

**UNDERSTANDING YOUR PLAN:
What are the Moving Parts?**



**CPEEHCC
January 18, 2008**



**TRADITIONAL WAYS OF LOOKING AT
YOUR PLAN**

- Delivery Model
 - HMO
 - PPO
 - POS
 - Other Variations



**TRADITIONAL WAYS OF LOOKING AT
YOUR PLAN**

- Purchasing Model
 - Stand alone
 - Pooled
 - Other Variations
- Financing Model
 - Fully Insured
 - Self Funded
 - Other Variations



WE ALSO HAVE TRADITIONALLY LOOKED AT COMPONENT PARTS

- Claims
- Reserves
- Retention
- Pooling
- Other



ALL OF THESE PARTS ARE IMPORTANT

BUT ARE THERE OTHER MOVING PARTS?



YES!

- **Employees**
- **Retirees**
- **Dependents**
- **The health and well-being of your membership is the starting point and the biggest moving part of it all**



LET'S BALANCE OUR APPROACH

- Major effort on “Supply” part of equation
 - Hospital Contracts
 - Capitation
 - At Risk Contracts
 - Utilization Review
 - Disease Management
- Add to our efforts the “Demand” part of equation to reduce or eliminate the need for medical care of our membership



REDUCING THE REAL COST OF MEDICAL CARE

- Human capital – just like machinery – needs “preventive maintenance”
 - Employers know it costs much less to keep machinery from breaking down than it costs to fix it when it does break
 - In addition “down time” can be very costly
 - A CEO of a fortune 500 company is quoted as saying that “if we oiled and greased our people the way we do our machines they would break down less often and cost us less in medical care, disability, and lost production”
- The question remains – what do unhealthy people really cost an employer?



THE STATE OF OUR HEALTH

- Various studies show that the US spends somewhere between 50 – 80% of health care dollars on diseases caused by unhealthy lifestyles.
- Diabetes
 - 91% of all diabetes cases are preventable through lifestyle changes
 - Costs associated with diabetes is about \$100 billion
- Cancer
 - 30-70% of all cancers are preventable through lifestyle changes
 - Costs associated with all cancers is about \$190 billion - 2004
- Heart Attacks
 - 80-90% of all heart attacks are preventable through lifestyle changes
 - Estimated that cost of heart disease and stroke is \$394 billion - 2005

(Wellness Councils of America, National Diabetes Clearinghouse, American Cancer Society, National Center for Chronic Disease Prevention and Health Promotion)



WHO ARE WE?

According to the Wellness Council of America, statistically if there are 100 people in your group

- 8 use controlled substances
- 10 are heavy drinkers
- 30 smoke
- 10 have high blood pressure
- 5 have diagnosed diabetes
- 5 have undiagnosed diabetes
- 25 have high cholesterol
- 35 are overweight by 20% or more



WHO ARE WE?

- 25% of American adults don't engage in any physical activity
- The average American watches more than four hours of TV per day
- Approximately 50% of youth are not active on a regular basis
- Virtual activity has replaced much of actual physical activity



WHAT ARE WE DOING TO OURSELVES?

- In 1970, Americans spent about \$6 billion on fast food
- In 2001, they spent more than \$110 billion.
- 7% of all Americans eat at McDonald's each day

(IFEBP)



LIFESTYLE IS SINGLE LARGEST FACTOR

- The U.S. Surgeon General reports that 75% of all illnesses can be attributed to lifestyle related causes.
- 59% of 2006 “high cost” employees were not in that category in the previous year
- Between 1980 and 2004 the number of Americans with diabetes more than doubled.
 - 2005 estimates are that 20.8 million Americans have diabetes
 - Diabetes is expected to rise to 30.3 million cases by 2050
 - One half of adult Americans have cholesterol levels above desired levels
 - Obesity affects over 70 million Americans and costs more than \$100 billion a year

(WellCall, Inc. / US Center for Disease Control / American Diabetes Association / American Obesity Association)



SOME FACTORS AFFECTING LIFESTYLES

- Increased sedentary work and commute hours
- Rising availability / demand for processed food
- Portion size explosion
- Prevalence of sugar-based beverages
- Family meals replaced by continuous “grazing”
- Stress from high consumer debt



RELATIONSHIP BETWEEN HEALTH AND LIFESTYLE

<u>Condition</u>	<u>Lifestyle Behavior</u>
Cancer	Smoking
Diabetes	Nutrition / Exercise
Depression	Stress
Asthma	Smoking
High Blood Pressure	Exercise / Stress
High Cholesterol	Nutrition / Exercise
Weight Problems	Nutrition / Exercise
Migraines	Stress

(WellCall, Inc. IFEBP Oct 2006)



FINANCIAL IMPACT OF LIFESTYLE / WELLNESS

- Overweight and obese people incur up to \$1,500 more in annual medical bills than healthy-weight people
- Companies save \$269 a year for every employee who starts exercising
- Companies save \$1,200 for employees who reduce their cholesterol from 240 ml to 190 ml
- Companies save \$1,400 a year for every employee who stops smoking

(WellCall, Inc. / IFEBP Oct 2006)



SMALL CHANGES MAKE A BIG DIFFERENCE

- In patients with dyslipidemia
 - Every 1% decrease in total cholesterol results in a 2% reduction in heart disease complications
- In patients with hypertension
 - Every 1 mm Hg reduction in systolic blood pressure results in a 2% reduction in the risk of death
- In patients with diabetes
 - Every 1% drop in HbA1c results in a 14% reduction in absolute risk of having a heart attack

(Neaton JD et al, Arch Intern Med, 1992; Stratton IM et al, BMJ, 2000)



WORKABLE APPROACH

- Health Information / Education
- Health Risk Assessment
- Screening for clinical measures
- Targeted programs for “at risk” employees
- Behavior modification
- Data collection and evaluation



IDENTIFY RISK

- Most health insurers have a variety of health resources including online Health Risk Assessments
- Often these resources are overlooked
- Biometric testing for obesity, elevated blood pressure, elevated total cholesterol and elevated blood glucose levels is the first line of defense in early detection and treatment of costly risk factors



HEALTH RISK ASSESSMENTS

- Health History
- Key behavior areas
 - Nutrition
 - Exercise
 - Tobacco Use
 - Prevention
 - Personal Safety
 - Stress



BIOMETRIC SCREENINGS

- Total Cholesterol
- HDL, LDL
- Glucose
- Blood Pressure
- BMI – Height, Weight, Body Fat



CASE STUDY

- Profile
 - 13,000 employees / 30,000 members
 - Public Sector / Western US
- 57% of coaching call participants reported elimination of one or more risks
- 75% of coaching call participants reported reduction of one or more risk factors (BMI, Cholesterol, hypertension, etc.)

(ISCEBS Sept. 2007)



INCREASE ROI BY INCREASING PARTICIPATION

- Research has shown that a comprehensive wellness program could break even if participation in HRA and follow-up interventions succeeded in shifting just 1% of employees from “high risk” to “low risk”.
- Citibank program reported that 51% of eligible employees completed an HRA and of those 5% completed a follow-up intervention. The programs yielded an ROI of \$4.56 per dollar invested.




CONSIDER THESE STRATEGIES

- Shift the orientation from medical care to health care
- Send consistent messages to employees about self-responsibility for personal health
- Utilize Carrier tools and programs
- Use HRA to identify opportunities
- Implement programs that target greatest opportunities
 - Short term and Long term



CONSIDER THESE STRATEGIES

- Build effective incentives into the plan design
- Develop partnerships with carriers, vendors and other organizations that focus on health improvement and quality care.
- Effective communication
- Continue to evaluate and modify



CONCLUSION

- Health care cost increases at 10-20% are unsustainable
- Left to current trends and practices, the US health care system will implode
- A healthy population costs less than an unhealthy population
- Prevention is better than treatment and rehabilitation
- A healthy lifestyle promotes better health
- In the long term, health promotion pays for itself through lower health care costs

