Companies Spend Big to Save on Health Care Costs

BY ERIK L. GOLDMAN

If you want to see the impact that health care costs have had on corporate America, just take a look at the measures some companies are taking to encourage employee health.

Paid leave, reduced insurance copayments and premium shares, as well as straight cash rewards are among the inducements corporations now offer employees who participate in company-sponsored wellness programs centered on weight loss, smoking cessation, healthy eating, and ongoing management of chronic diseases.

When corporate wellness programs first emerged 2 decades ago, companies hoped that they would be able to woo participants with the promise of better health and inexpensive gifts like T-shirts and emblazoned water bottles, but the tchotchke era is over, according to leaders in the field, who spoke at a conference on wellness programs sponsored by the World Research Group.

These days, CEOs who want employee participation in wellness programs are putting real money on the table. The myriad incentive programs now in play, and the size of the rewards—which can reach thousands of dollars per employee per year on top of the costs of implementing the programs—underscore the lengths some companies are willing to go to get their people healthy.

The first step in most corporate wellness plans is an employee-completed health risk assessment (HRA), a tool used to identify employees' risk for diabetes, heart disease, cancer and other serious diseases, and to guide nutrition and fitness plans aimed at prevention.

Some companies are offering cash incentives just for completing the HRA. For larger companies, that can become a significant line item.

A WebMD survey of more than 20,000 employees participating in corporate wellness plans at eight U.S. companies shows that when it comes to inducements, employee expectations are high, according to Larry Chapman, senior vice president of WebMD Health Services.

Almost half (49%) of respondents said their preferred incentive was a lower monthly health insurance premium, something Mr. Chapman said more companies are beginning to offer. Thirty-three percent said they preferred cash rewards. Gift cards were favored by 9%, and 1% said that they would respond to logo-imprinted merchandise.

He added that corporate leaders have learned some hard lessons in their 20 years' experience with wellness plans. For one, they have learned what many physicians could have told them: Most people are not intrinsically motivated to improve their health, and it takes a combination of carrots and sticks.

They also are learning how to create meaningful incentives by listening to their employees' wishes, which usually come down to time and money. Lastly, they are learning that healthy behaviors don't occur in a vacuum, and they don't just happen. They're part of a culture of health that involves community and family outreach.

The challenge for employers, according to Stuart Slutsky, chief marketing officer for Vitality Health Engagement Systems, is to properly size the incentives and link them to behaviors that will ultimately lead to net reductions in overall health care spending. Mr. Sluksky's firm provides wellness programs under contract to large corporations and serves over 1.5 million employees across the globe.

The Vitality program offers employees multiple chances to earn employer-subsidized "Vitality Bucks" that can be redeemed for fitness club memberships, airfares, sporting goods, and more. It's akin to a frequent flyer program: The more an employee engages in ongoing health-promoting practices, the more Vitality Bucks he or she earns.

The Kellogg Company, as part of an effort to return to its roots as a health and nutrition company, has one of the most comprehensive and proactive corporate wellness programs in the country. Employees have opportunities to shave up to $1,100 per year off their health insurance premiums if they complete an HRA, demonstrate that they are non-smokers (or participate in a cessation program), and engage in other healthy lifestyle change, said David Tanis, one of the company's health promotion specialists.

Kellogg's employees have opportunities to earn additional rewards for getting vaccinated against influenza, meeting weight loss goals, and taking part in company fitness challenges.

Patti Clavier, manager of Intel Corporation's "Health For Life" program, said her company offers employees a $25 American Express gift card for scheduling a health check—getting a quick blood draw and blood-pressure check—and another $75 for completing a thorough online HRA developed by the Mayo Clinic. She estimated that the program costs Intel roughly $4 million per year, just for its U.S. employees.

Some companies find that paid time off is even more of an incentive than premium reductions or cash rewards.

"This is particularly true for higher-ranking employees who are already well compensated," said Tanya Lewis-Walls, senior director of UnitedHealth Group's Clinical Solutions wellness program.

Cathy Murphy, vice president of human resources for Blue Shield of California, strongly agreed. Under its new WellVolution program, the insurer offers its employees a day off just for completing an HRA and undergoing some basic biometric testing. Ms. Murphy said 52% of all company employees have now taken advantage of this.

All that paid leave cost the company $2 million last year. "It's a big commitment, but it is very important," she said. ■

POLICY & PRACTICE

CAN'T GET ENOUGH POLICY & PRACTICE? CHECK OUT OUR NEW PODCAST EACH MONDAY.
egmnblog.wordpress.com

Adverse Event Reports Go Unused

The Food and Drug Administration's Center for Devices and Radiological Health fails to use adverse event reports in a systematic manner to detect and address medical device safety problems, a report from the HHS Office of the Inspector General found. Manufacturers and medical facilities are required to promptly submit reports to the FDA center following adverse events, which can include deaths, serious injuries, and device malfunctions. But the center has no documentation of following up on these events, and it fails to read most reports in a timely fashion, according to the report. Meanwhile, reports of problems with medical devices are increasing, the Inspector General's office found: The FDA center received about 73,000 adverse event reports in 2003 but more than 150,000 in 2007. The Inspector General recommended that the center develop better protocols for reviewing and tracking the reports.

Medicare's Improper Payments

The Centers for Medicare and Medicaid Services made approximately $24 billion in improper payments in fiscal year 2009, an error rate that was almost double the rate of the previous year. In fiscal year 2009, 7.8% of Medicare fee-for-service claims were paid in error, compared with 3.5% in fiscal year 2008, said the agency in a statement. The CMS said that the increase in the error rate resulted largely from a change in how it identified improper payments. "This year, we made the call to stop calculating our error rate in fee-for-service Medicare the way that the previous administration did and to start using a more rigorous method in calculating this rate in keeping with our mandate to root out errors and fraud," Health and Human Services Secretary Kathleen Sebelius said in a statement. The CMS said that the higher improper payment rate is not necessarily an indicator of greater fraud. Rather, it was "a more complete accounting of errors," according to Ms. Sebelius.

Employers Favor Family Plans

Employer contributions to health savings accounts, which are integral to "consumer-driven" health plans, are shifting to favor family-coverage plans, according to the Employee Benefit Research Institute. Workers with employee-only coverage have seen annual employer contributions to their health savings accounts decline, but those with family coverage saw increases in 2009, the institute said. About 4% of Americans have consumer-driven health plans, the report said, and about 63% of employers offering such plans make contributions to their workers' health savings accounts.

Electronic Tools Effective: AHRQ

Consumer health informatics—electronic tools and applications designed to provide tailored health advice to patients—could save money by eliminating the need for some health education activities now performed by clinicians, said a report from the Agency for Healthcare Research and Quality. Health informatics also could improve clinician-patient interactions dealing with a wide variety of diseases and health issues, the AHRQ said. The agency reviewed more than 100 studies of consumers getting health information via the Web, computer programs, and other electronic avenues such as texting and chat groups. The analysis found that the most effective health informatics applications tailor messages using a patients' own health information and provide feedback about the that person's progress as the intervention progresses.

Provider Fraud Most Common

By far, most health care fraud—80%—involves providers systematically overcharging public or private insurers, according to a report from researchers at George Washington University, Washington, and the National Academy for State Health Policy. The study found that these schemes disproportionately target demographic groups likely to be enrolled in Medicare and Medicaid. However, the researchers also found that fraud information concerning the public programs is frequently confused with payment-error data. The authors recommended stronger laws governing insurance marketing, enrollment, claims payments, and antifraud procedures.

DEA Effort Delays Pain Relief

Efforts by the Drug Enforcement Administration to prevent the theft of prescription narcotics are denying pain relief to many nursing home, hospice, and other long-term care patients, two senators said in a letter to Attorney General Eric Holder. Sen. Herb Kohl (D-Wis.), chairman of the Senate Special Committee on Aging, and Sen. Sheldon Whitehouse (D-R.I.) called on Holder to issue new directives to the DEA. The senators proposed legislation that they said could fix the problem. To deter diversion of prescription drugs, the agency stepped up enforcement of laws that require pharmacies to obtain hard copies of prescriptions with signatures from physicians, instead of routine medication orders, for controlled substances prescribed in residential-care settings. This has disrupted "well-established medication coordination protocols" and led to delays in providing those medications to sick patients, the two lawmakers said.

—Jane Anderson