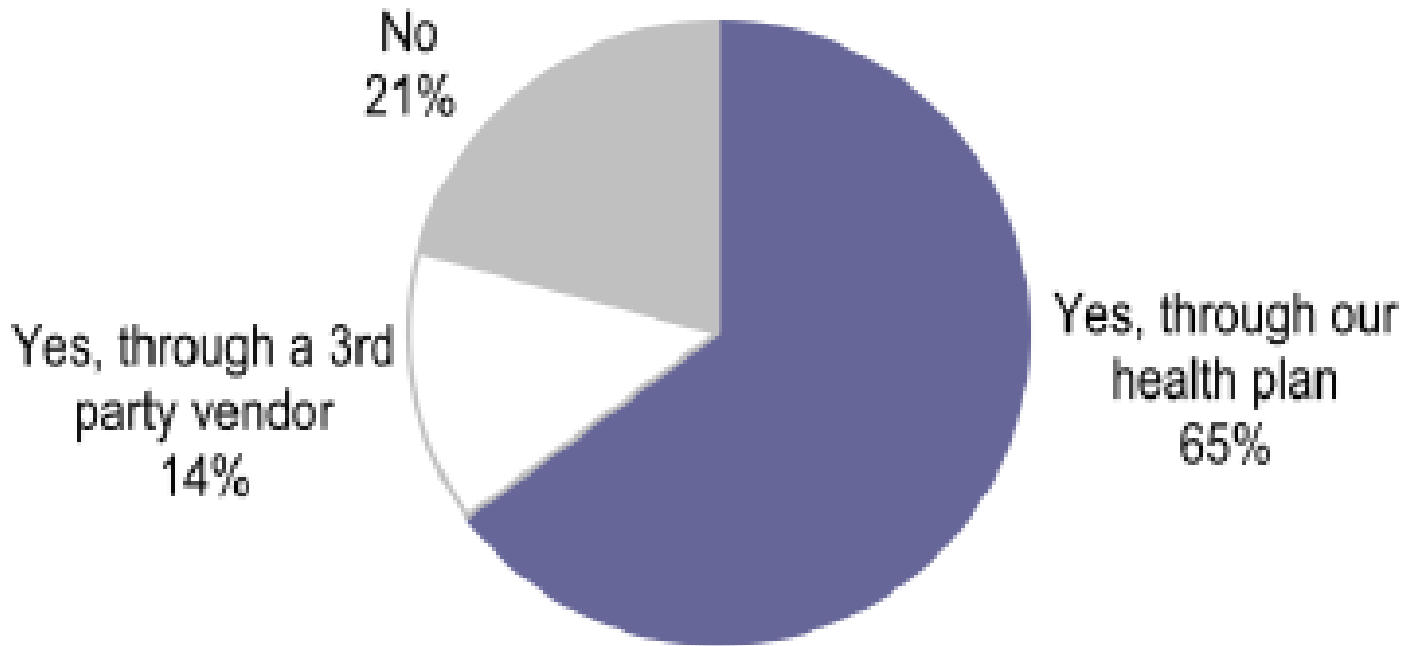
- ▶ **Evolving specialized approaches**
 - ▶ Consumerism tools
 - ▶ Centers of Excellence and direct contracting with bundled pricing
 - ▶ Tiered networks
 - ▶ Narrow networks
 - ▶ Reference-based pricing
 - ▶ Outcomes-based clinician/facility incentive payments
 - ▶ Direct contracting with ACOs and worksite clinics



Managing cost and reducing unnecessary expense



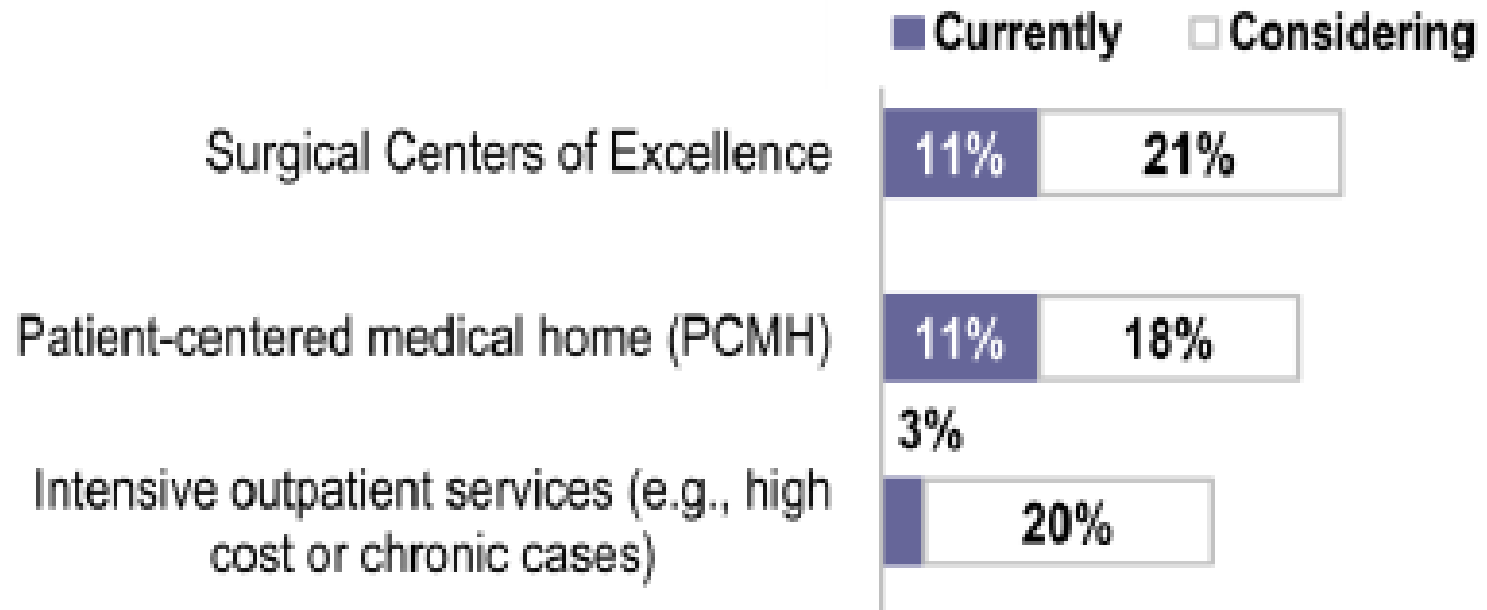
Employers offering price transparency tools



NCQA Diabetes Recognition Program (DRP) certification and impact on quality of care

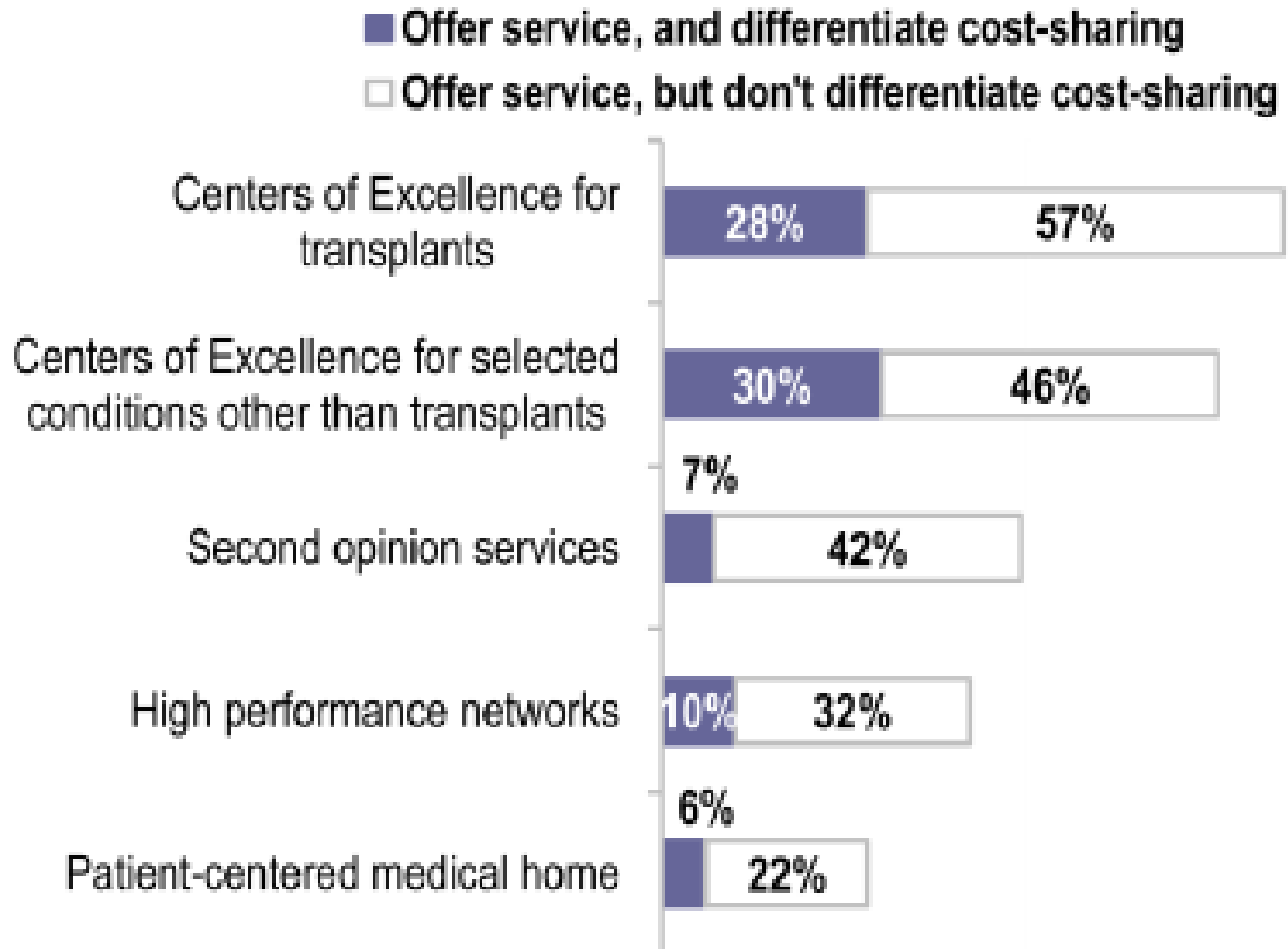
- ▶ **Patients of DRP clinicians had:**
 - ▶ Greater medication use
 - ▶ More office visits
 - ▶ Fewer ED and inpatient visits
 - ▶ Lower healthcare costs (\$3,424 vs. \$4,097)
- ▶ **Higher quality care results in improved efficiency of care delivery and lower costs**

Direct contracting with providers

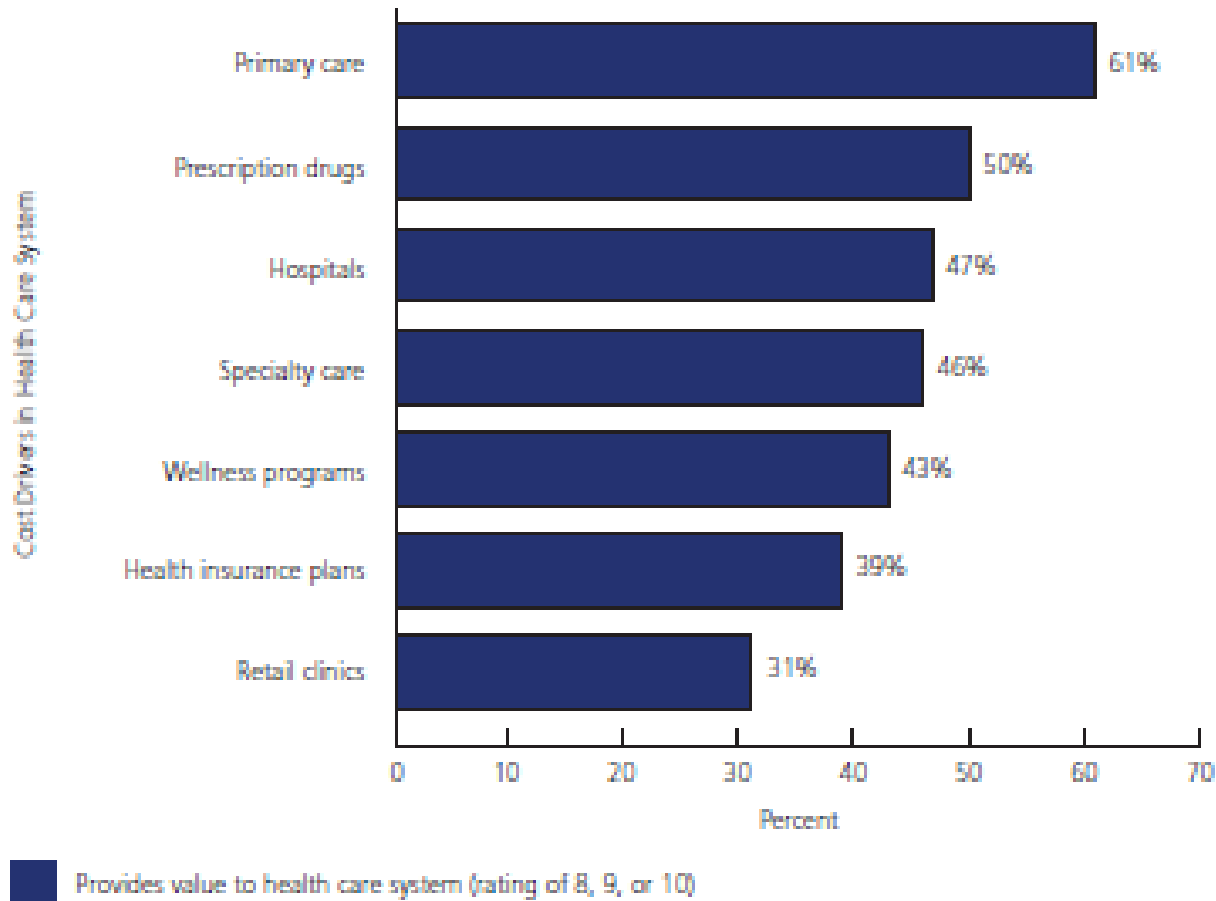


Note: Respondents were allowed to select more than one option.

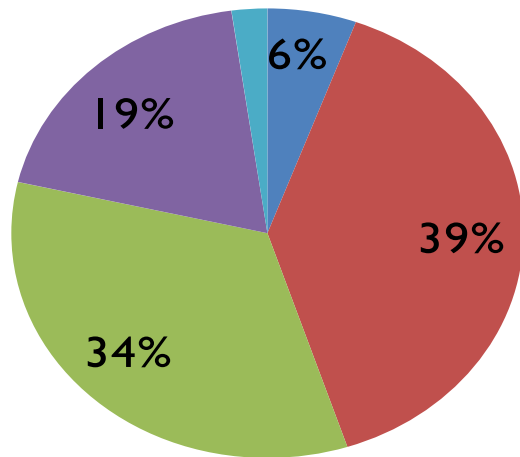
Use of COEs and second opinion services



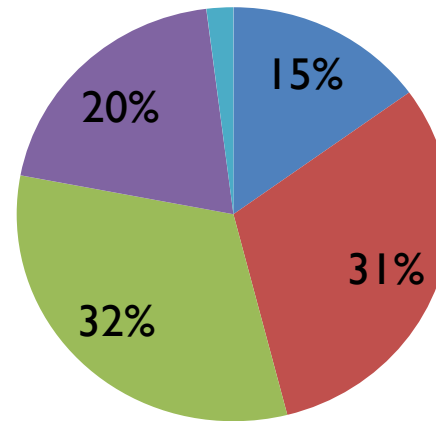
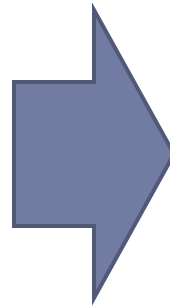
Investments in primary care provide the highest value to the healthcare system



Typical US employer healthcare cost distribution



Current state



PCMH implementation

- By improving care quality with a PCMH, primary care costs will increase
- However, implementation of PCMH has been shown to result in lower hospitalization rates – leading to lower overall health care costs.

Putting it all together: Integrate supply and demand strategies to maximize value

► Identify high-value services; steer individuals accordingly

Offering	Supply strategy	Utilization incentive
Centers of Excellence	Use quality facilities	Waived co-pay
Generic medications	Chronic meds	Waived co-pay if DM participation
Lifestyle management	Outcomes-based, participation-driven	Higher benefit tier for non-participants
Minimally invasive surgery	Specific experience	Waived co-pay
Reference-based pricing	Low cost service use	Cap coverage at low cost pricing
Patient-centered medical home	NCQA-recognized practices	Reduced co-pay



Summary: Employer action steps

- ▶ **Data drives decision-making**
 - ▶ Demand actionable data from health plans – identify issues and opportunities
- ▶ **Supply chain strategies:**
 - ▶ Incorporate meaningful performance metrics into plan contracts
 - ▶ Demand system improvements in care delivery – or take independent action
 - ▶ Identify efficient, high quality clinicians and hospitals, and promote use
- ▶ **Demand-side (benefit design) strategies:**
 - ▶ Understand population health profile and utilization patterns to identify improvement opportunities – condition management, primary care
 - ▶ Prioritize interventions based on anticipated value to the organization
- ▶ **Integrate supply and demand management strategies to maximize value of healthcare investments [expenditures]**
- ▶ **Don't forget to review HR policies to ensure they're aligned with promoting a healthy workforce**



Thanks for your attention!

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