



# Consumer-Driven Health Plans

## The Challenge to Managing Workforce Health, Performance and Productivity

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# About the Integrated Benefits Institute



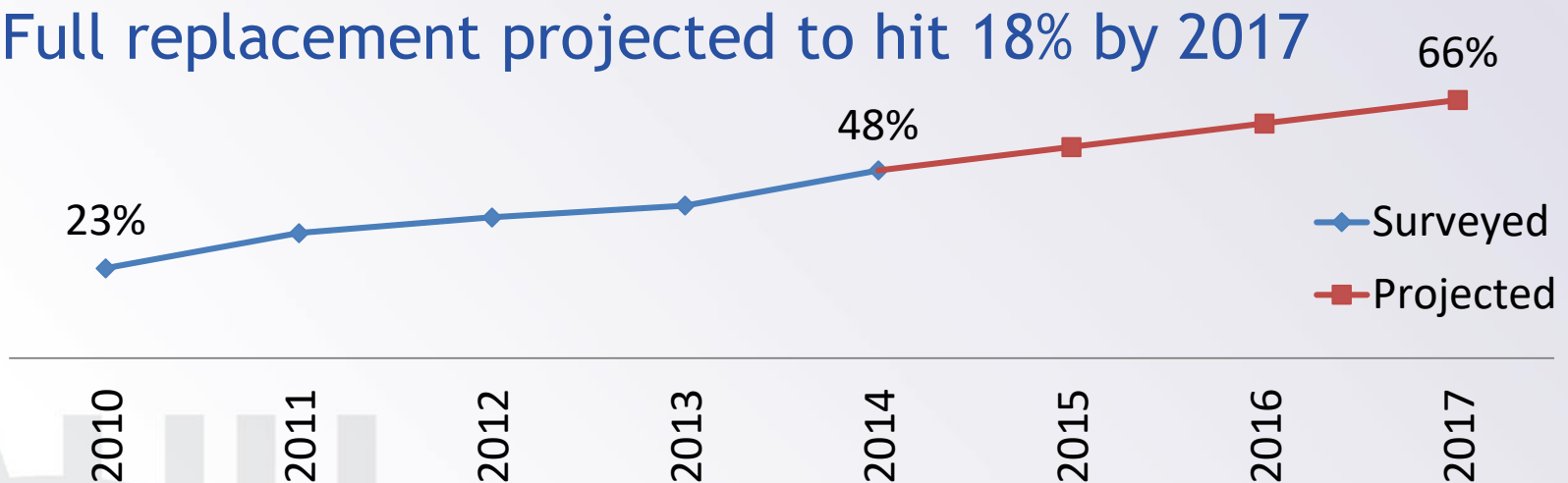
- 501(c)(6) non-profit business association
  - Established 1995
  - 1,100 organizational members
- Help business leaders to:
  - Understand the toll that illness takes on workers' productivity
  - Recognize the competitive advantages of helping employees get and stay healthy
- Research, data, tools and educational activities

# Agenda

- CDHP description
- The health and productivity risks of CDHP
- CDHPs reduce healthcare costs
  - But not always in advantageous ways
- Controllable factors influence patterns of care
- Treatment adherence leads to better productivity for several chronic conditions
- Examples from two employers that successfully incorporated productivity into CDHP planning
- Lessons for other employers

# High Deductible Plans with Tax-Advantaged Medical Accounts

- \$1,300 deductible for single (\$2,600 family)
- Health savings account (HSA) or health reimbursement arrangement (HRA)
- Mercer: 2/3 of large employers (500+ lives) projected to offer a CDHP option by 2017
  - Full replacement projected to hit 18% by 2017

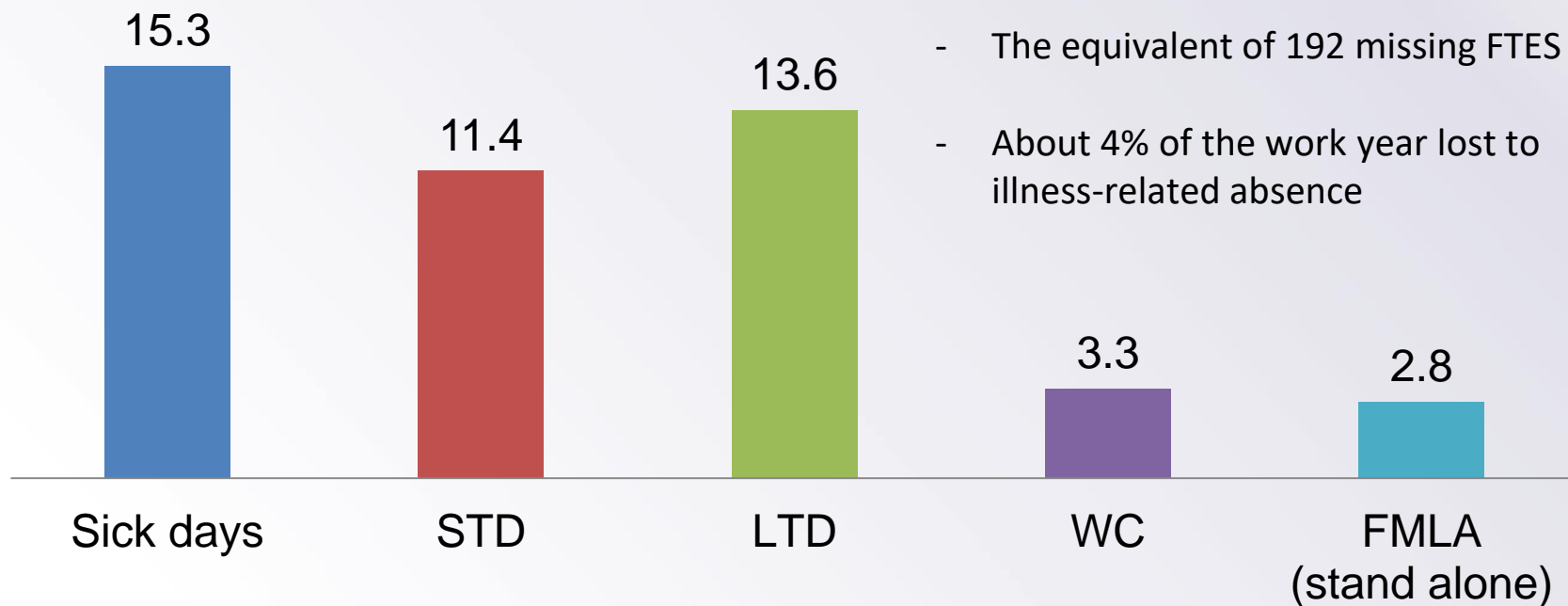


# Patients with “Skin in the Game” Drive Down Short-term Health Care Costs

- Supported by theory and evidence
- RAND Health Insurance Experiment (1971-1982)
  - Randomly assigned people to different health plans with and without cost sharing
  - Cost sharing reduced the use of effective and less-effective care across the board
  - Some evidence for worse health - no evidence for better health
- Employers can never offload productivity costs of illness in the workforce
  - Absenteeism
  - Disability claims
  - Job performance (presenteeism)

# Employers Can Never Offload the Productivity Costs of Illness

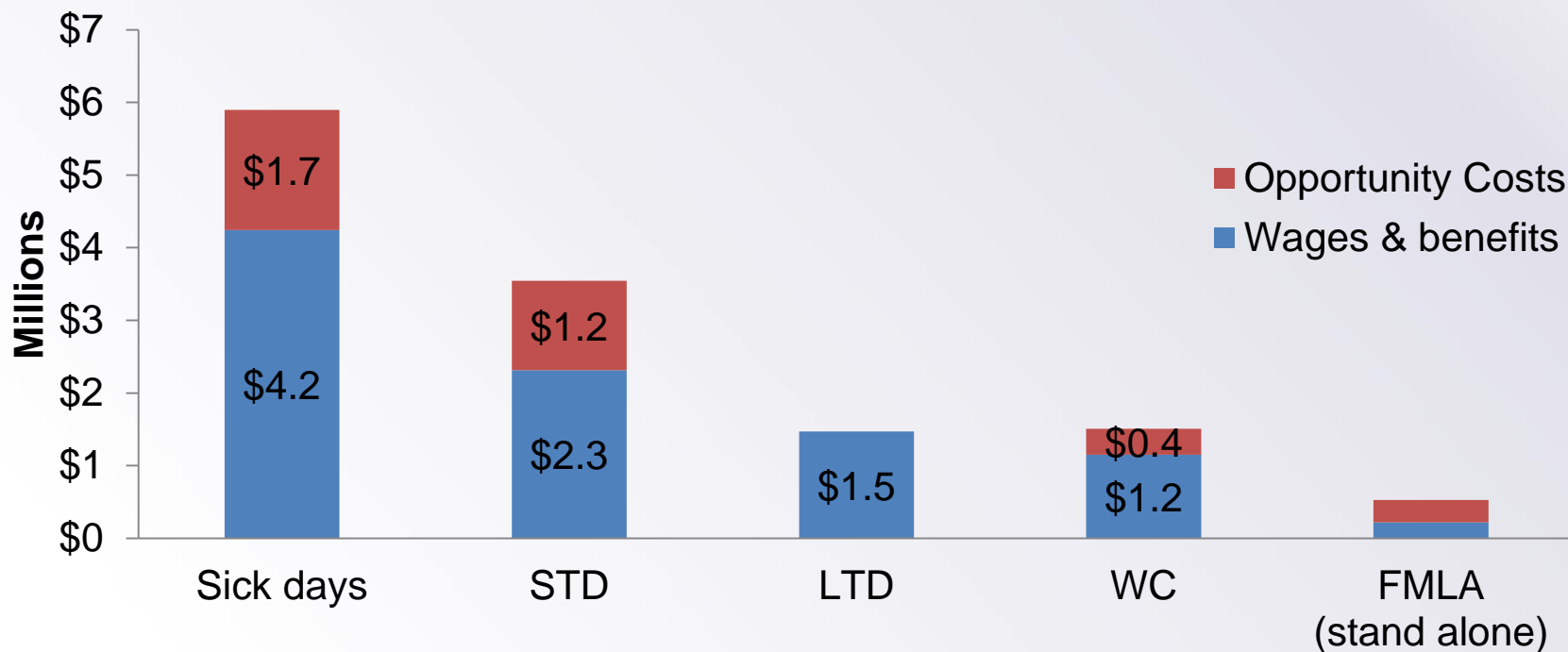
**About 46,000 days of illness-related absence for a hypothetical 5,000 life manufacturer**



Source: IBI Full Cost Estimator (FCE) modeling tool

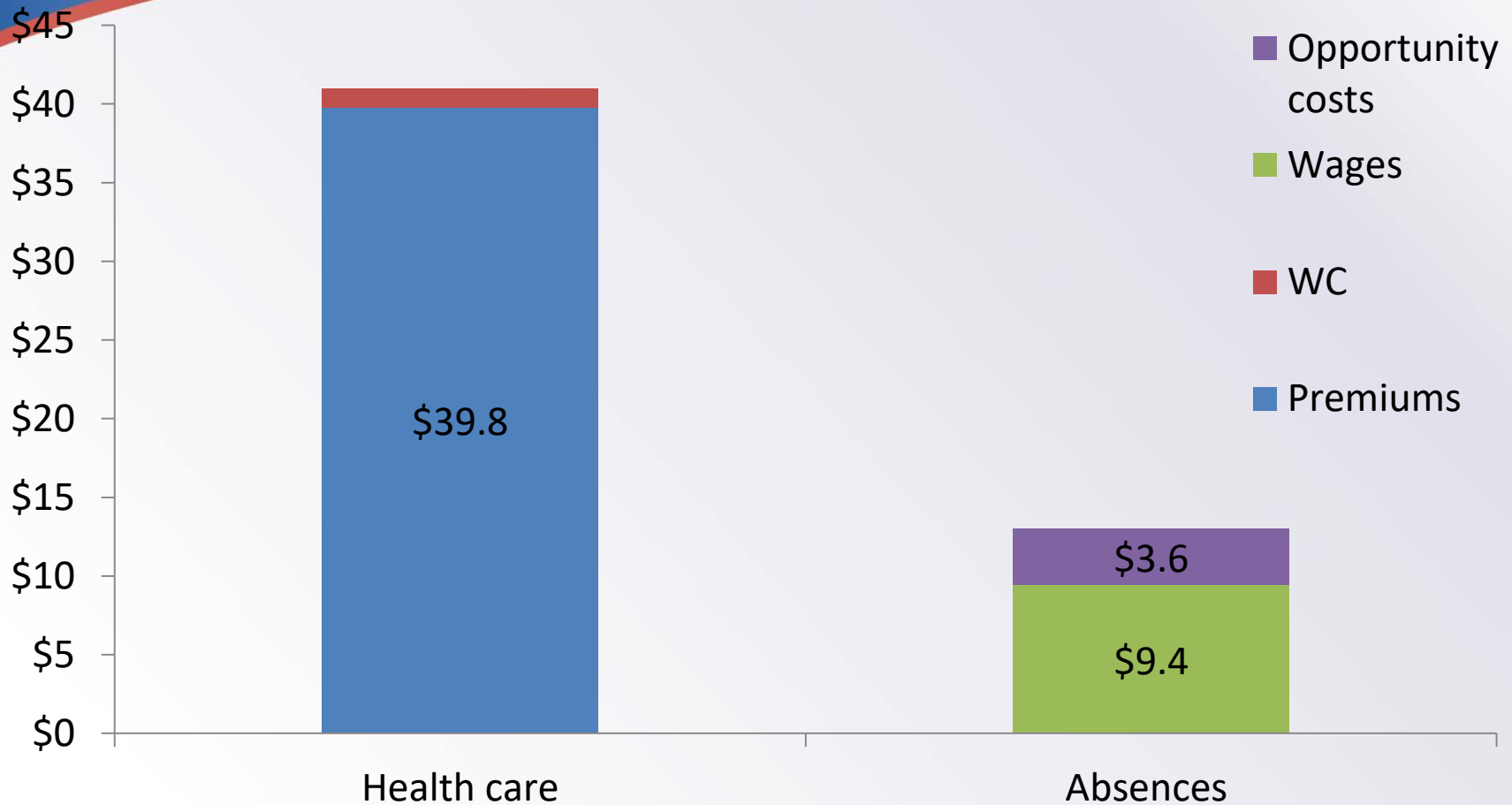
# Employers Can Never Offload the Productivity Costs of Illness

**Almost \$13M in compensation for absent workers, lost revenues, and excess labor costs**



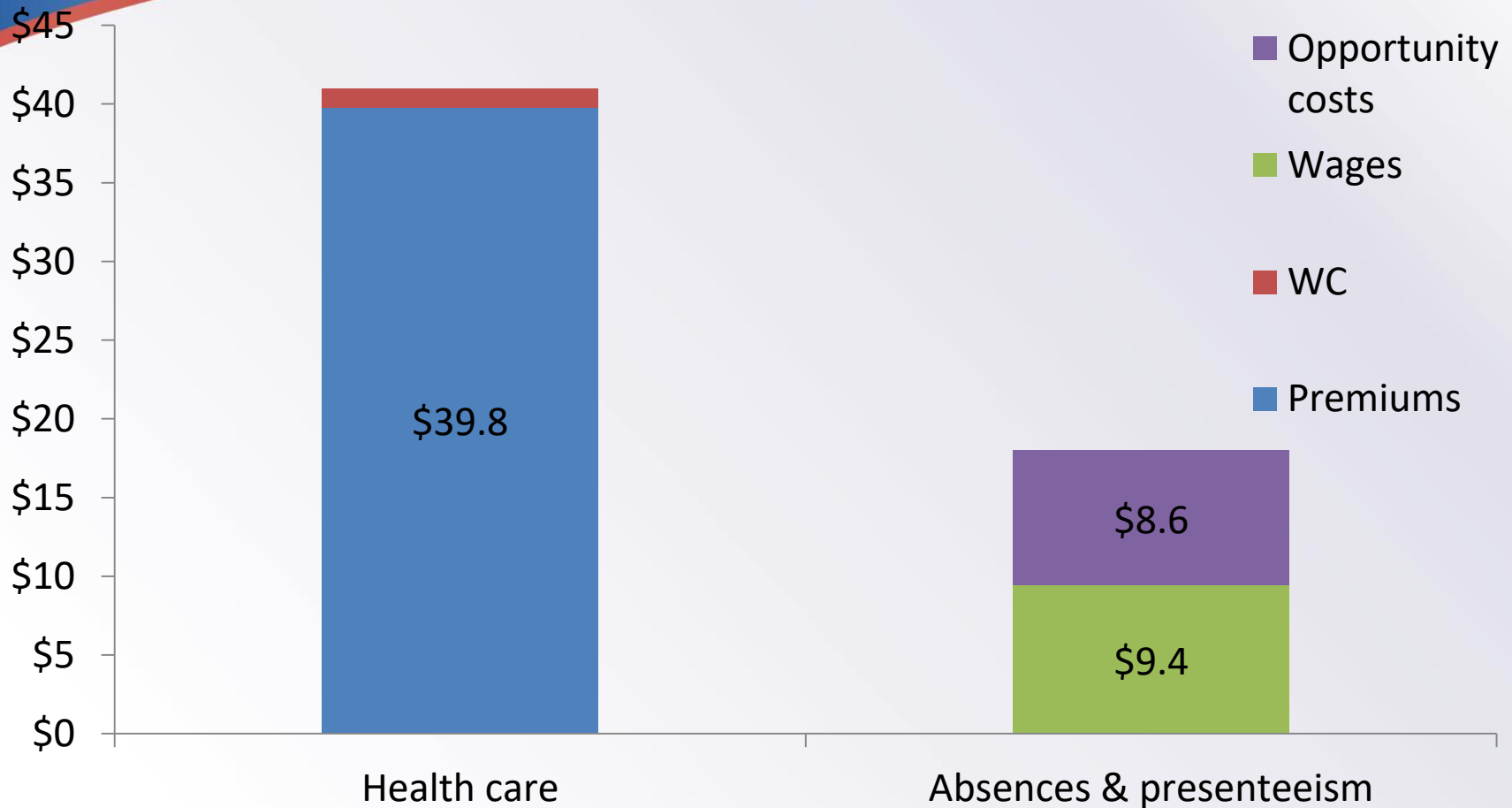
Source: IBI Full Cost Estimator (FCE) modeling tool

# For Every Dollar Spent on Health Care, \$0.32 in Lost Productivity Costs

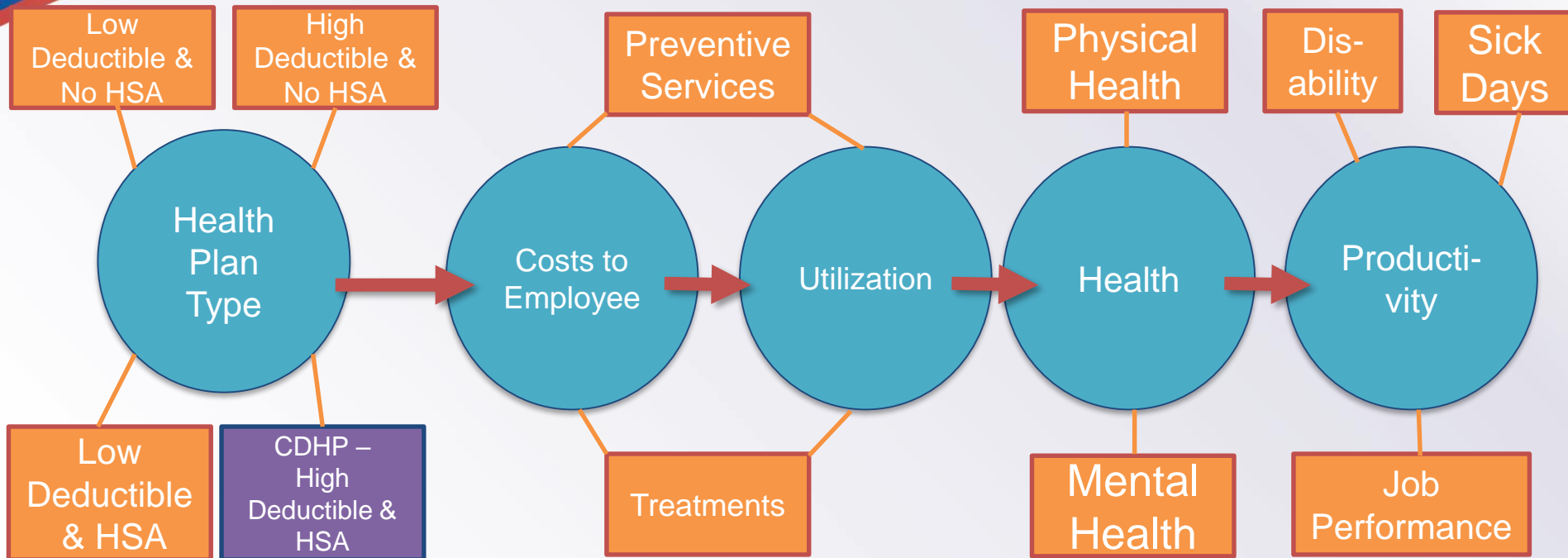




# For Every Dollar Spent on Health Care, \$0.45 in Lost Productivity Costs



# What are the Health and Productivity Risks of CDHP?



*Easy to understand,  
not well documented yet*

# What are the Health and Productivity Risks of CDHP?

## *IBI's Review of the Scientific Literature*

- 68 peer-reviewed studies focused on either
  - Costs, utilization or treatment adherence outcomes among CDHP enrollees
  - Absence, disability or work performance outcomes associated with treatment adherence
- To our knowledge, no peer-reviewed study looked at both
- Review findings published November 2014 ([ibiweb.org](http://ibiweb.org))

# CDHPs Reduce Healthcare Costs

*But not always in advantageous ways*

- Beneficial risk selection
  - “Full replacement” would mitigate this
- CDHP enrollees cut back on care indiscriminately
  - Beneficial & necessary care as well as unnecessary care
  - Avoided screenings and preventive care
  - Foregone or delayed prescriptions
- Feasibility of price shopping is limited
  - Primarily office visits

# Controllable Factors Influence Patterns of Care

- Exemption of demonstrably high value treatments from employees' deductibles
- Education:
  - Awareness of services included for free or at minimal cost
  - Basic health literacy and engagement
  - How to manage chronic health conditions
- Transparency: resources finding and comparing prices, care options and quality of services

# Hidden Costs for Employers: Lost Productivity

***Better treatment adherence linked to better productivity for several chronic conditions\****

- Cardiovascular
- Diabetes
- Allergies
- Asthma/COPD
- Depression
- Migraine
- GI disorders
- Arthritis

*\* Not an exhaustive list of conditions improved by adherence to treatment guidelines - just what exists in the health and productivity literature*

# Two Employers Introduced Full Replacement CDHPs with Productivity in Mind



## Cummins, Inc.

- Engine Manufacturer
- 48,000 employees worldwide
- \$17B revenues



## Kraft Foods

- Food manufacturer
- 22,500 employees worldwide
- \$18B revenues

IBI case study published March 2015 ([ibiweb.org](http://ibiweb.org))



# Cummins, Inc.

## *From traditional benefits approach to consumerism in 5 years*

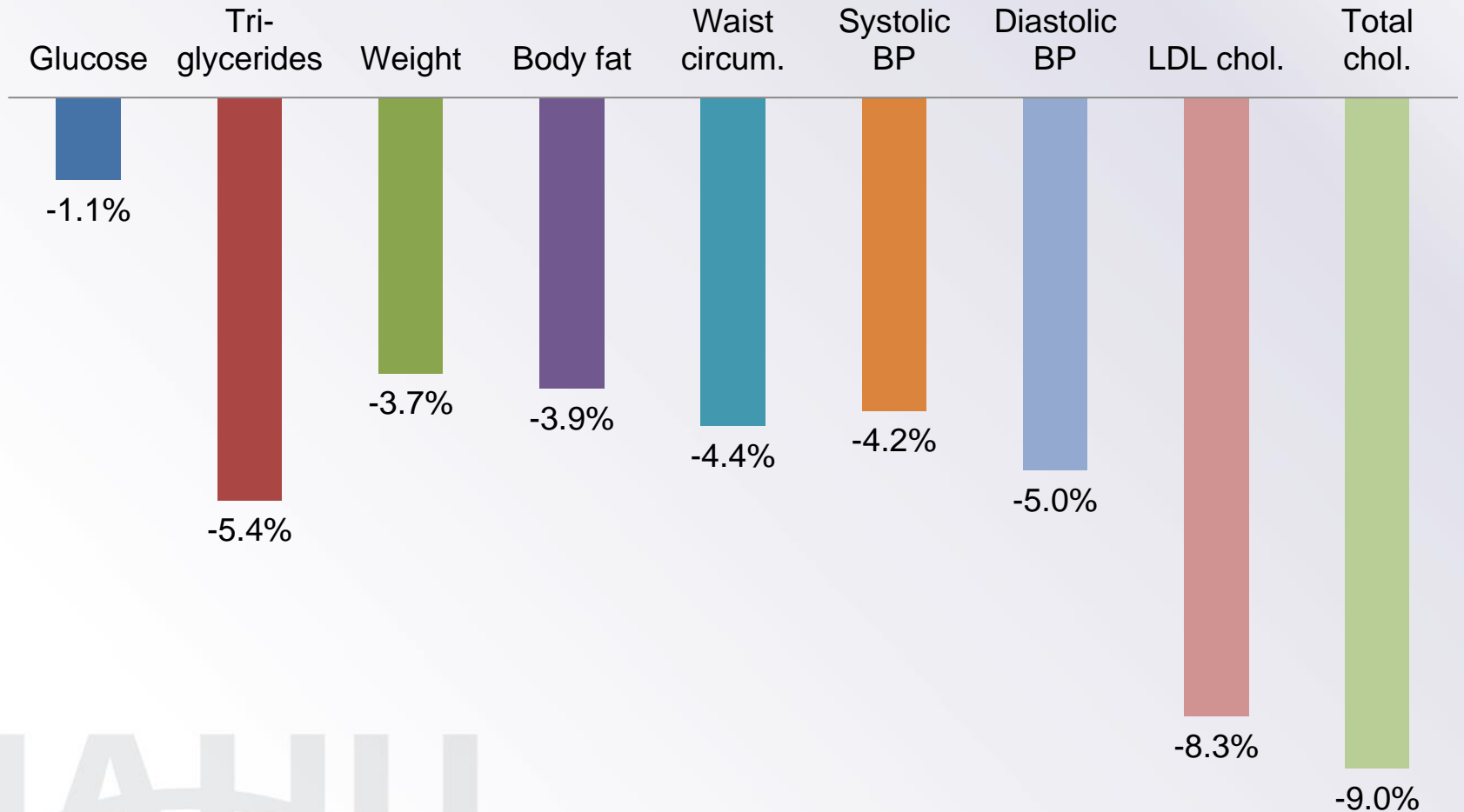
- Int'l experience drove home the need to focus on health outcomes
- Transition guided by medical director with deep wellness experience
  - Health improvement, disease management and prevention programs introduced
- Consolidated health vendors to improve consistency and quality of delivery
- Established patient-centered medical home
- Integrated health, lifestyle data from HRA
- Transparency of cost sharing key to employee buy-in





# Cummins: Improved Biometric Results an Early Indicator of Success

## Average 5-year biometric change for health improvement program participants





# Kraft Foods

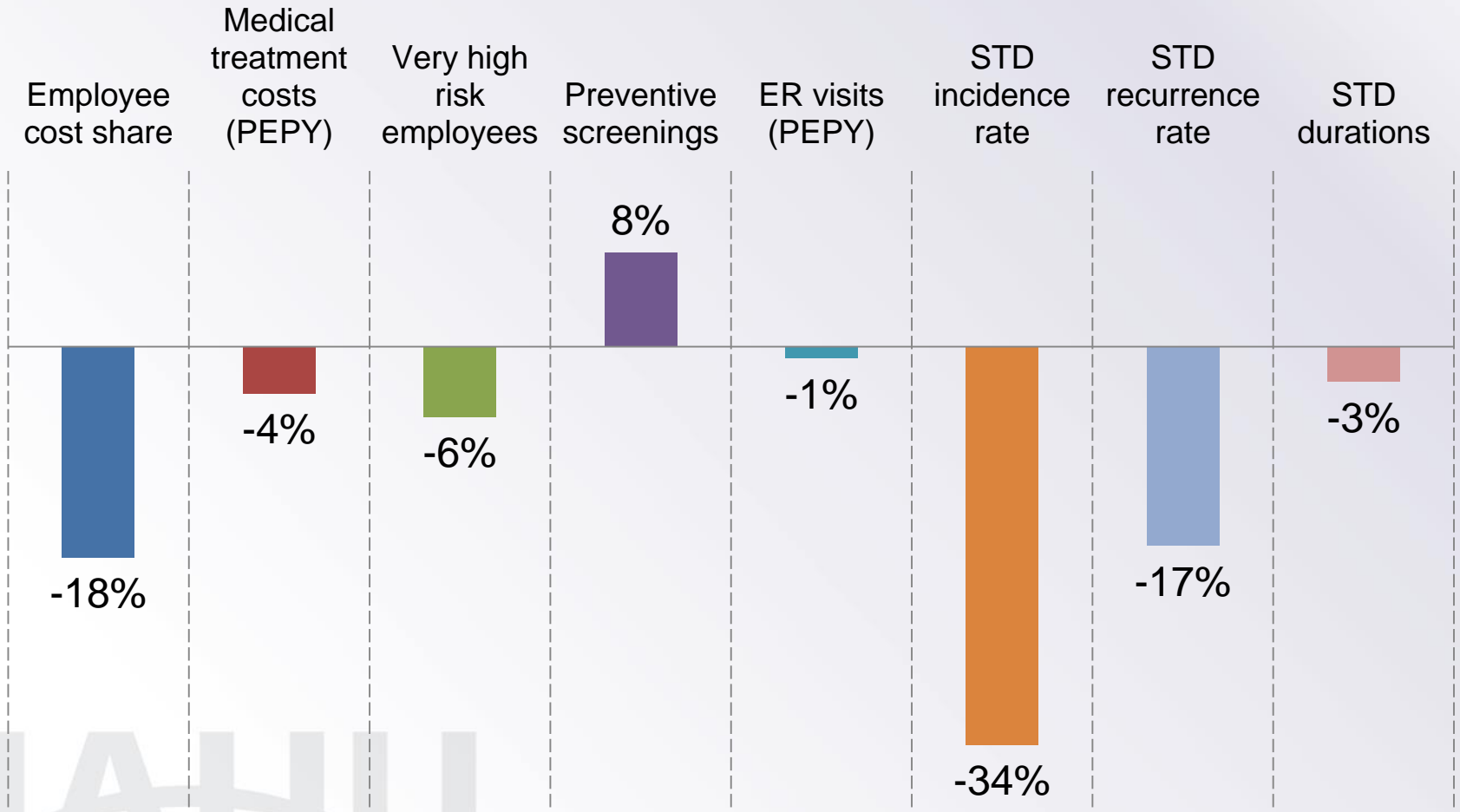
## *Overcoming wary leaders and employees*

- Established guiding principles for designing benefits
  1. Drive productivity and healthy behaviors
  2. Innovative, competitive and sustainable benefits
  3. Align employees' costs with health behaviors
  4. Ensure affordability, accessibility and protection from catastrophic financial loss
  5. Achieve measurable results
- Geographic outreach to educate employees on new benefits and explain the rationale
- Incentives for participation in programs



# Kraft Foods: Better Health and Productivity, Lower Company and Employee Costs

## 4-year change in dashboard outcomes



# Lessons for Other Employers Considering a Switch to CDHP

- Lost productivity can offset some healthcare savings from CDHPs
  - Losses can be mitigated by early planning
- Strong culture of health makes everything easier
  - Buy-in from leaders, supervisors and front-line employees
- Employees cannot consume care better without good information on options and prices
- Commit to measuring outcomes before, during, and after making the switch
  - Costs, utilization, health, productivity

# Specific Recommendations for Your Employer Clients

- ✓ Get early buy-in from both leaders and employees
- ✓ Phase-in CDHPs
- ✓ Create information resources
  - ✓ Value-based benefits and low cost/free services (e.g. immunizations, smoking cessation)
    - Cost, value, and quality of local providers
- ✓ Health promotion, wellness and disease management programs:
  - ✓ Implement evidence-based approaches
  - ✓ Identify enrollees who could benefit from programs
  - ✓ Develop strategies to encourage participation
- ✓ Regularly assess enrollees' health status indicators and total cost of care/benefits



# Questions?



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[Learn more at ibiweb.org](http://ibiweb.org)