

# Reducing Healthcare Costs *for Employers*

# Battling Employee Chronic Health Conditions Early Is Key to Reducing Health Care Costs

Chronic diseases account for more than 75 percent of the nation's \$2 trillion medical care costs, according to data from the Centers for Disease Control and Prevention (CDC) in Atlanta.

Unless employers put more effort into their workforce's preventive health care, they'll fail to slow rapidly increasing health care costs, experts say.

What employers often do not realize is that their rising health care costs are not the result of physicians and providers raising their fees, but the result of a slim proportion of sick people becoming sicker and costing more, says Dan Ross, president of health care quality and risk management consulting firm Med-Vision LLC of Tampa, Fla.

"We should be spending our health care dollars to prevent people from [suffering acute health breakdowns], not rushing in when they [suffer them] and arguing about the discount," Ross says. "But that's the way the system is."

## District Finds Early Prevention Pays

Small businesses should assume as active a role in disease prevention for workers as they do for their workers' compensation claims, Ross says. "You can save more money by doing the right thing."

Ross helps employers analyze data and find areas where they can cut health care costs. From the data he's seen, health care costs are mostly the result of a small percentage of very expensive health plan members. For 85 percent of workers, the average annual health care bill is \$700. But for 15 percent of employees, that same average bill is \$13,384, and for the top 1 percent, the bill averages \$71,000.

"One percent of employees spend 26 percent of the money," he says. And the best way to stem the rise of health care costs is to target the 15 percent of less healthy workers and families to prevent them from becoming health care frequent fliers.

The Manatee School District of Bradenton, Fla., is a good example of this. The school district spends about 10 percent of its operating budget on the health care costs of retired staff and its 5,000 current employees, says director of risk management Forrest Branscomb.

"We, like other employers, have been doing our share of cost-shifting to employees, and we're also trying to improve the quality of health care," Branscomb says.

The aging population is pumping up the district's health care costs: "We have some 20-year and 30-year career employees, and our average employee's age now is 51 years. Just 15 years ago, the average employee's age was 42 years," he explains. The district has shifted costs and changed plan design in response.

"The maximum out-of-pocket deductible was increased, and we increased drug copays for the brand-name drugs," Branscomb says. "But at the same time we tried to put in more preventive benefits."

The district began offering free preventive screenings such as mammograms and colonoscopies, as well as glucose, cholesterol and triglycerides blood tests.

Manatee also has tackled this problem by starting a wellness program that was funded with money the district got through the Medicare retiree drug subsidy. The district also has a disease management program and an immunization vaccination program. Data suggest these programs have contributed to the district saving more than \$1 million in direct and indirect health care costs.


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## **Chronic Conditions** (continued from p. 3)

The wellness program, called HealthVantage, has a district coordinator and an insurance specialist who oversee a variety of activities, including: (1) on-line health assessments; (2) flu immunizations; (3) exercise groups and fitness club memberships; (4) Weight Watchers meetings; (5) pain management programs; (6) wellness consultations; (7) wellness education events; and (8) tobacco cessation.

### **Payoffs Appeared Quickly**

Wellness program expenses are just over \$320,000. The year after it was implemented, employee absenteeism due to illness was reduced by \$354,878 — a 12-percent reduction.

Until Manatee implemented a disease management program for coronary artery disease (CAD), the district's spending on CAD claims increased by 7 percent each year. In the nine-month period after the CAD wellness program began, the district saved \$281,267, a 35-percent reduction in expenses.

The school district also realized huge cost savings in reduced back pain medical claims, which plummeted by 40 percent, saving \$381,702, in the nine-month period after the wellness program's exercise and muscle balancing/strengthening programs began. Historically, medical claims related to back pain had been one of the district's top three expenses, costing nearly \$1 million in annual claims. 🏠

## **Value-based Design** (continued from p. 2)

“The evidence suggests that, undoubtedly, there were some health benefits and associated savings,” Chernew says. Some savings are realizable from increased worker productivity and decreased sick time. But data were unclear due to the multitude of variables. And he adds that reducing barriers to preventive treatments alone is not likely to generate huge savings for health plans and the system as a whole.

Despite the ambiguous results, the employer who used the VBD featured in the *Health Affairs* study was satisfied with the results and has continued to offer the program, Chernew says.

“There are benefits to this program beyond those we discuss in the study, and they're related to productivity, employee well-being, and a whole series of reasons why one would do this,” Chernew says. “In general, they've been very happy with the program.” 🏠