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Return on Investment Through Wellness Programs

Every employer who provides health care benefits is aware of rising health care costs and rising health insurance premiums. Nationwide, employers are looking for solutions that will allow them to continue to provide essential health care benefits to employees and dependents. According to a recent PriceWaterhouse-Coopers survey of 150 top executives at large U.S. firms, 75% report that they may raise worker payments for health care. A growing number of the executives expect the employee to take more responsibility for both costs and health choices. Eight of ten executives stated that the best option for reducing health care costs is a financial incentive to encourage healthier lifestyles.

Naturally, employers are asking for data and other information documenting cost-savings that can be potentially achieved through the implementation of Wellness and/or Disease Management programs. Some employer groups have even asked to document retrospectively the savings which may have resulted had a specific illness or cancer been diagnosed "in time". In response to a one Group's inquiries regarding documenting short-term cost savings through a wellness program, the following can be stated.

In general it is very difficult in a small group of patients to project specific cost savings by diagnosis. For example, a review of one employer's claims demonstrate one case each of colon cancer and prostate cancer over the past 3 years. It is accurate to say that in most cases of colon cancer, had the cancer been detected earlier, the outcome would be better, and costs would be lower, compared to diagnosis in the later stages of cancer. The same is true for virtually any major cancer (see one exception below). Many studies have demonstrated that outcomes are greatly improved through the early detection methods suggested in the **iHealth™ Wellness Guidelines**, which are distributed to insured's in the program.

As is commonly known, the only major cancer that can actually be prevented is lung cancer, and that is through smoking cessation. For the other major cancers (breast, colon, prostate, cervix) the most cost-effective and medically correct approach is to find such cancers (or their precursors) early in the course of the disease. Treatment at an early stage of cancer is far less expensive, and the patients have much better outcomes. The exception may be prostate cancer, where actual cell type (i.e., Gleason's score) may be the fundamental prognostic factor.

Two other significant factors hindering the documentation of cost savings with a Wellness program are the group size and the timeframe being measured. For the Level II, or Select, section of the **iHealth™ Wellness Program**, 5 major disease categories are measured. These diseases have been shown, through countless major studies, to be amenable to long-term disease management. Long-term outcomes are drastically improved for patients who follow the recommended disease management protocols, or so-called "best practices". For example, properly managed diabetics who maintain controlled glucose levels, controlled

cholesterol levels, and controlled blood pressure, have far fewer long-term complications such as kidney failure, heart attacks, and strokes. This data is solid. It is not possible to demonstrate such correlations in small groups over short time frames, however.

To achieve compliance with the disease management guidelines, Select patients will be contacted routinely and "coached" by the RN Wellness Counselor. Over time, it will be possible to demonstrate that a greater number of patients with the Select diagnoses are following the "best practices" guidelines. Such "managed patients" will consume fewer health care dollars over time. According to most actuarial and business experts, it takes 2-3 years of Wellness and Disease Management intervention to demonstrate an ROI. In the case of Asthma, however, short-term cost savings have been demonstrated, as ER visits and hospitalizations for "unmanaged" Asthmatics are decreased immediately after such patients are placed in a "managed" program.

The following few paragraphs are paraphrased from a recent article, which appeared in **USA TODAY**, dated Monday August 1, 2005. The article was an excellent review of the types of programs that companies have implemented to control the rising cost of health care.

According to Dee Edington, director of the Health Management Research Center at the University of Michigan, it is widely accepted among researchers in this field that a return of \$3 is realized for every \$1 invested in wellness and disease management programs.

At Pitney Bowes, CEO Mike Critelli estimates a \$1 million annual savings with just the asthma and diabetes disease management programs. Mr. Critelli claims that his company's overall increases in health care spending run lower than industry averages year after year. But he warns, "Most of these programs do not pay off in the year you implement them. They pay off in the next year or year after".

HCA, the nation's largest hospital chain, analyzed its health care costs, and used disease management programs to target obesity in 2001 and 2002. Participating workers were "coached" by a telephone program run by Gordian Health Solutions. Workers who finished the program received a case bonus of \$116.00. Subsequently, when comparing the medical claims for the participating group with a group of matched non-participants, the medical claims for the participating group were lower. This resulted in a \$2.76 return for every \$1.00 HCA spent on the program, according to Gordian.

Here is a small section of the press release from the 2006 Towers Perrin Health Care Cost Survey, which was released recently:

"The companies with lower costs are also more likely to have put other cost-sharing elements into place that encourage employees to take responsibility for their decisions at the point of care. For example, the differential between the copay amounts for brand-name drugs compared with that for generic drugs is greater for employees at low-cost companies than for those at high-cost companies, creating a stronger incentive to use the less expensive alternative. Other incentives aimed at increasing employee accountability include meaningful differentials between primary care and specialist copays, along with a move away from copays altogether to coinsurance -- a trend much more prevalent among the low-cost companies.

"Perhaps most important, companies with the lowest costs are not only requiring employees to take more responsibility for their health care decisions, **but are also equipping them to do just that by communicating more**

effectively about health care costs, providing decision support tools and encouraging them to understand and manage their health risks."

"Most of the companies in the survey say they see their role and responsibility as employers continuing as it is or even growing over the next five years," said Guilmette (Towers Consultant). "In other words, they see themselves in the game for the foreseeable future. But it's interesting to note that companies with lower costs also seem to have more of a long-term philosophy and are taking actions that minimize the need to shift costs to employees."

"For employees who work at these more proactive companies, there is a quid pro quo. They must actively share responsibility, understand and accept the financial consequences of their decisions, and protect and invest in their own health," added Guilmette. "Overall, we call this a culture of health -- employers and employees together managing the money, managing the vendors and providers, and sharing a commitment to the value of employee health."

This small section of the report specifically encourages plan design and language improvements to incent patients to not only be better consumers, but also to take better care of themselves. This two-pronged approach is becoming the "standard" to lower health care costs.

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