GREATER TOMPKINS COUNTY MUNICIPAL HEALTH CARE CONSORTIUM

OWNING YOUR OWN HEALTH COMMITTEE MEETING
December 11, 2013 - 9:30 A.M.
SCOTT HEYMAN CONFERENCE ROOM

AGENDA

- Acceptance of November 13, 2013 Minutes
- Communication of Committee's Work to Board of Directors
- Updates of Wellness activities
- New Business
- Adjournment

DRAFT 11-15-2013

Minutes
Owning Your Own Health Committee
November 13, 2013 – 9:30 a.m.
Scott Heyman Conference Room

Present: Don Barber, Chantalise DeMarco, Board of Directors; Jackie Kippola, Brooke Jobin, Tompkins County; Emily Mallar, CAP Connect; Leslie Moscowitz, City of Ithaca; Beth Miller, Excellus (via conference call), Ken Foresti, Excellus; Jennifer Stuckert, Interactive Health Solutions

Call to Order

Mr. Barber called the meeting to order at 9:37 a.m.

Approval of Minutes October 9, 2013

The minutes of October 9, 2013 were accepted as corrected. MINUTES ACCEPTED.

Presentation by Interactive Health Solutions (IHS)

Ms. Stuckert said about three years ago Excellus went to the market looking for an organization to partner with to bring wellness solutions to the people they work with. After a nationwide search they chose to work with Interactive Health Solutions. The primary reasons Excellus chose IHS was because they have been doing this for twenty years and were one of the first companies to become NCQA certified; they have an outcomes-based program where they measure, motivate and reward off of clinical factors, and they work with clients in all 50 states. They are now moving into their fourth year working with Excellus. She said if the Consortium decided to move forward she would take the lead but would work with the Consortium and Excellus as a team. She explained that the data the Consortium would get back is prevalence data and would help provide direction by informing the Consortium of trends and prevalence in areas in terms of risk. Mr. Foresti would then be able to work with a wellness committee to focus efforts in those areas and coordinate with programs Excellus has available. She distributed copies of the Excellus blue4u program that is being offered.

Ms. Stuckert said the intent of the program is to get people engaged in their health and to get them to think proactively about their health. Unfortunately people only think about going to the doctor when they are sick and do not think about going to their doctor to stay healthy. It is hard to get people engaged if they do not know they have any risks and if they are not aware of what the risks they may could means to their health. This program would bring health assessments to the workplace so that risks could be identified. Information would be provided to the individual as well as tools and resources, including one-on-one coaching that would be provided to help people get engaged. In addition, by doing this the Consortium can impact its claims trend for the group because risks are being identified earlier and are able to be treated at a lower cost than when they become an urgent need. By doing this it helps keep insurance costs affordable for the Consortium because fewer and smaller claims are being paid.

Ms. Stuckert presented the following information:

- Chronic diseases are the number 1 cause of death in the United States and account for 7 out of 10 deaths;
- More than 70% of all chronic diseases are related to unhealthy lifestyles and are preventable;
- These diseases account for 75% of health care spending with two-thirds of these medical costs considered due to lifestyle.

The CDC (Center for Disease Control) looks at prevalence data within the population (working and non-working) and has found that a lot of people have risks that can be controlled through diet and exercise, medication, and working with a physician.

Blood Pressure

- 1 in 3 adults have high blood pressure
- 1 in 3 with high blood pressure do not get treatment
- 1 in 2 with high blood pressure do not have it under control

Cholesterol

- 1 in 3 adults have high cholesterol
- 1 in 2 with high cholesterol do not get treatment
- 2 in 3 with high cholesterol do not have it under control
- 1 in 2 stop taking cholesterol medications within 1 year

Diabetes

- 11% of adults are diabetic
- 35% of adults are pre-diabetic
- Losing 5-7% of body fat, getting 150 minutes of moderate physical activity each week reduces risk by 60%

Ms. Stuckert said a health assessment can identify individuals and educate them about what it means to become diabetic and noted the CDC has stated an outcome can be changed. She stressed the importance of educating in addition to identifying. She said she made a presentation to the Joint Committee on Plan Structure and Design in 2012 and at that meeting utilization data was shared. She briefly reviewed preventive services utilization and information on projected health risks and summarized by stating the Consortium has many members who are not engaged in their health.

She explained health assessments are brought into the workplace; people complete a brief medical history/lifestyle questionnaire and are given a fasting blood draw. From that draw a look is taken at blood glucose and a full lipid panel. The results come back to only the employee and they receive a very comprehensive report. In addition, they can access additional online-tools. The intent is not to replace a person's physician but to encourage a person to follow through and understand what their risks are and to provide individuals with many tools and resources so they can address those risks and live a longer and healthier life. The greatest benefit is to the health of an individual, however, there is an impact on claims trends which will impact costs two to three years down the road.

Mr. Barber asked how IHS or Excellus gets involved in helping individuals understand the big picture and what changes they can consider in their life without overstepping their relationship with their physician. Ms. Stuckert said individuals are encouraged to get connected with their physicians and to send their results to them. When people register for their health assessment they are able to direct that the results be sent to their physician. When the results are sent the physician they are informed that the individual has a lot of tools and resources that are available to them, including health coaching. The packet that comes to an individual's home starts the process and contains a summary of the results and includes information on risk factors to give people motivation to make changes if needed. In addition to the report and disease management, targeted e-mails are sent to individuals based on identified risk, individuals are able to work with health coaches, and there is a monthly newsletter and webinar that is available. Information is also sent to the healthy population as it is just as important to keep them healthy.

Ms. Mallar asked what percentage of the population of an organization needs to participate in order to see a significant decrease in the claims.

Ms. Stuckert said a program would typically start on a voluntary basis with no incentives and would include approximately 35% of the population of which there is a good number who are already somewhat engaged in their health. She said an independent third party study has shown a 7.7% decrease in the medical spending per member per month at approximately 2½ years out.

Ms. Moscowitz said typically people are very suspicious about health assessments and asked what ideas Ms. Stuckert had for increasing participation. Ms. Stuckert said she holds employee meetings and they are very helpful. When employees are interested they tend to share information with co-workers and programs grow as a result of individuals talking to each other about the benefits and resources of the program.

Ms. Stuckert explained a program is built into the health plan under the health benefit; it does not count against a preventative benefit. They bill through a claim on a per participant basis and the cost is $150 annually and is all-inclusive. Their regular price in the marketplace is $195. Excellus has a very discounted rate as a result of the contractual relationship with IHS.

Ms. Miller said the program works well because there is a lot of flexibility. She said her physician is confident in the tests that are done by IHS and accepts those results. Ms. Stuckert spoke of the importance and accuracy attained by doing a blood draw instead of a finger stick.

Mr. Barber raised an issue of doing a group assessment on a municipality that had very few employees and the potential to identify individuals as a result of the small group. Ms. Stuckert said they typically require at least 25 participants to come to a location; however, because the Consortium is a large group there are number of ways that could be addressed. Mr. Barber also asked if there are ways to increase the participation rate. Ms. Stuckert said all of the municipalities she works with began at the voluntary level. As trust is built and there is success municipalities have sometimes offered a wide variety of incentives including premium differentials, different health plans, and gift cards. She spoke of a program in Wisconsin and the impact they have seen on claims and stated she will share the article with the Committee. She said she feels a wellness committee is key to the success of a program like this.

Ms. Moscowitz spoke of the value of health coaching. Ms. Stuckert said Excellus disease management and case management will call out once issues are identified. Those calls take place quickly after a health assessment because the faster someone can be reached the higher the level of engagement. IHS will do outreach with a critical condition within 24 to 48 hours. There is no waiting period when someone calls in for health coaching.

Mr. Barber questioned whether spouses were included in the 35% participation rate; Ms. Stuckert said they were not included. The Consortium could include spouses if they are on the health plan. He estimated the cost to the Consortium would be approximately $126,000 out of a $26 million budget based on a participation rate of 35% of 2,400 members.

Ms. Stuckert will provide additional information on savings that have achieved in other counties.

Wellness Updates

Ms. Moscowitz reported the City had 70 participants at the flu shot clinic. The City recently won the Fingerlakes Fitness Challenge and is working with the Health Planning Council and has developed a survey and identified target areas for groups to focus on. She spoke of wellness initiatives that are taking place at the Youth Bureau that are having positive impacts on employees.

Ms. Jobin reported the County will hold its Employee Benefits Day tomorrow. The Health Department will also be including a walk-in flu clinic.

Ms. Kippola asked if the program presented by IHS would interfere with any program CAP is offering. Ms. Mallar said it would not at this time. In terms of wellness and health assessments based on biometrics that is not currently happening with CAP and she believes these programs have shown success and that CAP would be in support of them.

Next Meeting

The next meeting will be December 11th at 9:30 a.m.

Adjournment

The meeting adjourned at 10:47 a.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk

Employee Benefit News
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Tailor made

Practitioners, providers offer strategies for breaking the mold to create a unique wellness program that fits each employee's figure

By Kathleen Koster

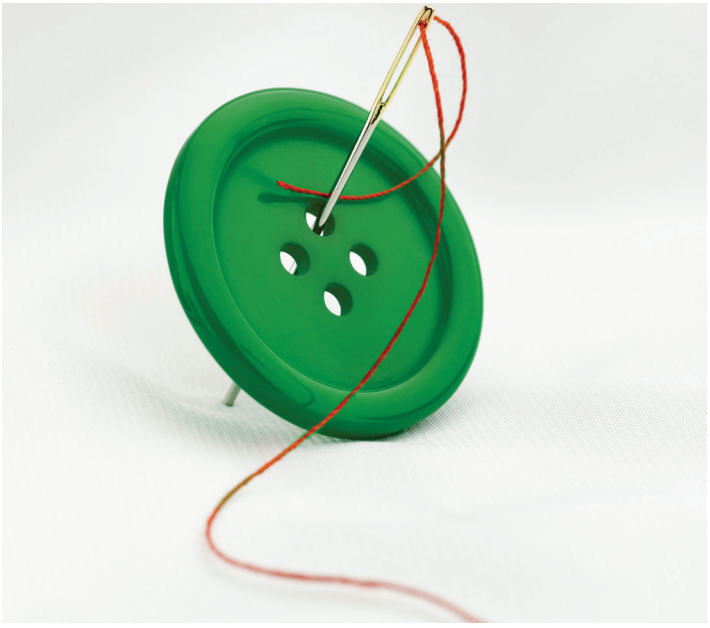
As wellness and chronic disease initiatives mature, employers are shifting their programs' focus from rewarding basic participation to encouraging outcomes - based goals. To move the needle on improving employees' health, savvy benefits and HR professionals are implementing member advocacy programs and other techniques to engage individuals and tailor the program to their specific needs.

The wellness program that serves Manatee County, Fla., employees, for example, features an entire staff of experts in physical and behavioral health to respond holistically to the individual's needs.

"In-house, we have a very integrated team of people," says Kim Stroud, benefits manager for Manatee County. "We've got nurses, a clinical pharmacist, a registered dietitian who is a certified diabetic educator, [as well as] behavioral health staff, fitness and wellness specialists. This crew of specialists works together to create integrated programming. Our philosophy is we want to deal with the whole person."

By providing integrated care and having all experts and resources under one roof, "we've eliminated that silo effect," says Stroud. "Our wellness program is much more than a wellness program, probably. It really has incorporated a lot of those pieces that a carrier or third-party administrator would do for employees and their covered dependents."

The wellness coordinators conduct regular outreach to a caseload of members. For example, employees and spouses who seek out a fitness trainer receive advice and follow-ups regarding their exercise regime. With members' permission, the diabetic educator has access



to lab results and diabetes monitoring results, so they can monitor spikes in blood pressure during the night and reach out to the employee and their doctor to fix the problem.

Stroud believes the county's success comes from the plan's design: "For employees to get a low out-of-pocket cost plan for themselves, they need to engage in preventive care and evidence-based recommendations for preventive care," she says.

The program is customizable to each employee after a one-on-one interaction with a health expert. For example, the diabetic manager can easily introduce a member also suffering from depression to a mental health professional. The staff uses case management and serves in a triage role to hook up members with the services they need.

Biometric screenings also are an effective way to spark employees' interest in their personal health.

"We typically like to use either a health assessment or a biometric screening as a trigger point for those downstream programs," explains Karl Ulfers, vice president of consumer solutions at OptumHealth Care Solutions.

Erin Gerred, wellness chairperson, Fond du Lac County, Wis., agrees: "If you don't know where you are personally, you don't know what issues you need to focus on, what programs you need to participate in, and what you need to improve on."

Fond du Lac also recently introduced a member advocacy component, where health coaches call employees who have a score of 20 or higher on their HRA. The coach walks employees through their score, helps them set up an appointment with their physician and can forward their results to their doctor or the nurse practitioner at the company's onsite clinic.

After employees set a goal, the coach explains how they can achieve it in relatable, everyday terms, as well as suggests available tools and resources that could help them improve their score.

Coaches also "help them develop an action plan based upon specific results of their HRA, such as a reduction in cholesterol," says Gerred. Coaches follow-up every three months to offer support and encourage accountability.

The lab-based medical histories help coaches tailor the program to each individual — assisting in setting health goals for next year and maintaining high engagement. Interactive Health Solutions, a wellness and health coaching firm, claims onsite testing, coupled with interactive coaching, sustains employees' engagement level at over 60%.

According to Interactive Health Solutions, 63% of people that participate in its health evaluation haven't seen a physician in five years. Once the health data is front and center, they find 58% of participants have an undiagnosed or untreated chronic issue — meaning they may not have significant health claims yet, but are trending in that direction. Further, Interactive Health Solutions catches 3% of employees with a serious or critical problem during the first onsite evaluation.

Timing outreach to spur and maintain employee engagement with health is critical. Ulfers insists employers take a thoughtful approach to make the program fun throughout the year. He adds that a high-profile program promoted through a comprehensive marketing and education campaign makes employees aware of the services available so they can call into the program. According to an Optum survey, 55% of employees didn't feel wellness programs were appropriate or relevant to them.

"If you just have a model in place where you're calling people and semi-harassing them with phone calls, that's

VIP TREATMENT

Today's average primary care practice has 2,400 patients, condensing the average doctor visit to an average of eight minutes or less. MDVIP, a wellness plan founded by two primary care doctors frustrated by the new realities of doctor-patient care, caps practices in their network at 600 patients. These doctors seek the root causes of ailments to address them proactively and help the individual develop a personalized wellness plan.

Patients spend over an hour annually with their doctor in a physical exam that is a comprehensive assessment of the individual's medical history, family history, and diagnostic tests. With a smaller patient pool, individuals can schedule same-day care to see the doctor when they need to, as well as reach their physician any time by calling their cell phone.

"The program is all about designing a personalized health and wellness plan based on your unique needs," explains Mark Murrison, president, MDVIP. "Regardless of where you fall on that health continuum, your plan is personalized to your specific needs, whether it's programs you need to be a part of, medications you need to be compliant with, nutrition or diet counseling. Our doctors provide a much broader level of care than what you get from a traditional primary care doctor today."

The plan has 185,000 members and is approaching 600 physicians in 40 states and Washington, D.C.

Not only do doctors provide ongoing support for employees keeping up with a personalized diet and exercise plan, for example, they go out of their way to customize support to fit the patient's everyday life.

Many doctors will organize weekly walking, hiking, or biking trips with patients. One doctor in Texas hosts weekly Tai Chi exercise classes with patients.

In addition, numerous physicians take patients to their local grocery store to demonstrate how they can shop for the right foods and make better nutrition decisions. One suggestion is to shop on the outskirts of store where the fresher foods are, and avoid the aisles when possible.

"They really give basic fundamental tips that people can simply and easily employ in their everyday lives," Murrison adds.

MDVIP members who are commercially insured (that is, employees) are hospitalized up to 72% less than non-MDVIP members "because you are able to get the care that you need when you need it from the doctor," believes Murrison. If someone does go to the hospital, MDVIP patients have a 2% or lower re-admission rate, significantly below the normal rate of 15% to 20%. Often doctors will visit patients in the hospital and follow up afterwards to educate individuals about how to avoid returning there.

Further, satisfaction scores among patients are in the 90th percentile and 92% decide to renew participation in the program each year on average.

Employers can offer the plan in three ways: As an executive wellness plan, an employee wellness plan either fully or partially subsidized or available on a pretax basis through a flexible spending account or health savings account, or as a plan that focuses on employees with chronic conditions.

not a model that's attractive to the consumer value proposition," warns Ulfers. He advises employers to avoid "coming across as telemarketing to employees."

Interactive Health Solutions leaders don't perceive the firm's phone-based member advocacy program as harassing because the coaches are trained in motivational interviewing. Further, if a coach calls a member three times without reaching him or her, the coach sends an email the fourth time and will follow up six months later.

"We start working with the individual on their time frame," says Joseph O'Brien, president and CEO of Interactive Health Solutions. Plus, he adds, "we create reasons that are non-obtrusive to [check in with] the employee, [in order to be] collaborative and make them feel comfortable."

Gerred agrees, having received very positive feedback from the county employees in their first year using the Interactive Health Solutions service. "Sometimes all you need is a phone call," she says. "If someone cares enough to call and follow up [with you], I think that's where you start seeing behavioral change and more engagement."

CARROTS FIRST, THEN STICKS.

Experts recommend employers begin rewarding employees who complete a health assessment or biometric screening, or who visit the wellness website to grow the initial engagement. Then, they can add outreach throughout the year with onsite health fairs and specific pushes around challenges. Employers should keep activities new and locally relevant to workers, such as announcing a community 5-km race.

A common mistake among employers is "to just tie the incentives to the initial launch of their benefits, and not have a calendar-based approach for their incentives," explains Ulfers.

For example, Manatee County's weight program featured a weigh-in at the end of 2011, where employees set goals to maintain healthy weights or lose 5% of their weight before the weigh - out in July 2012 to receive a maximum reward of $400.

"It's a progressive program. When they weighed out in July that became their new baseline and the same criteria applies to the next year, except the incentive goes up [to] $500," Stroud says. So far, more than 2,000 county employees have participated in the program, which is over half the adult population eligible. In all, 70% of participants earned the incentive and they have lost a combined 10,000 pounds.

"Our philosophy is that obesity is a crisis in our nation and 75% of [Americans] are overweight or obese, so we didn't want to single out people," Stroud says. "We don't expect everybody to get to a body mass index of 25 or below; we want people to engage in slow, progressive weight loss."

Stroud believes the wellness success of Manatee County stems from their progressive approach.

"I feel strongly that the success we've seen with our health plan is because we spent several years simply educating and using a pure carrot approach with no sticks," she explains. "When we started introducing more accountability and more sticks, it was more accepted," especially since the county provides employees with the tools they need.

Stroud concurs with this approach: "Spend the time rewarding for participation and rewarding for good choices [already made], before you start to lay the hammer down because I think it's better received."

Interactive Health
(866) 279-1636
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PROOF POSITIVE:

Study demonstrates Interactive Health Outcomes-Based Wellness Program lowers medical costs and increases productivity

Results of a multi-year, independent review conducted by Zoe Consulting, Inc., a nationally recognized consulting company.

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Abstract

Interactive Health is the market leader and innovator in outcomes-based employee health and wellness. They take a scientific approach to wellness, leveraging clinical data from health evaluations to measure, motivate and reward each individual on the pathway to better health. Their outcomes-based program rewards individual success based on achieving personalized clinical goals. When employees improve their health, employers gain competitive advantage through reduced healthcare costs and improved worker productivity. Currently, Interactive Health provides a health and wellness program to over 1,400 employers nationally.

To measure the effectiveness of the Interactive Health outcomes-based program, a third party consulting company, C. Everett Koop winner Zoe Consulting, Inc., analyzed medical claim data over a multi-year period. The study was comprised of two parts. In part one, Zoe Consulting compared medical costs of employers using the Interactive Health program versus employers that did not use Interactive Health. In part two, Zoe Consulting measured the financial impact of the Interactive Health program on individual clients' medical costs and productivity.

Findings

Zoe Consulting concluded that the Interactive Health program had a *positive impact on organizational financial performance*. The study demonstrated:

- Interactive Health clients had a 20% *lower medical spend* compared to employers not using the Interactive Health program
- The Interactive Health program *reduced medical spend* vs. forecast by up to $1,332 per member per year (PMPY)
- Interactive Health members *returned to work sooner* than claimants who did not participate in the Interactive Health program
  - 11 days sooner on average from workers' compensation
  - 16.8 days sooner on average from short term disability
- The Interactive Health program on average saved $2,554 per workers' compensation claimant and $451 per short term disability claimant

Methodology

The purpose of this multi-year, independent study was to research the financial impact of the Interactive Health wellness and health management program.

The overall objectives of the study were to analyze:

- Medical cost trends of Interactive Health clients vs. non-client employer groups
- Medical costs and claims trends for select Interactive Health clients vs. forecast to determine impact to individual clients
- The effect of productivity (workers' compensation and short term disability) on financial performance

The study was comprised of two parts:

Part 1: The first part was a broad-range macro analysis comparing Interactive Health clients with companies not utilizing the Interactive Health program from 2008-2011. Zoe Consulting, Inc. looked at a population size of 130,000 representing a total of 275 employer groups.

In order to provide an unbiased estimation of the Interactive Health program, propensity score matching was used to identify populations that were similar to the Interactive Health-studied employer groups. This comparison control group was based on matching variables for age, gender and medical services utilization (emergency room visits, physician visits, and percent of population with core conditions). After propensity score matching, the study population was modified to focus on 22,500 lives across 56 employer groups.

Part 2: The second part of the study concentrated solely on three additional Interactive Health clients. Zoe Consulting analyzed the Interactive Health program's impact on three different employer types – financial, manufacturing, distribution – together having a study population of 34,600 health plan members (employees and spouses). Data was compiled from 2006-2010 for the manufacturing and distribution clients and from 2008-2010 for the financial client.

The study process included a cost trend analysis for all eligible plan members to determine the differential between forecasted and actual medical costs on a per member per month (PMPM) basis. Forecasts were based on a regression analysis that returned the predicted exponential growth or decay curve that best fit a set of known historical PMPM values. PMPM values were based on total dollars allowed to eliminate plan design bias.

The study analysis accomplished the following:

- Established baseline and forecast trends
  - Reviewed medical and productivity (workers' compensation and short term disability) claims
  - Used forecast trends from history and compared actual outcomes and trends to baseline
- Compared patterns to baseline and actual impact on trends
- Provided reports of the impact on healthcare trends

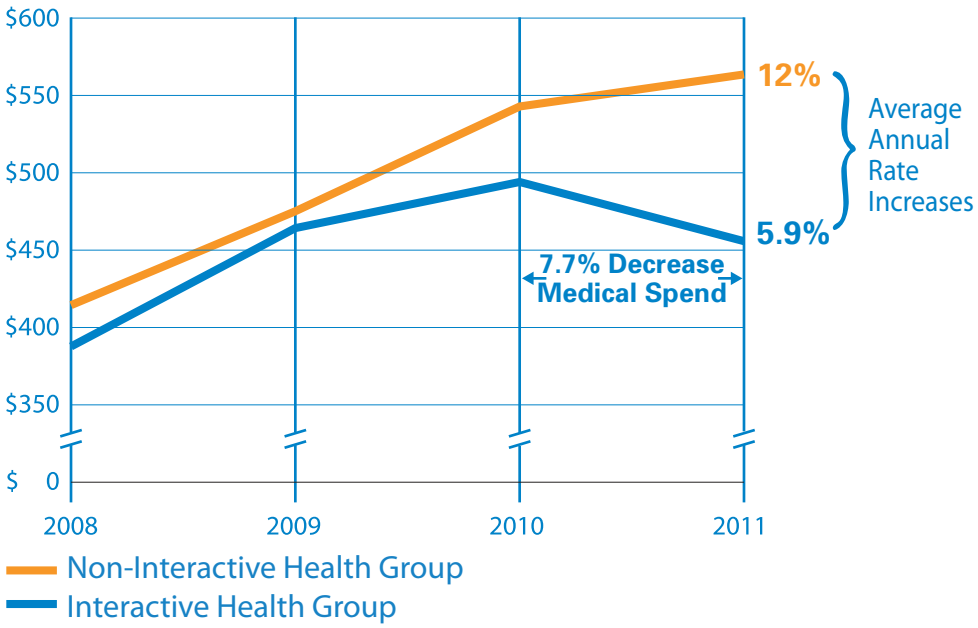
Zoe Consulting's study methodology included a peer review process incorporating biostatisticians and other subject matter experts. Zoe Consulting included all medical costs, including catastrophic cases, in their study methodology. The cost of the Interactive Health program was included in medical claims.

STUDY FINDINGS

Impact on Medical Costs: Interactive Health Clients vs. Non-Interactive Health Employer Groups

Overview: The chart on this page looks at the aggregate impact on medical spend across a study population of 56 employer groups: 23 control groups (non-Interactive Health) and 33 clients using the Interactive Health program. The goal was to determine medical spend of Interactive Health clients compared to groups not using Interactive Health. All differences were averaged out between the two group populations by using propensity score matching to take into account variances in age, gender and medical services utilization (emergency room visits, physician visits, and percent of population with core conditions). The costs for the Interactive Health program are included in the medical costs shown below.

Medical Spend (PMPM): Interactive Health Clients vs. Non-Interactive Health Employer Groups



Key takeaways:

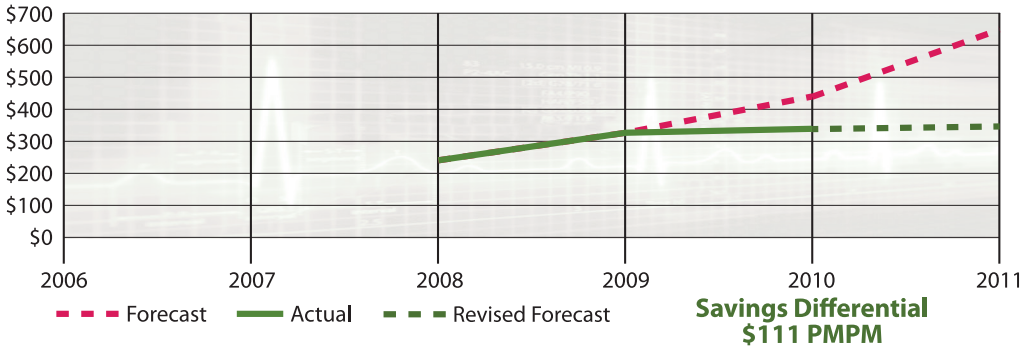
- There was an overall *favorable trending and reduction in medical spend* for employers with the Interactive Health program
  - Interactive Health clients had 20% lower medical spend compared to employers not using Interactive Health programs
  - Interactive Health clients had lower average annual rate increases
    - 5.9% Interactive Health Clients
    - 12% Employers not using Interactive Health
  - From 2010 to 2011, Interactive Health clients had a significant reduction of 7.7% in medical spend

STUDY FINDINGS
Impact on Medical Costs: Cost Trend Analysis on Clients

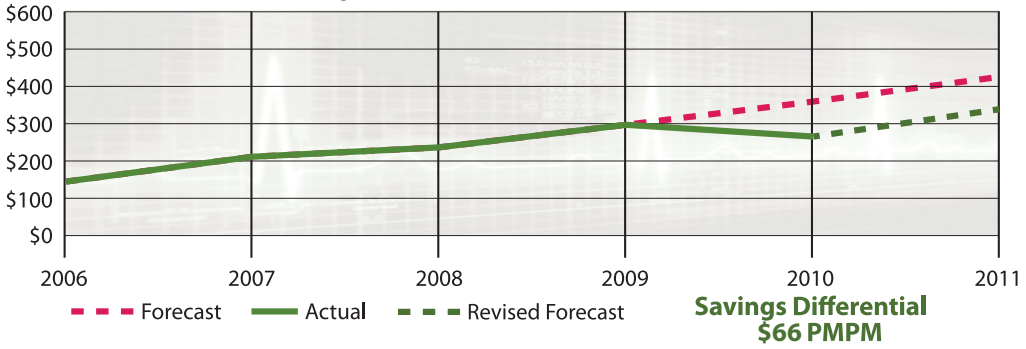
Overview: Zoe Consulting, Inc. conducted an in-depth audit of three Interactive Health clients from the financial, manufacturing, and distribution sectors. The process included a cost trend analysis for all eligible plan members to determine the differential between forecasted and actual medical costs on a per member per month (PMPM) basis. The findings below indicate actual costs fell below the projected costs due to the positive impact of the Interactive Health program.

Medical Cost Trend PMPM for all Eligible Members

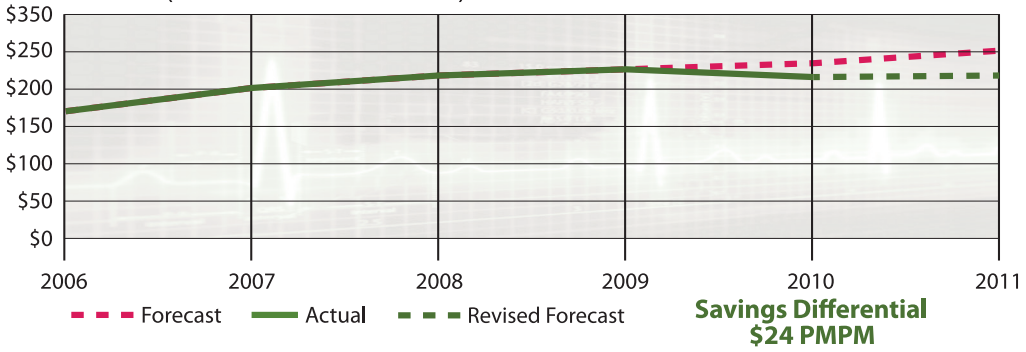
Client 1 (Financial)



Client 2 (Manufacturing/Union)



Client 3 (Distribution/Non-union)



Methodology:

- Forecasts are based on a regression analysis that returns the predicted exponential growth or decay curve that best fits a set of known historical PMPM values
- PMPM values were based on Total Dollars Allowed to eliminate plan design bias
- This method is industry-recognized for predicting future medical costs
- The cost of the Interactive Health program is included in medical claims

Key takeaways:

- The Interactive Health program demonstrated a *significant trend reduction in medical costs* vs. 2010 forecast across all clients studied, with even greater projected savings in 2011:
  - Financial Services: $1,332 annual savings per member
  - Manufacturing: $792 annual savings per member
  - Distribution: $288 annual savings per member

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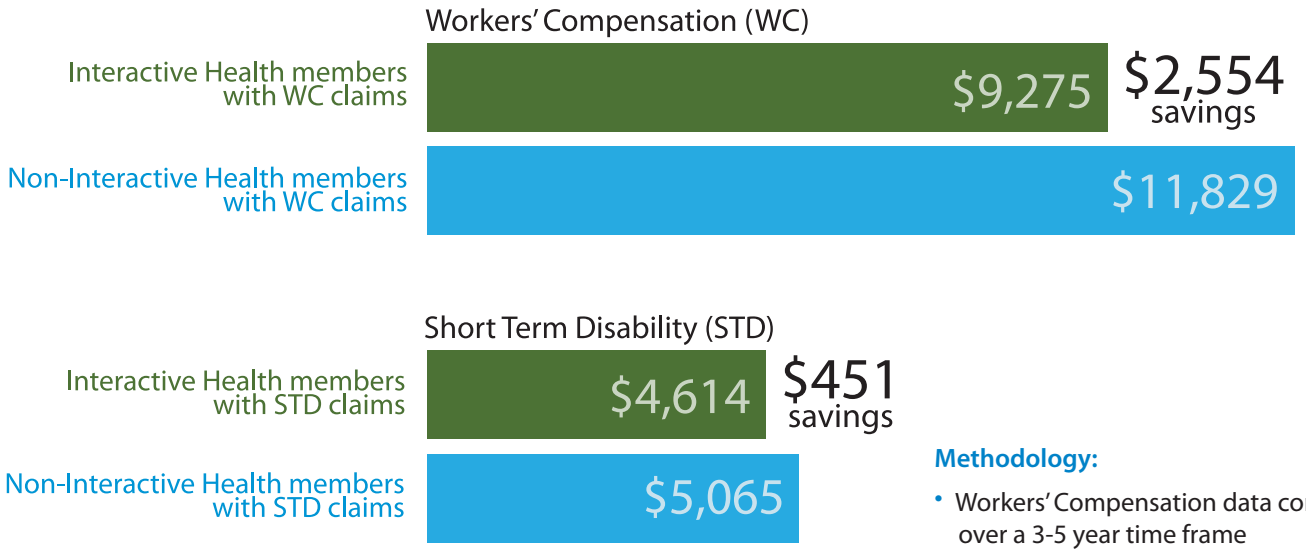
STUDY FINDINGS
Impact on Workforce Productivity: Average Cost Per Claimant

Overview: The study analyzed productivity data by comparing claimants who were Interactive Health members vs. claimants who chose not to participate in the Interactive Health program. Zoe Consulting, Inc. measured productivity through two critical components: workers' compensation and short term disability (excluding pregnancy-related disability expense). Workers' compensation is a work-related injury expense whereas short term disability is illness as well as injuries suffered outside of work. The bar graphs below identify the savings demonstrated by Interactive Health members vs. non-Interactive Health participants.

Workers' Compensation and Short Term Disability Average Annual Cost Per Claimant



Methodology:

- Workers' Compensation data compiled over a 3-5 year time frame
- Short Term Disability compiled over a 2-3 year time frame

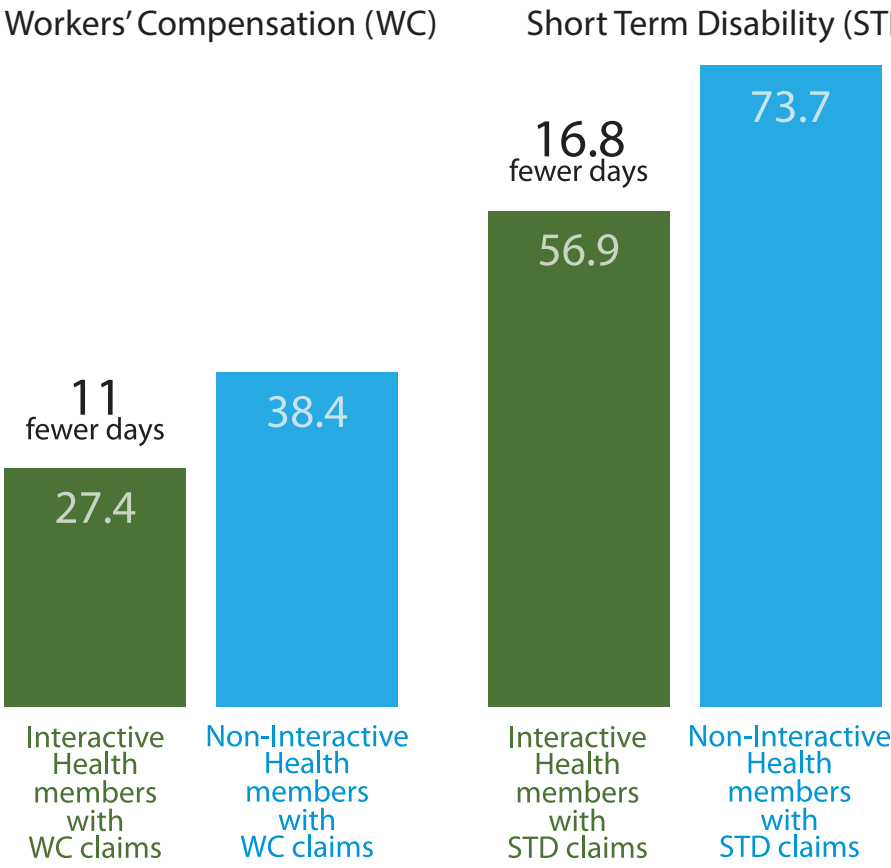
Key takeaways:

- Interactive Health members had *lower claim costs* vs. claimants who chose not to participate in the Interactive Health program
  - Average workers' compensation cost per claimant was $2,554 lower for Interactive Health members
  - Average short term disability cost per claimant was $451 less for Interactive Health members

STUDY FINDINGS
Impact on Workforce Productivity: Days Lost Per Claimant

Overview: Data clearly proved the positive impact on productivity (workers' compensation and short term disability) as measured in fewer days absent from work. Interactive Health members returned to work sooner than claimants who chose not to participate in the Interactive Health program. This demonstrates the improved recoverability the Interactive Health program provides. Healthier employees are less prone to injury or the risk of serious disease.

Average Days Absent Per Workers' Compensation & Short Term Disability Claimant



Methodology:

- Workers' Compensation data compiled over a 3-5 year time frame
- Short Term Disability compiled over a 2-3 year time frame

Key takeaways:

- Interactive Health members *returned to work sooner* than claimants who did not participate in the Interactive Health program
  - 11 days sooner on average from workers' compensation
  - 16.8 days sooner on average from short term disability
- The recoverability of Interactive Health members was a function of their overall health
- Quicker returns to work have a *positive financial effect* through lower payroll replacement costs

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Conclusion

This multi-year, independent study proved without a doubt that the Interactive Health outcomes-based wellness program is effective at controlling company medical costs and improving workplace productivity. Interactive Health treats wellness as a quantifiable science and uses biometric data to drive improved clinical outcomes. The Interactive Health approach demonstrated successful results across all financial measurements studied.

Zoe Consulting, Inc. recommends the Interactive Health program for employer groups searching for a proactive strategy to reduce or maintain their medical cost trend and gain competitive advantage in today's marketplace.

The Zoe Consulting findings clearly demonstrate:

- Interactive Health clients had a 20% *lower medical spend* compared to companies not using Interactive Health
- The Interactive Health program reduced medical spend vs. forecast by up to $1,332 per member per year (PMPY)
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  - 16.8 days sooner on average from short term disability
- The Interactive Health program on average saved $2,554 per workers' compensation claimant and $451 per short term disability claimant

Zoe Consulting clearly found that the Interactive Health program achieved promising results by reducing a client's overall medical expenses and productivity losses.

Further, the more integrated the Interactive Health program was the better the results. Incorporating care connection, outcomes-based incentives, and linking program resources to individual health risk all had a positive impact on reducing medical cost trends and improving productivity.

In summary, the study proved that the Interactive Health outcomes-based program, which integrates employee health data with a rewards-based suite of tools, is the *optimal option* to maximize financial benefits.

"We have 2,000 employees, 13 facilities and manufacture steel. In heavy manufacturing, it's critical to keep medical spend down. Since working with Interactive Health, we've seen more positive health choices being made by our employees. This was confirmed by the Zoe Consulting findings, which showed our medical claim spend was 4.6% lower than last year.

Interactive Health has definitely had a significant impact on our bottom line."

Director of Finance,
Manufacturing Client

"We're in the distribution industry so if we lose an employee for any amount of time, our replacement cost is 100%. Since we've been working with Interactive Health, we've tracked average days lost to short term disability and it's 17 days lower than years prior. That's just one of the ways Zoe Consulting proved to us that the Interactive Health program was working. Sometimes it's hard to measure our productivity, but after seeing the data we have proof.

Numbers don't lie."

Vice President of
Human Resources,
Distribution Client

About Zoe Consulting, Inc.

Zoe Consulting, Inc. is a top-tier, nationally recognized research firm with extensive experience, expertise and custom reporting tools in the health and productivity management field. They are well regarded for delivering unbiased third party analysis that can provide a path to optimal health and financial outcomes.

Zoe Consulting has earned *national recognition* through the following:

- Two-time C. Everett Koop award-winner for outcomes achieved in maternity and disease management
- Winning the AWHP (Association for Worksite Health Promotion) Distinguished Leadership and Service Award; the American Cancer Society recognition for Program Excellence; and the Ethel Martus Lawther Award for Leadership in the Field of Health and Human Performance from UNC
- Publishing studies in leading managed care and health management journals, including best practices in program evaluation
- Offering secure information infrastructure to house data and electronically support coordination of care
- Maintaining a rigorous peer review process including physicians, epidemiologists, statisticians, technology, and data analysts
- Using academic and validated methodologies to ensure audit results are sound and defensible

About Interactive Health

Interactive Health is the market leader and innovator in outcomes-based health management solutions for employers. Outcomes-based health programs are designed to engage employees in the management of their health through early detection and identification of risk factors. Clinical data is leveraged to measure, motivate and reward each individual as they begin a journey on the pathway to better health. Interactive Health creates a pathway to better health that is personalized based on an individual's health status. Test results from the health evaluation are also used to connect the individual's doctor to the outcomes-based program.

Each program seamlessly integrates an employee's health data with the tools and resources needed to achieve and/or maintain their personal health goal. Interactive Health takes a scientific approach to wellness and has a 20-year track record building the Healthiest Companies in America.

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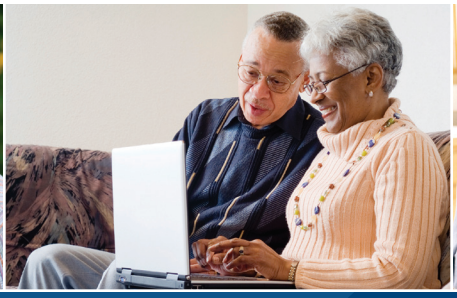
Center for State & Local Government Excellence

Issue Brief

The Business Case for Wellness Programs in Public Employee Health Plans


September 2012

The rate of health insurance cost increases has slowed—rising by just 2.8 percent in 2011, 3.9 percent in 2010, and 3.8 percent in 2009, according to the *National Journal* (McCarthy, September 14, 2012).

While there may be many reasons for the slow down in expenditures, one factor could be the growth in wellness programs.

As authors Robert L. Clarke and Melinda Sandler Morrill point out in this issue brief, many local and state governments have introduced wellness programs to improve employees' health and to reduce health insurance costs.

The bottom line? Public sector wellness programs have reduced annual claims and also have shown promise in improving employee health. Even retirees can benefit from wellness programs, though they face some special issues. A study of the California Public Employees Retirement System found that retirees who participated in a health education program reduced health risk, used fewer medical services, and had lower claims costs than did the control group. The program is estimated to have saved $3.2 to $8 million in annual claims costs.

Wellness programs that pay dividends are carefully designed and often include financial incentives to boost participation. Who can argue with better health and lower costs?

The Center for State and Local Government Excellence gratefully acknowledges financial support from ICMA-RC to undertake this research project.

Elizabeth K. Kellar
President and CEO
Center for State and Local Government Excellence

The Business Case for Wellness Programs in Public Employee Health Plans

Robert L. Clark and
Melinda Sandler Morrill*

Introduction

Employers offering health plans to their active and retired workers face medical care cost inflation that continues to exceed the general rate of price inflation while also outpacing the rate of growth of total compensation. Figure 1 shows that between 1999 and 2011, premiums for employer provided health insurance rose by 160 percent while worker earnings increased 50 percent and general inflation increased only 38 percent. State and local governments have the same basic challenge as private sector employers—how to continue to provide adequate health insurance at reasonable cost. Although cost shifting from the employing agency to workers has been the primary means of slowing the rate of growth of expenditures on health plans, more and more employers are turning towards wellness programs and preventative care policies aimed at longer term payoffs. These types of efforts have even more relevance in the public sector, where workers tend to have longer careers and it is still common to provide some form of retiree health insurance, thus policies with long term health benefits should reduce future expenditures on health care utilization for many years.

BLS (2012) reports the increase in employee cost for health insurance offered by state and local governments from 1998 to 2011 and how it has affected participation in these plans. The proportion of full-time employees in plans where the public sector employer pays the entire premium for individual coverage fell from 49 to 34 percent, while the percentage of workers in plans where the public sector employer paid the entire premium for family coverage declined from 25 percent to 12 percent. As a result, monthly employee payments for health insurance premiums for single worker coverage rose from an average of $31.94 to $90. 90, a three-fold increase, while the cost of family plans increased from an average of $152.46 per month in 1998 to $397.32 in 2011. In addition to higher premiums, public sector workers also faced much higher deductibles in these plans. Deductibles for individual workers increased from a median of $200 in 1998 to $500 in 2011, and deductibles on family policies increased from a median of $400 to $1,000. In the face of higher employee costs, the proportion of full-time employees participating in state and local government health plans declined from 86 percent to 82 percent. Thus, over the past decade, deductibles have been raised, co-payments increased, and premiums have been introduced and increased. These changes have slowed the growth of net income to public employees, and in recent years, when there have been no increases in annual pay, take home income has actually declined.

As the cost of providing health insurance continues to rise, many state and local governments have introduced wellness programs in an effort to improve the health of their employees and to lower current and future expenditures for health insurance. A major concern for governments that are experiencing revenue declines and trying to manage budget deficits is the immediate cost of wellness programs. The introduction of these programs typically requires upfront costs with benefits accruing in future years. In this issue brief, we outline the business case of wellness programs within health insurance plans for public sector employees. Examples of wellness programs are presented and studies of the cost and benefits of these programs are

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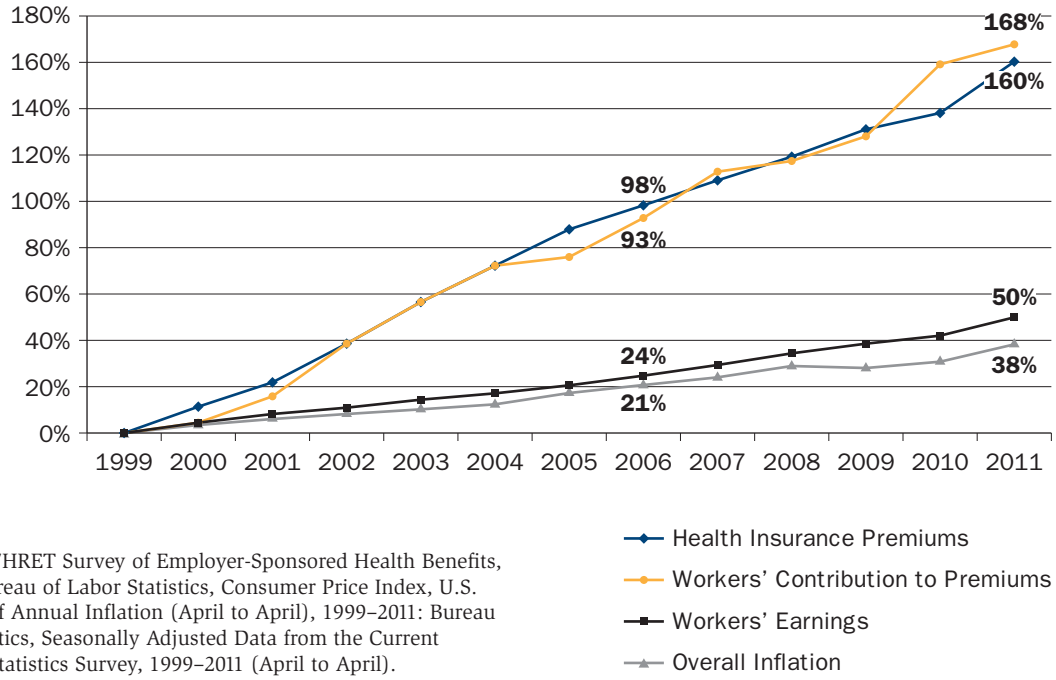
Figure 1. *Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999–2011*



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2011. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999–2011: Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999–2011 (April to April).

examined. While we discuss individual components of wellness programs, many public employers have adopted comprehensive plans that encompass a number of these types of policies.[1]

Wellness Programs: Characteristics and Value

Wellness programs come in many forms including weight management, physical fitness, tobacco cessation, and regular health assessments. The objective of these programs is to improve the health of workers by promoting better nutrition, healthier lifestyles, and preventative care. The idea is to focus employee attention on certain actions that will improve their well-being over their career and life, such as losing weight or quitting smoking.

The underlying business premise from the employer's perspective is that workers who adopt healthier lifestyles will become more productive workers who will use fewer medical services, thus reducing the employer's cost of providing health insurance to its workers and raising overall employee productivity. Likewise, healthier retirees will use fewer medical services, reducing retiree health insurance costs. Programs can be conducted with in-house personnel or outsourced to gyms, clinics, and private companies that specialize in wellness, counseling services, weight management, and other health-promoting services. Employee participation can be encouraged through advertisement and marketing efforts, by directly subsidizing memberships and services, or by offering financial incentives for meeting wellness goals. Linnan, et al. (2008) describe the range of wellness programs provided at public and private worksites around the country based on the 2004 National Worksite Health Promotion Survey.[2]

Methods for encouraging participation vary widely across the states and include restricting enrollment in less expensive health plans to those that participate in certain wellness activities, offering subsidies for enrollment and participation, and imposing penalties for nonparticipation. Naturally, the cost per employee will

[1] The Affordable Care Act (ACA) includes a number of provisions that are aimed at promoting preventative care and improving overall health (Koh and Sebelius, 2010). As the provisions of this legislation are implemented, we anticipate that the incidence of wellness programs will increase (Baicker, et al., 2010; Osilla, 2012).

[2] ACA changed the rules governing the extent to which employers can "discriminate" based on health behaviors, which has important implications for the incentives to participate in workplace wellness programs (Koh and Sebelius, 2010).

depend on the type of program offered and the degree of employer subsidy.

Types of Wellness Programs

Many state and local government employers have adopted comprehensive wellness programs that address a wide range of lifestyle, dietary, and health management issues. Others have chosen more targeted programs and focus on specific issues such as tobacco cessation or weight loss. First, we will highlight some examples of broad-based programs. We then describe more targeted efforts.

One example of a broad-based program is that instituted by the state of Delaware.[3] Delaware adopted a comprehensive wellness program, "*DelaWELL,*" whose mission statement aims to "bring about awareness, knowledge, and ultimately changes in personal health risk behaviors and overall well-being of employees, in order that the lives of state employees and the welfare of the state as a whole will be significantly improved." The mission statement highlights both the value of wellness to the individual employees, but also acknowledges that all citizens will benefit, presumably through lower costs of health care for workers.

Montana has also developed a comprehensive wellness program for state employees, the State of Montana Healthy Employee Lifestyle Program (SOMHELP).[4] The program includes a website for employees that provides information on fitness, weight management, and tobacco cessation. Employees also have access to life coaches and receive health screening discounts. Similarly, Ohio has a program called "Take Charge Live Well," whose mission statement includes the charge for state of Ohio employees and their families to "maintain optimal health, wellness, and productivity by taking responsibility for their own health and use of the health care system."[5] In order to achieve this, the program focuses on providing health assessments, biometric screenings, and health coaches. The program includes monetary incentives for participation.

Clark and Morrill (2011) describe the wellness program in California. Executive Order W-119-95 was signed on April 4, 1995 recognizing the need for improved physical and mental well-being of the state workforce. According to this document, the desired increase in well-being could be achieved through areas such as preventative medicine, diet, exercise, stress management, smoking cessation, drug and alcohol avoidance, and accident prevention. Further, the document argued that by creating a healthier workforce the state will see higher quality work and productivity from employees, improved morale, reduced absenteeism due to illness, and lower health care costs. California's Department of Personnel Administration (DPA) coordinates health and fitness promotion and illness prevention information. Executive Order W-119-95 directed each state department to allocate resources to coordinate participation in the California WorksWell Health Promotion Program (DPA Health Promotion Program) to achieve the aforementioned goals of improving employee health and well-being. California WorksWell now offers reduced membership rates at health clubs and discounts for weight loss programs. The website for the program lists resources for disease prevention and tips for a healthy lifestyle, including nutrition, weight management, and fitness resources.

Health Assessments and Preventative Care

The DenverWellness program is an example of action by a local government to enhance wellness of its employees.[6] This program encourages employees to complete a series of wellness-related tasks aimed at improving their lifestyles. As an incentive, employees who completed the program in 2010 received $12 per month off of their premiums in 2011. According to the 2011 Benefits Guide, the city believes that one of the main reasons for increased medical costs are the treatment of illnesses that can be directly attributable to unhealthy lifestyles (e.g., diabetes, high blood pressure, back pain).[7] One goal of this program is to help decrease medical claims, and therefore reduce premiums, by improving the lifestyles of employees.[8]

At the state level, Oklahoma has a similar preventive care plan called OK Health, introduced in 2005 to encourage health assessment and monitoring of employees.[9] Several full-time health educators conduct

3 See the *DelaWELL* website at: http://delawell.delaware.gov/.

4 See Montana, Health Care and Benefits Division, http://benefits.mt.gov/default.mcpx.

5 See Ohio Take Charge Live Well, accessed July 2012.

6 For more information see the DenverWellness website: http://www.denvergov.org/EmployeeResources/Wellness/ProgramsandServices/tabid/432532/Default.aspx

7 The 2011 Benefits Guide is available at: http://www.denvergov.org/Portals/671/documents/Benefits_Enrollment/BenefitsGuide2011.pdf

8 See Clark, Morrill, and Riche (2011) for a description of three local health plans and their wellness efforts.

9 For more information, see: https://basweb.ebc.state.ok.us/.

telephone interviews with employees during working hours. Employees complete a web-based health assessment that includes a medical history, dietary habits, and other factors that influence health status. Participating employees are eligible for a visit to their primary care physician for various tests without being subject to a co-pay. Results of these tests provide a baseline on employees' health risks. Employees are assigned to mentor who is available for future telephone conversations about weight management, stress, and exercise. Additional financial incentives and discounts for various wellness programs are available to participants in OK Health. A three-year review of the program by the Oklahoma State Department of Health found that there had been a 21 percent decrease in medical claims, 9 percent reduction in hospitalizations, and a 34 percent reduction in doctor's office visits (Center for State and Local Government Excellence, August 2010).

Weight Management and Obesity Programs

One of the biggest health problems in America is obesity and its related health effects. Employers can promote weight loss through a variety of programs including providing information about healthy diets, removing unhealthy items from cafeterias and break rooms, and short-run campaigns and competitions. In addition, government agencies can partner with companies promoting healthy diets and weight loss programs such as Weight Watchers. Alabama, Delaware, and Virginia have all developed programs with Weight Watchers and report successful weight loss by their employees.[10]

Kaufman et al. (2012) report how the fifty states and the District of Columbia cover weight loss interventions in state health plans (also see National Council of State Legislatures, 2012). The report illustrates the wide range of plans and subsidies that states offer to encourage their employees to adopt and maintain a healthier lifestyle. Some states have penalties if employees do not enroll in wellness plans. In one example, Alabama imposed fees on overweight state workers who did not participate in weight reduction programs. The State Employees' Insurance Board approved charging employees if they did not get free health screenings. If serious problems with blood pressure, cholesterol, glucose or obesity were detected, workers had one year to see a doctor at no cost, enroll in a wellness program, or take steps on their own to improve their health. If they exhibited weight loss and improvements in health in future exams, they would not be charged. But if they did not, they had to pay starting in January 2011.

Physical Fitness and Exercise Programs

Exercise and training programs can promote weight loss, as well as improving overall physical fitness. Many government agencies have attempted to promote fitness through subsidized gym and spa memberships, and on-site exercise facilities and walking trails. Employees can be encouraged to meet with trainers and life coaches and/or take exercise breaks during the day. Gainesville, Florida established its "LifeQuest" program in 1992 to promote health, diet, and fitness at no cost to Gainesville employees, retirees, and their families.[11] "LifeQuest" operates several fitness centers where employees can meet with a trainer that will provide injury assessments and information of rehabs problems. In addition, participants can arrange consultations with exercise physiologists who develop individualized exercise programs. About 90 percent of city employees participate in "LifeQuest" and consultant reports indicate that the city's costs and premiums are below average compared to comparable sized employers (Center for State and Local Government Excellence, 2009).

Tobacco Cessation Programs

There is a well-known link between tobacco use and certain diseases, many of which result in lifelong problems and require expensive treatments. Employers can encourage employees to stop using tobacco products by having differential health plans or premiums based on whether the person is currently using tobacco products or has entered a cessation program. The National Council of State Legislatures (2012) reported that at least 9 states now charge, or are authorized to charge, lower premiums to nonsmokers and higher premiums to smokers. As of March 2010, 39 states had adopted tobacco cessation programs and policies aimed at reducing tobacco use by employees. One example is Virginia's "Quit for Life" program.[12] In this program, individuals are given a coach who helps develop a plan for the participant to stop smoking. Individuals receive

[10] For a description of these programs and outcomes, see: http://www.weightwatchers.com/images/1033/dynamic/GCMSImages/WW_Newsletter_Fall08-nobox-v2.pdf, [accessed July 2012].

[11] For more information, see: http://www.cityofgainesville.org/GOVERNMENT/CityDepartmentsNZ/RiskManagmentDepartment/tabid/318/Default.aspx.

[12] For more information, see: http://commonhealth.virginia.gov/quitforlife.htm.

free nicotine replacement patches, gum, or smoking cessation gum as long as they stay active in the program for up to one year (Center for State and Local Government Excellence, December 2009). Like many other public sector wellness programs, "Quit for Life" is but one component of a much more extensive wellness initiative.

Return on Investment in Wellness Programs

While the costs associated with identifying, implementing, and maintaining a wellness program are generally straightforward to estimate, the benefits from wellness programs are harder to measure, particularly in the short run. There have been relatively few systematic studies of the return on investment (ROI) of wellness programs in the public sector. Recognizing the need for more rigorous research on ROI, the 2010 Affordable Care Act stipulates that the CDC should provide technical assistance to evaluate employer-based wellness programs and should also conduct a survey of existing programs (Koh and Sebelius, 2010).

The expectation is that the behavioral changes encouraged by state and local government wellness programs can be directly linked to improved health, lower absenteeism, and greater productivity, as well as lower utilization of medical services and lower expenditures on health insurance for public employees and retirees. Those focusing solely on annual budgets and net expenditures may overlook the longer-term benefits of wellness programs such as lower growth in the cost of health insurance. In addition, gains such as increased worker productivity and worksite morale may be difficult to capture on a balance sheet. Healthier workers and retirees will be less likely to use medical services and therefore, wellness programs should result in lower insurance premiums for any given health plan offered to workers. Healthier workers should miss fewer days due to illness thus reducing productivity loss from absenteeism. Healthier workers should feel better while on the job and therefore, have higher productivity during their work day. Of course, improved health of workers should also improve their well-being and attitude, and they may feel better about their employer who promoted wellness and gave them the opportunity to improve theirs.

The benefits of wellness programs to public employers likely will exceed the value to private sector companies for several reasons. First, public employees tend to have longer careers with the same employer compared to private sector employees. Thus the gains from a healthier worker can be expected to continue over more years. Second, state and local governments tend to provide health insurance to retirees so that the benefits of healthier individuals may continue into the retirement years.[13]

To date, most studies evaluating workplace wellness programs have focused on the private sector. Several review studies have been done that attempt to synthesize findings from individual programs and randomized clinical trials of worksite wellness programs (see, e.g., Baicker, et al., 2010; Berry, et al., 2010; Goetzel and Ozminkowski, 2008; Osilla, et al., 2012). A special issue of the *American Journal of Health Promotion* on the financial impact of health promotion programs includes both analyses of the issues surrounding health promotion efforts and includes reviews of previously published studies (Goetzel, 2001). Goetzel (2001) concludes that while value has been demonstrated, more rigorous research is required. From an extensive review of the literature, Baicker, et al. (2010) provide an estimate that for every one dollar spent on wellness plans, there is a return of three dollars in cost saving. The U.S. Department of Health and Human Services issued a report in 2003 examining the wellness programs adopted by some of the leading employers in America and presented statistics from these companies on the value of the programs.[14] For example, the wellness program adopted by Motorola was estimated to have saved the company $3.93 for every $1 invested. In the first 24 months after the adoption of Northeast Utilities WellAware program, lifestyle and behavioral claims were reduced by $1,400,000. Caterpillar's Healthy Balance program was estimated to produce savings of $700 million by 2015. Johnson & Johnson's Health and Wellness program lowered average annual health care cost by $224.66 per employee.[15]

In the public sector, there are several examples of successful workplace wellness programs that were shown to have a positive ROI. King County, Washington (2010) produced a detail study of its wellness program that was instituted in 2005. The study reported high

13 Clark and Morrill (2010) provide a detailed review of state and local retiree health plans and how the cost of these plans varies across the nation.

14 The report is available at: http://www.aspe.hhs.gov/health/prevention/.

15 Aldana (2001) also provides a meta-analysis of published articles describing private sector workplace wellness programs.

participation rates in the wellness program and found that by 2009, county employees had made improvements on 12 out of 14 health risk factors since the program began in 2005. Actual health care costs were $26 billion less than expected expenditures based on cost trends prior to 2005.

The Austin, Texas, Capital Metropolitan Transportation Authority[16] adopted a wellness program in 2003 for its 1,075 employees. The program consisted of access to 24-hour fitness centers; personal trainers, wellness coaches; full body assessments; on-site dietician; Weight Watchers classes, healthy eating workshops; walking club, bike loan program; and cash incentives for losing weight and quitting smoking. The program also offers weekly discount coupons to be used toward purchasing healthy cafeteria food and ensures that at least 60 percent of vending machine offerings are healthy choices. Smoking cessation classes, free flu shots, and stress reduction workshops are also offered. Evaluation of the program indicated a savings of $2.43 for every dollar spent on the program since 2003 and found that health care costs, which had been rising precipitously before 2003, slowed and then fell by 4 percent in both 2007 and 2008, and 5 percent in 2009. Between 2003 and 2009, they saw a 24 percent net increase in health care costs instead of the projected 49 percent increase. Absenteeism, rising prior to 2003, fell in each of past five years. Absenteeism rates are 37 percent lower in 2009 than in 2003.

Montgomery, Ohio, found that its employee health care costs made up 3 percent of the city's annual budget in 1999 and were rapidly increasing. A Health Care Benefits Committee was established to represent the employees' health care concerns and to negotiate with insurance providers, maintain comprehensive coverage, and communicate with each work group about key health care issues. Four of the committee's members represent the primary work groups within city government and the fifth represents management.

One of the committee's recommendations was to establish a wellness program that gave employees financial incentives of $200 to $500 if they take initial and annual health risk assessments and take part in key program activities, including physical fitness, education, and preventive care. The results have been dramatic with 75 percent of the workforce participating in the wellness program: between 2007 and 2008, average annual medical claims dropped from $2,437.44 per person to $2,262.57, and the use of sick days decreased by 6 percent.

Other health improvements that are expected to pay dividends have been decreases in blood pressure, cholesterol, smoking, and obesity. Tobacco use among participants fell from 32 percent to 16 percent. Those with blood pressure greater than 140/90 dropped from 62 percent to 32 percent; those with total cholesterol above 200 dropped from 44 percent to 14 percent; and those with a body mass index of greater than 25 percent declined from 97 percent to 76 percent. Alcohol use also declined with participants who had more than two drinks per day dropping from 27 percent to 11 percent.

Retirees

In most state and local government health plans, retirees and active workers have access to identical health insurance plans, so will therefore qualify for the same wellness initiatives. However, even in states where retirees are pooled with active workers, additional wellness programs targeted to retirees have been implemented. For example, in New Jersey, retirees must participate in a Retiree Wellness program or pay 1.5 percent of 50 percent of their highest monthly salary to be eligible for the state health plan. Retirees can instead sign a "Pledge for Health Living" and complete the requirements associated with this pledge to have the premium waived.[17]

Similarly, the Ohio Public Employees Retirement System (OPERS) also has a separate wellness program for retirees.[18] Retirees that participate in the OPERS personal health management program earn up to $100

16 Capital Metropolitan Transportation Authority: Kim Peterson, employee relations manager, and Michael Nyren, risk manager, Capital Metropolitan Transportation Authority; Capital Metropolitan Transportation Authority, "Capital Metro Wellness Program Recognized for Improving Employee Health and Reducing Costs," Austin, Texas, June 4, 2009; and U.S. Centers for Disease Control and Prevention, "A Comprehensive Worksite Wellness Program in Austin, Texas: Partnership Between Steps to a Healthier Austin and Capital Metropolitan Transportation Authority," by Lynn Davis, Karina Loyo, Aerie Glowka, Rick Schwertfeger, Lisa Danielson, Cecily Brea, Alyssa Easton, and Shannon Griffin-Blake, Preventing Chronic Disease: Public Health Research, Practice, and Policy (April 2009), pp. 1–5.

17 A copy of the letter sent to new retirees and health pledge can be seen at: http://www.state.nj.us/treasury/pensions/shbp-wellness-program.shtml; the brochure describing the program and its requirements can be found at: http://www.state.nj.us/treasury/pensions/pdf/hb/njdirect-wellness-brochure-revised-hat-2011.pdf.

18 For more information, see: https://www.opers.org/healthcare/wellness/.

to deposit in their retiree medical account (RMA). Individuals earn $50 for completing each of the following activities (up to the $100 maximum): complete a health assessment, undergo an annual physical exam, complete a wellness program, and successfully participate in a disease management program. Funds from the RMA can be used for qualified health expenses including medical, dental, and vision as allowed by the IRS and thus are not subject to personal income tax (see Clark and Morrill, 2011).

Public sector employers may find that special issues face retiree populations and that specialized programs may be important. Since older individuals typically have higher costs, factors facing retirees may be particularly important for plans that pool costs for retirees and active workers. Retirees face more serious health concerns and are often taking multiple, expensive prescription drugs. Wellness programs in the workplace might not have a relevant counterpart for retirees, who are not located on-site. While the cost savings associated with lower medical spending for healthier members are still important for retirees, improvements in health of retirees do not provide the same productivity gains to employers. Still, studies suggest investing in retiree wellness programs is cost effective. For example, Fries et al. (1994) reported results from a randomized controlled trial of a health education program in the California Public Employees Retirement System (CalPERS). The study found that participants had a reduction in health risk, lower medical utilization relative to baseline, and a decrease in claims cost growth relative to the control group. They estimated that annual claims costs were approximately $3.2 to $8.0 million lower due to the program.

Discussion and Conclusions

The analysis in this issue brief has shown that many states and local governments have adopted various policies to encourage healthy lifestyles for their employees. These policies include encouraging weight loss through group programs sponsored by the employer and better eating habits and healthier food in employee cafeterias. Regular health exams and physical fitness programs are often components of these programs along with policies to encourage employees to stop all tobacco use.

All of these programs can be encouraged by financial incentives to change behavior or cash penalties if the employee does not take advantage of the opportunity to change lifestyles. Incentives typically take the form of subsidized programs offered at the workplace or small cash incentives to enroll in various programs. Penalties can be in the form of limiting access to lower cost health care plans or direct fees for nonparticipation. We have reviewed a series of programs adopted by state and local governments.

Most of the evidence provided by various government agencies indicates that these programs are successful in improving the health status of employees and slowing the growth of health care expenditures by the employer. However, relatively few agencies have conducted detailed and systematic assessments of these plans. More studies of the costs and benefits of wellness programs are needed to convince skeptical lawmakers of the need to fund innovative wellness programs. Wellness programs are not costless but they can have long-run benefits that make them effective public policies.

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The Business Case for Wellness Programs in Public Employee Health Plans
Elizabeth Kellar
President & CEO
Center for State and local Government Excellence
Published September 2012

Article is relevant to all Excellus public sector groups and their decision on implementation of the Blue4U program.

Below are highlights from this article.

"As the cost of providing health insurance continues to rise, many state and local governments have introduced wellness programs in an effort to improve the health of their employees and to lower current and future expenditures for health insurance. A major concern for governments that are experiencing revenue declines and trying to manage budget deficits is the immediate cost of wellness programs. The introduction of these programs typically requires upfront costs with benefits accruing in future years. In this issue brief, we outline the business case of wellness programs within health insurance plans for public sector employees. Examples of wellness programs are presented and studies of the cost and benefits of these programs are examined."

"The underlying business premise from the employer's perspective is that workers who adopt healthier lifestyles will become more productive workers who will use fewer medical services, thus reducing the employer's cost of providing health insurance to its workers and raising overall employee productivity. Likewise, healthier retirees will use fewer medical services, reducing retiree health insurance costs. Employee participation can be encouraged through advertisement and marketing efforts, by directly subsidizing memberships and services, or by offering financial incentives for meeting wellness goals. Linnan, et al. (2008) describe the range of wellness programs provided at public and private worksites around the country based on the 2004 National Worksite Health Promotion Survey."

Numerous examples are provided in the article including the following –

- State of Oklahoma
  "Three-year review of the program by the Oklahoma State Department of Health found that there had been a 21 percent decrease in medical claims, 9 percent reduction in hospitalizations, and a 34 percent reduction in doctor's office visits (Center for State and Local Government Excellence, August 2010)."

- King County, Washington
  "King County, Washington (2010) produced a detail study of its wellness program that was instituted in 2005. The study reported high participation rates in the wellness program and found that by 2009, county employees had made improvements on 12 out of 14 health risk factors since the program began in 2005. Actual health care costs were $26 billion less than expected expenditures based on cost trends prior to 2005."

- Montgomery, Ohio
  "Found that its employee health care costs made up 3 percent of the city's annual budget in 1999 and were rapidly increasing. A Health Care Benefits Committee was established to represent the employees' health care concerns and to negotiate with insurance providers,

maintain comprehensive coverage, and communicate with each work group about key health care issues. Four of the committee's members represent the primary work groups within city government and the fifth represents management. One of the committee's recommendations was to establish a wellness program that gave employees and annual health risk assessments and take part in key program activities, including physical fitness, education, and preventive care. The results have been dramatic with 75 percent of the workforce Participating in the wellness program: between 2007 and 2008, average annual medical claims dropped from $2,437.44 per person to $2,262.57, and the use of sick days decreased by 6 percent. Other health improvements that are expected to pay dividends have been decreases in blood pressure, cholesterol, smoking, and obesity. Tobacco use among participants fell from 32 percent to 16 percent. Those with blood pressure greater than 140/90 dropped from 62 percent to 32 percent; those with total cholesterol above 200 dropped from 44 percent to 14 percent; and those with a body mass index of greater than 25 percent declined from 97 percent to 76 percent."

Return on Investment

"Behavioral changes encouraged by state and local government wellness programs can be directly linked to improved health, lower absenteeism, and greater productivity, as well as lower utilization of medical services and lower expenditures on health insurance for public employees and retirees. Those focusing solely on annual budgets and net expenditures may overlook the longer-term benefits of wellness programs such as lower growth in the cost of health insurance. In addition, gains such as increased worker productivity and worksite morale may be difficult to capture on a balance sheet. Healthier workers and retirees will be less likely to use medical services and therefore, wellness programs should result in lower insurance premiums for any given health plan offered to workers. Healthier workers should miss fewer days due to illness thus reducing productivity loss from absenteeism. Healthier workers should feel better while on the job and therefore, have higher productivity during their work day. Of course, improved health of workers should also improve their well-being and attitude, and they may feel better about their employer who promoted wellness and gave them the opportunity to improve theirs. "

"The benefits of wellness programs to public employers likely will exceed the value to private sector companies for several reasons. First, public employees tend to have longer careers with the same employer compared to private sector employees. Thus the gains from a healthier worker can be expected to continue over more years. Second, state and local governments tend to provide health insurance to retirees so that the benefits of healthier individuals may continue into the retirement years.[13]"

Summary

- "Most of the evidence provided by various government agencies indicates that these programs are successful in improving the health status of employees and slowing the growth of health care expenditures by the employer."
- "Wellness programs are not costless but they can have long-run benefits that make them effective public policies."

Note the article contains many more examples and provides a more in-depth discussion and review of the data available on public sector wellness programs. I encourage you to review it.