

# A tale of two companies

By Michael Puck, SPHR, published in Employee Benefits News, December 2009

Recently, I had the pleasure of interviewing senior managers at two completely different midsize companies, both of which have achieved remarkable health care cost management results.

As unlikely as this may sound - in a time where most companies are struggling to find effective ways to contain their health care costs - neither company had increased employee health care premiums for the last five years. Their results were so significant that both companies asked me not to disclose their names, for fear such a disclosure would anger employees who, despite the flat trend, had not received a reduction in premiums.



In 2004, Company A opened an onsite health clinic and implemented a consumer-driven health plan. To entice participation, employees could qualify for a \$2,000 company contribution to a health reimbursement account by participating in an annual health risk assessment. Ninety-nine percent of all employees participated at the outset. In subsequent years, the requirements to qualify for the incentive were incrementally increased.

Today, 84% of Company A's employees use the onsite health clinic for sick visits, and nearly 100% participate in the health risk assessment. This model reduced health care premiums by 38% in four years. In 2010, the company plans to implement an outcomes-based health promotion program that will pay employees a \$2,000 HRA contribution for achieving measurable health improvement objectives.

Company B implemented an outcomes-based health promotion model that included two annual health risk assessments, face-to-face health coaching with an occupational health nurse and the achievement of mutually agreed-upon health improvements (one every 6 months). The plan offered employees a \$2,000 incentive for participating.

Company B has maintained a flat medical trend since 2005 and achieved total cost-avoidance of more than 34%. With voluntary participation of well over 90%, Company B has successfully lowered its average health-risks profile from 2.6 per employee in 2005, to 1.7 as of May 2009.

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At the same time, the number of worker's compensation claims dropped by 50%, and the cost of those claims fell by 86.4%. Further, OSHA incidents also experienced a drop of 73.4%.

Even offering such large cash incentives, Company B achieved an overall return on investment of more than \$6 to \$1. Company B currently is expanding its existing onsite wellness clinic with a physician and nurse practitioner so that employees can schedule sick visits at a low cost and with minimal paperwork.

Both companies expect to continue their favorable medical claims experience for at least three to five years by combining health clinics with outcomes-based wellness programs.

Despite the fact that both companies took different approaches, both have regained control of health care costs by focusing their efforts on reducing health risks within their insured population. They understand that health risks are the building blocks for chronic conditions, which account for more than 75% of all health care costs. Simply put, employees with fewer health risks are both less costly to the company and significantly more productive on the job.

So, if you're ready say goodbye to cost-shifting, and want to regain control of your health care costs in order to create your own health care reform, follow the lead of these two companies and focus on reducing health risks within your insured population. The only thing you have to lose is an ever-inflating insurance premium.

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