This Is a Good Time to Expand Your Wellness Program

By Sadhna Paralkar, MD, Ed Kaplan and Rick Johnson

Although a majority of state and local governments already offer employees at least one type of wellness program (See "About Wellness Programs" on page 23), there is much more that employers should consider doing. Moreover, there are strategies public-sector employers can use to maximize wellness program results and ensure employee benefit money is being well spent.

This is a good time for public-sector employers to consider expanding wellness programs and explore how to do so effectively while receiving a return on investment (ROI).

Why Is This a Good Time?

The new preventive care mandates introduced by the Affordable Care Act (ACA) make this a logical time for public-sector employers to revisit wellness-program offerings. The ACA emphasizes preventive care by requiring "non-grandfathered" group health plans to provide in-network coverage for certain preventive care services and certain immunizations at no additional cost to participants (i.e., no co-payments, co-insurance or deductibles). Examples of such services include screening for colorectal cancer, cervical cancer, osteoporosis, cholesterol abnormalities, high blood pressure, diabetes, sexually transmitted diseases, depression, obesity and tobacco use. Plans must also provide additional preventive services for women (including well-woman visits), children until age 21 and newborns. In addition, the ACA now gives employers expanded flexibility to reward employees for participating in health-contingent wellness programs by allowing up to a 30 percent reward for health-contingent wellness programs. If the program contains tobacco-use rewards, an additional 20 percent reward is available – up to a total of 50 percent.

Many public-sector plans, even those still under grandfathered status, already offer some or all of the ACA's required preventive care benefits. Existing preventive services, then, can become a base for building more intense wellness programs that encourage employees' use of wellness benefits.

How to Decide Where to Expand

The most prevalent type of wellness program in the public sector is one that simply provides health information because insurers often provide educational services at little or no additional costs. Many public-sector employers are reluctant to consider investing scarce budget dollars in more intensive wellness programs that may require the assistance of a specialized wellness vendor. Nevertheless, it is possible to make incremental investments in wellness programs and measure the return on those investments by focusing on programs that target high-utilization and high-cost areas.

Health care plan costs primarily result from multiplying unit costs (i.e., the price of a single office visit to a doctor or a diagnostic test like an MRI) by utilization rates (i.e., the number of times a health service is used). The unit cost for each individual has been increasing faster than general inflation as innovative, new and more expensive procedures are developed. Research suggests that medical innovation, which includes new drugs and technology, is now responsible for 50 percent of the growth in health care expenditures. Advances in medical technology are likely to continue.

Utilization is a function of the volume, intensity and frequency of a group of people using health care services and treatments, which is related to the severity of illness of a covered population. The sicker the population, the higher the utilization of health care services. In addition, as a given population ages, the people in that group become more chronically ill and use more medical services.

Wellness programs can play a pivotal role in reducing future utilization of health care services by encouraging behavioral changes that reduce potential unit costs. Well-designed programs can change the behavior of currently healthy and at-risk participants and encourage the use of preventive care, thereby preventing plan participants from becoming chronically ill. When covered individuals do not become ill, they do not require high-cost case management services.

"The unit cost for each individual has been increasing faster than general inflation"

When deciding which wellness programs to focus on and how to design them, health insurance plan sponsors should seek input from multiple sources. Taking that step can help ensure that the final decisions represent a careful consideration of all options that can be provided most readily by currently contracted vendors and those that require specialized vendor contracting.

Some public-sector employers are beginning to tie employees' medical plan contributions to participation in wellness programs. For example, if a covered employee completes certain required wellness tasks or assignments for the year, he or she pays a lower premium. Such programs can have immediate effects on employee

CONTINUED ON PAGE 22

CONTINUED FROM PAGE 21

behavior, but the programs also need to be viewed as steps in a progression that must be increased over time to continue movement toward desirable healthy behaviors.

A final federal rule on wellness programs that was released in June 2013 increases the rewards that may be provided through ACA-compliant and grandfathered wellness programs. It defines the term "health-contingent wellness program" and changes the requirements that apply to health-contingent programs, especially outcome-based programs. Plan sponsors need to pay close attention to those new rules as they develop programs.

Segal Consulting's Dashboard for Measuring the Success of One Wellness Program (a Weight-Management Program) Using Data from a Sample Plan

			Outcome Metrics*		
		Process Metrics**	Utilization	Clinical	Financial
Metric		Percent of members with Body Mass Index (BMI) >25 participating in weight-management program	ER visits/ 1,000	Prevalence of Type 2 diabetes	Yearly per-person cost of health care by adult members with known Type 2 diabetes
Baseline Data		N/A	143	8.4%	$11,700
Year(s) from Baseline	One	40%	143	8.5%	$11,800
	Two	43%	137	8.0%	$11,000
	Three	47%	133	7.8%	$10,200

* Outcome metrics should be tracked annually.

** All process metrics should be tracked every month. In this dashboard, the baseline data shown in the first row reflects experience at first measurement and the data in the subsequent rows reflects the average for the year.

Source: Segal Consulting

Can the ROI on a Wellness Program Be Measured?

Some health care industry experts have expressed skepticism that wellness programs can produce discernible ROI because they are attempting to change future events that may or may not happen. An example of that point of view is a recent RAND report on a study that found that "participation in a wellness program over five years is associated with a trend toward lower health care costs and decreasing health care use." The change was not statistically significant, however. It is important to note that RAND's findings reflect the average results of a sample of wellness programs with different focuses and intensities. Overall, a well-designed, diligently implemented and carefully targeted wellness programs can generate substantial ROI; often in less than five years. The key is to analyze and target very specific diagnoses and health cost areas with highly concentrated programs. Focusing on the most critical health and cost pockets increases the likelihood for a quicker positive ROI.

Traditionally, a health benefit plan would measure its success solely by calculating total costs and comparing year-to-year sums. While measuring financial factors remains vitally important, evaluating the success of wellness programs within health benefit plans requires taking a different approach. The metrics by which wellness programs get measured should capture whether "population health" is improving overall and whether money is being saved in the areas covered by wellness benefits. In the long run, if a wellness programs is truly working, it keeps healthy people healthy and reduces modifiable risk factors to slow the onset and progression of chronic disease, thereby reducing demand for services, which helps control costs in the short and long terms. Because wellness programs alone can do very little to directly impact the unit costs of care, an expectation for instant reductions in overall medical claim costs by instituting wellness programs, or expecting wellness programs to "bend the cost curve" immediately, is not realistic. However, employers with low turnover and long-term employment relationships, which is very common in the public sector, may be the best-situated to see positive returns from wellness investment.

While it is reasonable for any plan sponsor to desire a hard-dollar ROI from a wellness program, sponsors should also track and study the clinical and behavioral progress of the individuals in the covered population. Metrics for measuring the performance of wellness programs must capture the value of multiple interventions in delivering various preventive health services. The result could be an estimation of the amount by which clinical interventions were able to control costs by reducing future health care utilization.

Plan sponsors of wellness programs should set very specific clinical goals for wellness program performance. Baselines drawn from plan-specific performance, national averages and ideal targets can be established, and criteria and targets can be customized for each program. All these measures can provide meaningful data on future direct and indirect cost, as well as essential data for developing new quality indicators. Comparing clinical programs against established targets is a practical and comprehensive way for plan sponsors to assess existing wellness programs. If a plan uses one or more wellness providers, it is important to work with each vendor to set the measures and to implement appropriate performance guarantees for clinical goals.

How Can a Wellness Program Be Monitored?

A dashboard that allows tracking of medication compliance, program participation rates, quit rates and the quality and intensity of participant engagement can be used to provide plan sponsors with useful information regarding the direction of important cost and clinical outcomes. The metrics can be divided into process and outcome numbers, then further broken down into clinical improvements, impact on utilization and financial metrics. Moreover, the dashboard can help employers tie their wellness program results to practical vendor performance guarantees.

Plan-specific results would be derived by creating baselines to which experience and trends are compared. The table below shows a snapshot of how such a dashboard was used to effectively measure and monitor the component progress of one wellness program over time. Although the sample plan experienced an increase in the percentage of obese employees, its wellness program managed to reduce utilization of emergency department visits, the incidence of type 2 diabetes and costs associated with that disease, which is notable in an environment where overall health plan cost trends continue to increase. Yearly or more frequent updates help determine where programs can be improved and refined.

To achieve greater confidence in the financial impact of a wellness program on the participant population, a plan sponsor could also track a control group of similar employees enrolled in the general health insurance plan who have the same illnesses but are not participating in the wellness program activities or allowing active case management.

Succeeding with a wellness program is not a one-and-done proposition. Once targets are set and wellness program performance is measured, additional changes may be required to get desired results. If the dashboard points to low participation rates or no improvements in key clinical metrics (e.g., HbA1c test results), the plan sponsor needs to consider redesigning the program, financial incentives and communications aimed at encouraging or motivating participation or improvements.

If using a wellness vendor, it is important for an employer to work with that company or contractor to define success and determine what reports are necessary to support measuring progress.

Conclusion

While it is difficult to instantly measure monetary savings from wellness programs that, by their nature, are intended to hold down future costs, it is possible to measure both their effectiveness and their success over time. It is also possible to hold wellness vendors accountable for results. The critical steps are, at first, to target only a few specific disease conditions that have the greatest likelihood of change and cost-saving, then to measure the activity and results diligently. Demonstrating a positive ROI on the limited set of wellness services can then help wellness program sponsors make a case for progressively expanding those programs to take on more intractable conditions and health expenditures.

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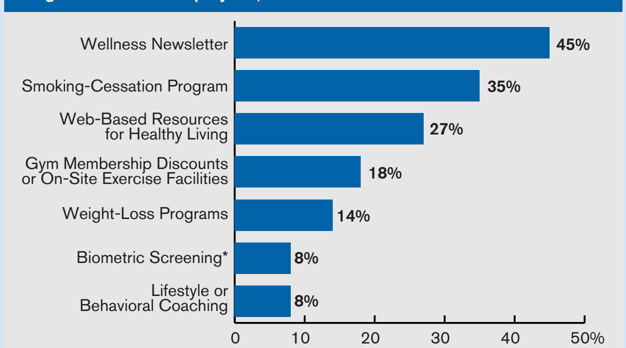
About Wellness Programs

Wellness programs aim to prevent or reduce health risks to help eliminate future chronic diseases by keeping healthy people healthy and teaching unhealthy, at-risk people how to limit or eliminate their risk factors. In addition to managing health insurance claims costs, wellness programs can help reduce absenteeism and improve employees' engagement.

According to the Kaiser Family Foundation's 2013 Employer Health Benefits Survey, a majority (71 percent) of state and local governments offer at least one wellness program to their employees, The offerings vary widely. However, as shown in the graph below.

Percentage of State and Local Governments Offering Various Wellness Programs to Their Employees, 2013



* Biometric screening is a health examination that measures an employee's risk factors such as cholesterol, blood pressure, stress, and nutrition.

Source: Kaiser Family Foundation/Health Research & Educational Trust (HRET) 2013 Employer Health Benefits Survey (http://kaiserfamilyfoundation.files.wordpress.com/2013/08/8465-employer-health-benefits-20131.pdf)

Moreover, between state and local government employers, there is a significant difference in whether wellness programs are offered. The most recent Bureau of Labor Statistics National Compensation Survey's *Employee Benefits in the United States* shows that while 70 percent of state workers had access to wellness benefits, only 46 percent of local government workers did. As defined for the federal survey, wellness programs offer employees two or more of the following benefits: smoking-cessation clinics, exercise/physical-fitness programs, weight-control programs, nutrition education, hypertension tests, periodic physical examinations, stress-management courses and back-care courses.