



# INCREASING THE HUMAN CAPITAL INVESTMENT

WHY IT MAKES SENSE TO INVEST EVEN **MORE**  
ON HEALTH CARE FOR YOUR WORKFORCE

FOR EMPLOYER HEALTH CARE BENEFITS SPECIALISTS ONLY



# abbvie



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# Both business and human capital require ongoing investment—or “maintenance plans”—for optimal performance

	Initial Investment	Ongoing Maintenance		
Business Capital	<p><b>Purchase or lease</b></p> 	<p><b>Daily</b></p> <ul style="list-style-type: none"><li>• Fuel</li></ul>	<p><b>Periodic</b></p> <ul style="list-style-type: none"><li>• Oil change</li><li>• Tires</li><li>• Brakes</li></ul>	<p><b>Emergency</b></p> <ul style="list-style-type: none"><li>• Breakdown service</li></ul>
Human Capital	<p><b>Hiring</b></p> 	<p><b>Daily</b></p> <ul style="list-style-type: none"><li>• Nutrition</li><li>• Well-being</li><li>• Exercise</li><li>• Medication</li></ul>	<p><b>Periodic</b></p> <ul style="list-style-type: none"><li>• Preventive care</li><li>• Training</li><li>• Development</li></ul>	<p><b>Emergency</b></p> <ul style="list-style-type: none"><li>• Acute illness</li><li>• Surgery</li><li>• Emergency room visits</li></ul>

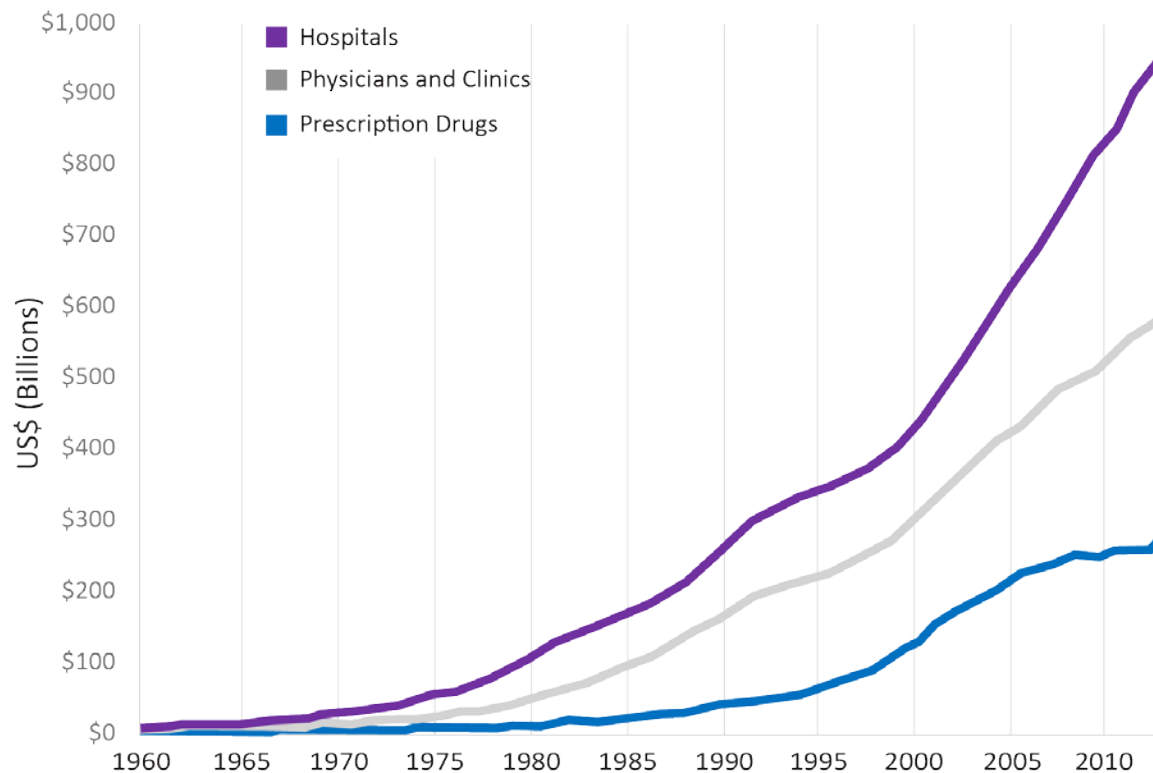
Maintaining the performance of the driver is just as important as maintaining the performance of the vehicle<sup>1</sup>

1. Sherman BW et al. *Am J Manag Care*. 2014;20(2):115-120.

# Investing in human capital health maintenance is expensive, as direct health care costs have grown considerably over the years<sup>1</sup>

## United States Health Expenditures 1960-2014<sup>1</sup>

Hospitals, Physicians and Clinics, and Prescription Drugs by All Sources of Funds (US\$ in billions)



1. Kaiser Family Foundation. Health spending explorer. <http://www.healthsystemtracker.org/interactive/health-spending-explorer/?display=U.S.%2520%2524%2520Billions&service=Hospitals%252CPhysicians%2520%2526%2520Clinics%252CPrescription%2520Drug&rangeType=range&years=1960%252C2014>. Published December 7, 2015.



# Although direct health care costs are rising,<sup>1</sup> so is the value of innovations in health care in the United States

## Continual research and development in health care is transforming the health of Americans

Cancer

*1.5 million lives have been saved since the early 1990s due to early diagnosis and treatment advances<sup>2</sup>*

Hepatitis C

*Fourth-generation hepatitis C virus (HCV) treatments offer cure rates of 95% to 96% in about 8 to 12 weeks<sup>2</sup>*

HIV

*Today, a 20-year-old diagnosed with human immunodeficiency virus (HIV) is expected to live into his or her 70s<sup>2</sup>*

In the last 100 years, average life expectancy in the United States has increased from 50 years to 79 years<sup>3</sup>

1. Kaiser Family Foundation. Health spending explorer. <http://www.healthsystemtracker.org/interactive/health-spending-explorer/?display=U.S.%2520%2524%2520Billions&service=Hospitals%2520Physicians%2520%2526%2520Clinics%2520Prescription%2520Drug&rangeType=range&years=1960%252C2014>. Published December 7, 2015. 2. PhRMA. 2015 Profile: Biopharmaceutical Research Industry. [http://www.phrma.org/sites/default/files/pdf/2015\\_phrma\\_profile.pdf](http://www.phrma.org/sites/default/files/pdf/2015_phrma_profile.pdf). Published April 2015. 3. Arias E. *Natl Vital Stat Rep.* 2014;63(7):1-63.

# Direct medical costs, however, pale in comparison to the other organizational costs of human capital maintenance

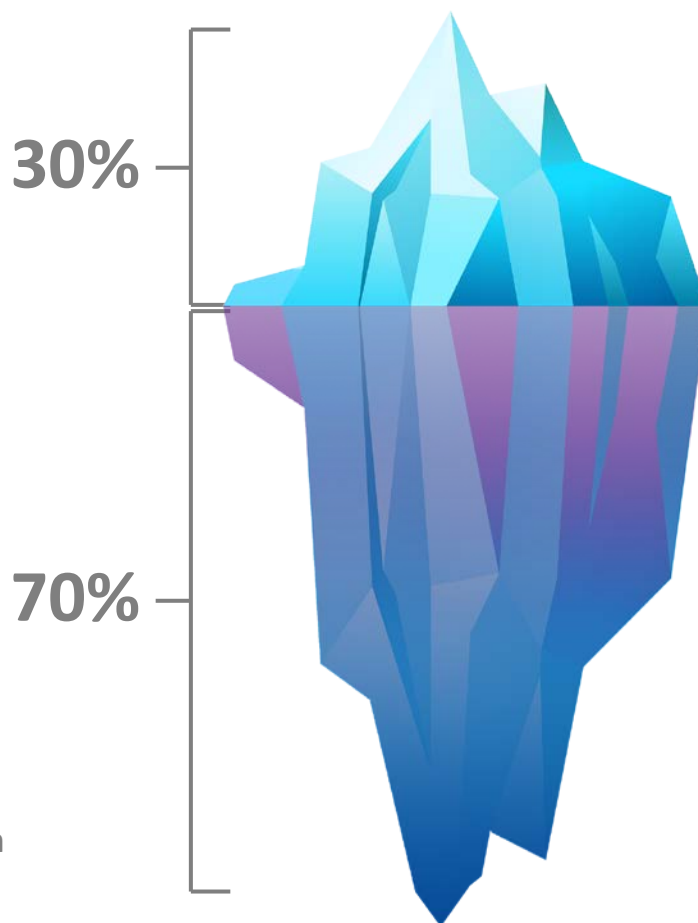
## Full Cost of Poor Health to Employers<sup>1</sup>

### Personal Health Costs

- Medical care
- Pharmaceutical costs

### Health-Related Lost Productivity Costs

- Presenteeism
- Absenteeism
  - Overtime
  - Turnover
  - Temporary staffing
  - Working slow
  - Late deliveries
  - Replacement training
  - Customer dissatisfaction
  - Variable product quality



It is estimated that these other organizational costs result in a loss of \$12,000 per employee<sup>2</sup>

1. Standard Insurance Company. *Health-Related Lost Productivity: Causes and Solutions*. [http://workplacepossibilities.com/wp-content/uploads/The-Standard\\_HRLP\\_Productivity\\_Insight\\_1.pdf](http://workplacepossibilities.com/wp-content/uploads/The-Standard_HRLP_Productivity_Insight_1.pdf). Published June 2012. 2. Trust for America's Health. Investing in prevention benefits business and the economy. <http://healthyamericans.org/health-issues/wp-content/uploads/2012/03/Business-and-Economy-Fund-2-pager-03-06-20122.pdf>. Published May 2013.



# It may seem counterintuitive, but investing MORE in human capital health maintenance can deliver value in direct health and other organizational costs

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Many employers have been investing in **preventive care and well-being**<sup>1</sup>

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Several employers are partnering with **Centers of Excellence (CoEs)**<sup>2</sup>

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Some employers are **keeping Rx out-of-pocket (OOP) costs low** for their members with chronic conditions<sup>3</sup>

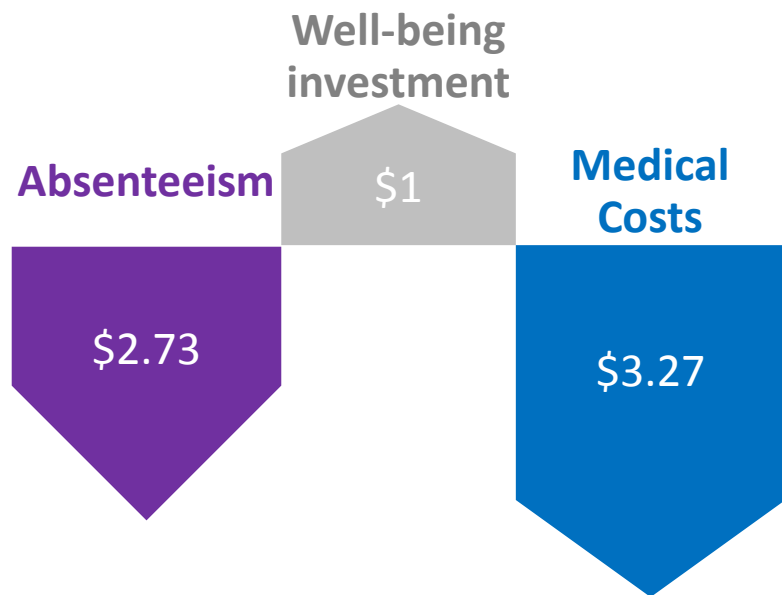
1. Baicker K et al. *Health Aff (Millwood)*. 2010;29(2):304-311. 2. Health Research Institute. *Medical Cost Trend: Behind the Numbers 2014*. <http://www.pwc.com/us/en/health-industries/behind-the-numbers/assets/medical-cost-trend-behind-the-numbers-2014.pdf>. Published June 2013. 3. Maeng DD et al. *Am J Manag Care*. 2016;22(2):116-121.



# Spending on well-being and prevention has demonstrated health care cost savings, as well as reductions in absenteeism

When some companies invested in well-being, high returns occurred<sup>1</sup>

Investments in prevention proved valuable as well<sup>2</sup>



- Preventing a single HIV infection avoided a lifetime treatment cost of roughly **\$355,000**
- Tobacco screening resulted in an estimated lifetime **savings of \$9,800 per person**

\*Employee medical costs are defined as the combined direct costs of group health, turnover, unscheduled absence, nonoccupational disability, and workers compensation.<sup>3</sup>

1. Baicker K et al. *Health Aff (Millwood)*. 2010;29(2):304-311. 2. National Prevention Council. Office of the Surgeon General. <http://www.surgeongeneral.gov/priorities/prevention/strategy/report.pdf>. Published June 2011. 3. Mayo Clinic. *Health Management Resources*. 2013. <http://www.relpbenefitadvisors.com/rhealthcommunity/resources/bulletins/DirectBenefitsReport.pdf>.





## Case Studies

*Citibank and Humana both saw value in their investments in well-being*



# Citibank

The Citibank Health Management Program reported an **average savings of \$4.50 in total health care costs** per \$1.00 spent on well-being programs<sup>1</sup>

# Humana

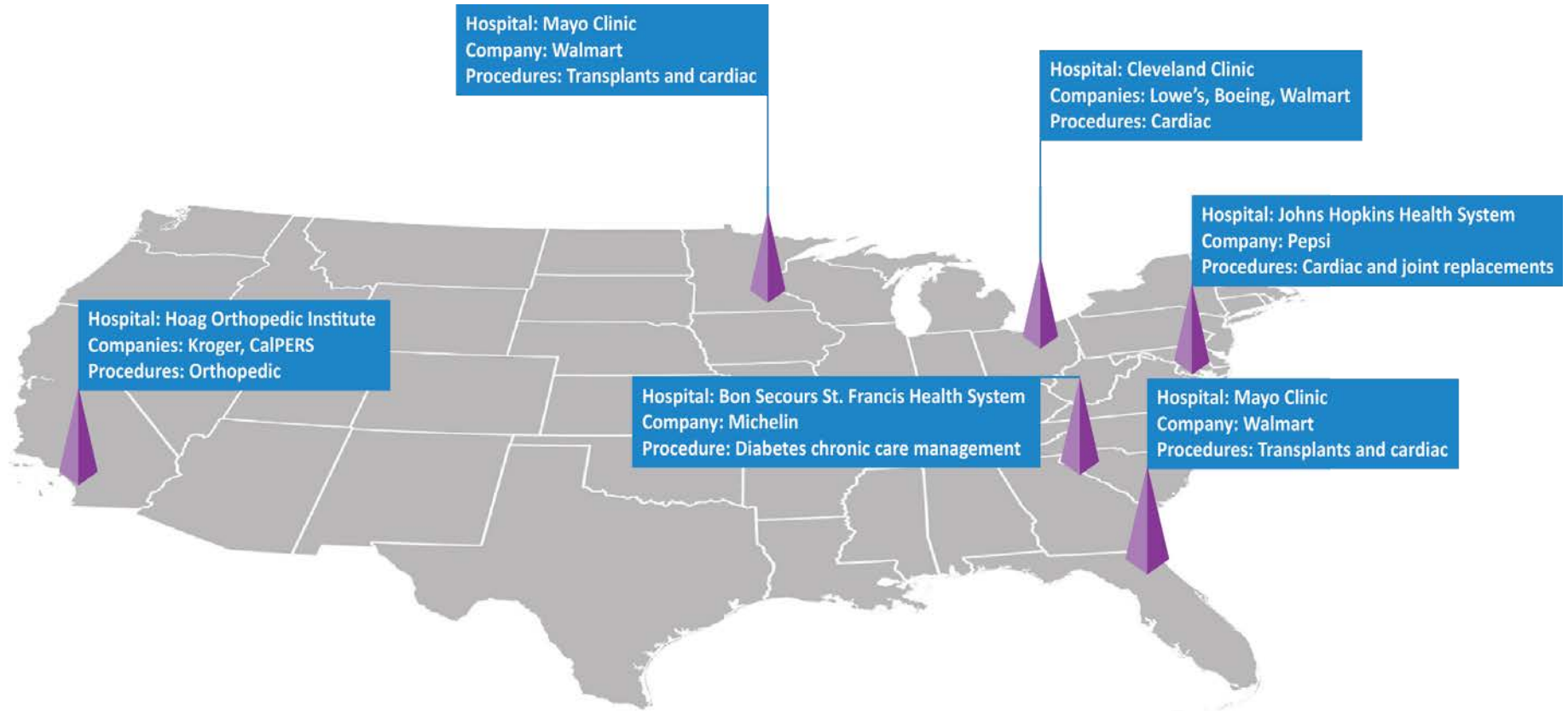
Humana offered a well-being and rewards program to employees. Engaged members had, on average, **25% fewer unscheduled absences** each year<sup>2</sup>

1. Baicker K et al. *Health Aff (Millwood)*. 2010;29(2):304-311. 2. Humana. HumanaVitality® provides a pathway to cost control and increased productivity. <http://apps.humana.com/marketing/documents.asp?file=2853084>. Published February 2016.



# Centers of Excellence (CoEs) are providing high-quality care for several employers, and have been shown to be a worthwhile investment

## Examples of CoEs<sup>1</sup>



Using CoEs, while potentially more costly initially, can save 10% to 25% overall<sup>1</sup>

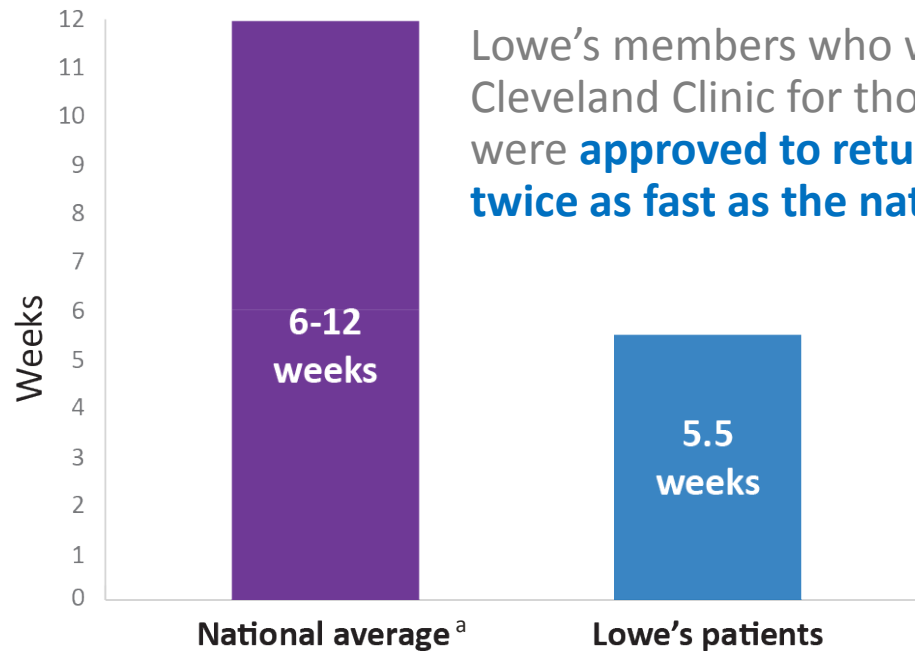
1. Health Research Institute. *Medical Cost Trend: Behind the Numbers 2014*. <http://www.pwc.com/us/en/health-industries/behind-the-numbers/assets/medical-cost-trend-behind-the-numbers-2014.pdf>. Published June 2013.

## Case Study

**Partnership between Lowe's and Cleveland Clinic demonstrated faster return to work for members needing thoracic surgery<sup>1,2</sup>**



### Average Lapsed Time From Surgery to Approval for Return to Work<sup>2</sup>



<sup>a</sup>"Most patients will begin to feel like returning to light work 6 to 12 weeks after surgery." The Society of Thoracic Surgeons. What to Expect After Heart Surgery. 2009.

1. Health Research Institute. *Medical Cost Trend: Behind the Numbers 2014*. <http://www.pwc.com/us/en/health-industries/behind-the-numbers/assets/medical-cost-trend-behind-the-numbers-2014.pdf>. Published June 2013. 2. Cacchione J. Cardiovascular network. [http://files.ibiweb.org/uploads/general/Cardiovascular\\_Network.pdf](http://files.ibiweb.org/uploads/general/Cardiovascular_Network.pdf). Accessed March 31, 2016.

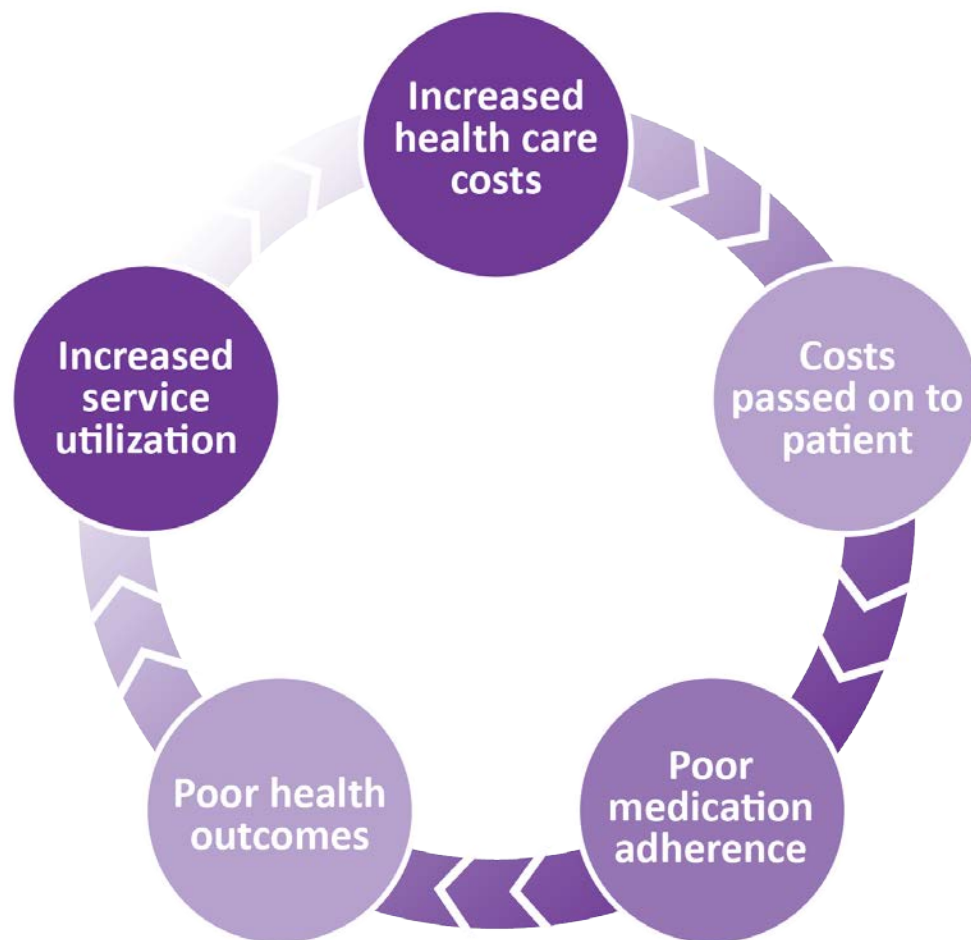


“Drugs don’t work in patients  
who don’t take them.”<sup>1</sup>

— *C. Everett Koop*



# Increasing patient costs can lead to a cycle of increased costs for all parties<sup>1</sup>



- High direct health care costs have led some employers to shift more costs to the member
- This can lead employees to avoid all types of care, including medication
- This can result in a cycle of even higher costs for both members and employers

1. Iuga AO et al. *Risk Manag Healthc Policy*. 2014;7:35-44.



# Health care nonadherence can impact both direct and other organizational costs



## Impact on the US health care system



Medication nonadherence costs the US health care system **\$100 billion to \$289 billion** annually<sup>1</sup>

## Impact on employers



Health-related productivity losses can be twice as costly as medical and pharmacy expenses<sup>2</sup>

For example, one study\* showed a

**46% increase**

in short-term disability for patients who were nonadherent to their treatments<sup>3</sup>

\*A retrospective observational cohort of 2112 employees with a new episode of treatment with an antidepressant medication evaluating the relationship between antidepressant medication adherence and short-term disability (STD) in an employed population.

1. Viswanathan M et al. *Ann Intern Med.* 2012;157(11):785-795. 2. Loeppke R et al. *J Occup Environ Med.* 2009;51(4):411-428. 3. Burton WN et al. *Am J Manag Care.* 2007;13(2):105-112.



# There are many reasons for medication nonadherence, including a direct correlation with patient out-of-pocket (OOP) costs

## A primary reason for medication nonadherence is cost<sup>1</sup>

MS

Patients with multiple sclerosis (MS) whose OOP was >\$250 were **7X** as likely **NOT to fill** their Rx vs those whose OOP was ≤\$100<sup>1</sup>

Cancer

Patients with CML were **42% more likely to be nonadherent** when they had higher co-pays<sup>2</sup>

RA

In RA, medication **adherence rates vary from 30% to 80%**<sup>3</sup>

A 2011 CVS Caremark study found that adherent patients<sup>4</sup>:

- Had **fewer ER visits** and were **hospitalized less often**
- **Saved** up to **\$7,800** per patient annually in direct health care costs

CML=chronic myeloid leukemia.

1. Prime Therapeutics. Prime News. <http://www.primetherapeutics.com/pdf/MSOPP.pdf#page=1&zoom=100>. Published June 17, 2009. 2. Dusetzina SB et al. *J Clin Oncol*. 2014;32(4):306-311. 3. van den Demt BJ et al. *Expert Rev Clin Immunol*. 2012;8(4):337-351. 4. Roebuck MC et al. *Health Aff (Millwood)*. 2011;30(1):91-99.

## Case Studies

**Geisinger Health System and Pitney Bowes reduced co-pays for certain medications and saw overall value**



# Geisinger

- When employees of Geisinger Health System were offered a **\$0 co-pay drug program**, employees who had otherwise unmanaged chronic conditions were **more likely to fill** their prescriptions<sup>1</sup>
- **Total health care spending**, including medical and prescription drug spending, **was lower** among Geisinger Health System employees in the program **by 13%, or \$144 PMPM** during the study period<sup>1</sup>

# Pitney Bowes

- **Reduced out-of-pocket costs** by moving drugs from higher tiers (30% to 50% co-pays) to Tier 1 (10% co-pay)<sup>2</sup>
- After 1 year, **decreases were seen in ER visits** (by 1/4) and **total health care costs** (by 6%) for diabetes patients<sup>2</sup>
- Short-term disability (**STD**) **decreased by approximately 50%**<sup>2</sup>

PMPM=per-member per-month.

1. Maeng DD et al. *Am J Manag Care*. 2016;22(2):116-121. 2. Integrated Benefits Institute. A broader reach for pharmacy plan design: the disability effects of cost shifting. [https://www.acoem.org/uploadedFiles/Career\\_Development/Tools\\_for\\_Occ\\_Health\\_Professional/Health\\_and\\_Productivity/A%20Broader%20Reach%20for%20Pharmacy%20Plan%20Design%20-%20The%20Disability%20Effects%20of%20Cost%20Shifting.pdf](https://www.acoem.org/uploadedFiles/Career_Development/Tools_for_Occ_Health_Professional/Health_and_Productivity/A%20Broader%20Reach%20for%20Pharmacy%20Plan%20Design%20-%20The%20Disability%20Effects%20of%20Cost%20Shifting.pdf). Published May 2007.



# Consider investing MORE, not LESS, in programs like these as part of your human capital maintenance plan



- Well-being initiatives<sup>1</sup>
- No-cost preventive services, such as flu shots and age- and gender-related screenings



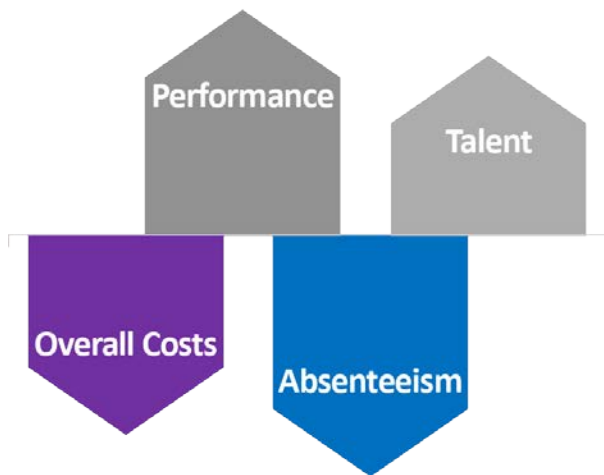
- Partnerships with Centers of Excellence for certain medical procedures<sup>2</sup>
- No-cost travel arrangements for members and caregivers



- Reducing or eliminating high out-of-pocket costs for Rx's (ie, cap the co-pay)<sup>3</sup>
- For plans with health savings accounts (HSAs), consider:
  - Adding some specialty medications to an expanded preventive list
  - Incenting healthy behaviors for additional HSA funding
  - Removing any cost barriers for your members to stay adherent to their medications

1. Baicker K et al. *Health Aff (Millwood)*. 2010;29(2):304-311. 2. Health Research Institute. *Medical Cost Trend: Behind the Numbers 2014*. <http://www.pwc.com/us/en/health-industries/behind-the-numbers/assets/medical-cost-trend-behind-the-numbers-2014.pdf>. Published June 2013. 3. Maeng DD et al. *Am J Manag Care*. 2016;22(2):116-121.

# Increasing your investment in your human capital maintenance plan could potentially lead to a wide range of benefits



## Goals for the employees:

- Enhanced engagement
- Improved member health
- Increased job satisfaction
- Reduced use of personal/sick time for illness
- Reduced out-of-pocket health expenditures

## Goals for the employer:

- Decreased overall health care costs
- Greater retention and reduced turnover
- Reduced absenteeism
- Improved employee and business performance

Adopt this attitude...make the investment in your people!

