

health and productivity programs

THE BUSINESS CASE

BY RICHARD E. JOHNSON

AN OUNCE OF PREVENTION IS WORTH A POUND OF CURE is certainly true when a company invests in a health and productivity (H&P) program. After all, \$1,500 a year to manage high cholesterol is a small investment compared to the cost of surgery for a heart attack, which is at least \$50,000. By detecting health conditions earlier and then managing them, an H&P program keeps healthcare costs down.

Let's look at how and why one of a company's lines of business implemented such a program—and the impact to the bottom line that could amount to \$3 million. For this single line of business, the savings translates into a 20% decrease in their healthcare costs. Before implementing an H&P program, the company had disparate programs and managed major areas separately—absence management, health, disability, and workers' compensation. This silo approach duplicated efforts and costs.

Today the new system allows the company to capture the total episode of care and associated costs because the program ties together absence, disability, health, and workers' compensation. After all, the true cost of an unscheduled absence is the value of lost time plus the absence, health, disability, and workers' compensation costs associated with that absence. Using the H&P program, this company's return on investment can be as high as 7:1.

APPLY BUSINESS ACUMEN TO HUMAN RESOURCES

The company, which employs 60,000 people in eight lines of business, has numerous locations throughout the U.S. My firm worked with their senior vice president of human resources in cooperation with other senior executives to develop a vision that applies business acumen to all human resource functions. He knew they were fighting an uphill battle trying to manage the rising absence, health, disability, workers' compensation, and other costs using traditional approaches. With a workforce including 21,800 employees in the medium- to high-risk health category, he had to do something.

Because the company managed each area independently without a data management system and financial model, they couldn't make informed and timely decisions. The H&P program would soon change all that. Figure 1 represents their vision of the H&P program and the links to both company and human resources goals and objectives, which all key stakeholders agreed to, as well as an integrated program delivery to ensure success.

This company wanted to:

- ◆ Maximize shareholder value and increase competitive advantage.
- ◆ Take advantage of new approaches to integrating disparate programs.
- ◆ Improve the health and productivity of its workforce.
- ◆ Employ a uniform method to calculate costs, savings targets, investment, and net return on investment.
- ◆ Track, measure, and report results corporate-wide.
- ◆ Tailor the H&P program to specific needs of each line of business.

To achieve these objectives, the company based the program on four elements: behavioral change, data management system, financial model, and programs and protocols. First, the behaviors element focuses on desired and required behaviors for all audiences. Second, a centralized data management system links costs and usage patterns. Third, the financial model coordinates all the financial elements related to absence, health, disability, and workers' compensation programs. Fourth, uniform protocols

manage all programs and services using, for example, best processes. I'll explain the elements in detail later.

GETTING STARTED

All employees and retirees received information explaining the initiative. The behavioral change/communication element uses on-site facilitation and follow-up. Let me be clear: I don't believe traditional approaches like a series of newsletters or similar media are effective methods for changing behavior.

The key components I do believe in include a health risk assessment (HRA), a physical examination, and a personal health action plan. Facilitators were on-site during the enrollment period to explain the purpose of the HRA, to describe the data collection and sharing process, and to obtain employee consent for merging the HRA data with the results of the examination.

Thirty-seven percent of the workforce participated in the medical evaluation, and 30% of those learned they have key health issues (heart, cancer, hypertension, etc.). The good news is that now these problems will be managed before they become major health issues and significant costs. Of those employees taking physicals, 99% completed the HRA.

Here's a closer look at the key components.

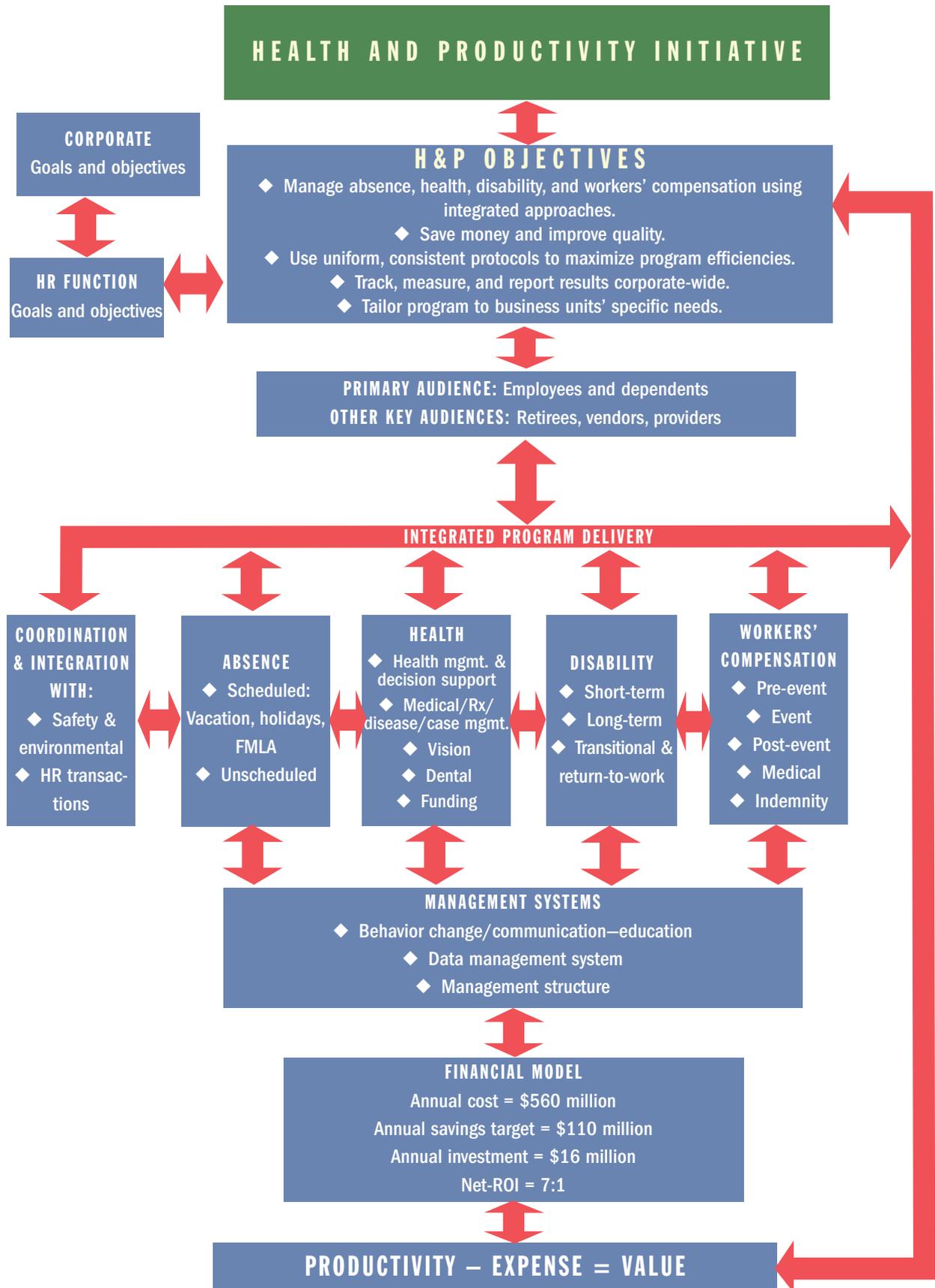
Health risk assessment: After an employee completes this brief, confidential questionnaire, he/she sends it directly to the HRA administrator. They analyze this information and produce a personal health action plan that goes directly to the employee. The plan provides a detailed overview of the individual's health status, lifestyle issues, specific risk issues, and, if applicable, recommendations on illness management. Employees can then elect to share the personal health action plan with their own physician. The company has also decided to require all new hires to complete an HRA.

Company-sponsored physical examination: Using clinical mobile units at three primary locations, we offered physicals to all employees. As with the HRA, individuals can elect to share their exam results with their physician.

Personal health action plan: The results from the HRA and physicals provide individuals with tools and clearly defined steps to take action for their own health. The support tools include:

- ◆ Personal health record;
- ◆ Health awareness and trends information on a wide variety of subjects;
- ◆ Automatic appointments and reminders;
- ◆ Risk assessment calculators for numerous health conditions;

FIGURE 1



- ◆ Prescription and medication guide as well as drug-interaction management material;
- ◆ Health coach;
- ◆ Lifestyle management information on weight, fitness, nutrition, stress, and the like;
- ◆ Disease management information on diabetes, heart, hypertension, arthritis, and other health problems.

This process identified more than 30% of the employees with significant active health conditions that needed immediate to urgent follow-up. It's important to note that these conditions were found before the result of most laboratory or health risk appraisal data were available. The top six conditions identified were:

| | |
|----------------------------|------------|
| Abnormal lipids | 57% |
| Heart issues | 44% |
| Hypertension | 39% |
| Need of colonoscopy | 37% |
| Pre-cancer | 19% |
| Diabetes | 13% |

IMPACT ON THE BOTTOM LINE

Based on the fact that more than 30% of the employees have significant health issues, the initial impact of this process puts the projected savings in the millions. To measure the impact of these findings, it's necessary to know if treatment will change the expected outcome and if the value of the outcome exceeds the treatment and intervention expense. Research shows it does. Published reports of heart disease management demonstrate net savings of up to 20% annually compared to unmanaged patients. Cases of established disease detected in the examination process, such as cardiac cases, can be managed effectively using the disease-management process. This consists of improved compliance, better use of resources, and providing focused management of associated medical conditions.

Let's look at a specific example—hypertension. This condition is associated with increased risk of heart disease, stroke, kidney failure, peripheral vascular disease, vision loss, and other diseases. The impact of treating hypertension is well documented. Examples include the Framington Study by the National Institutes of Health and the Harvard Life Saving Study. Proactive treatment costs about \$1,000 per year whereas treatment for a heart attack costs a minimum of \$50,000. This is true across the disease management board. In another example, the cost of detecting melanoma in Stage 1 is less than 20% of the cost of Stage 4 treatment.

LESSONS LEARNED

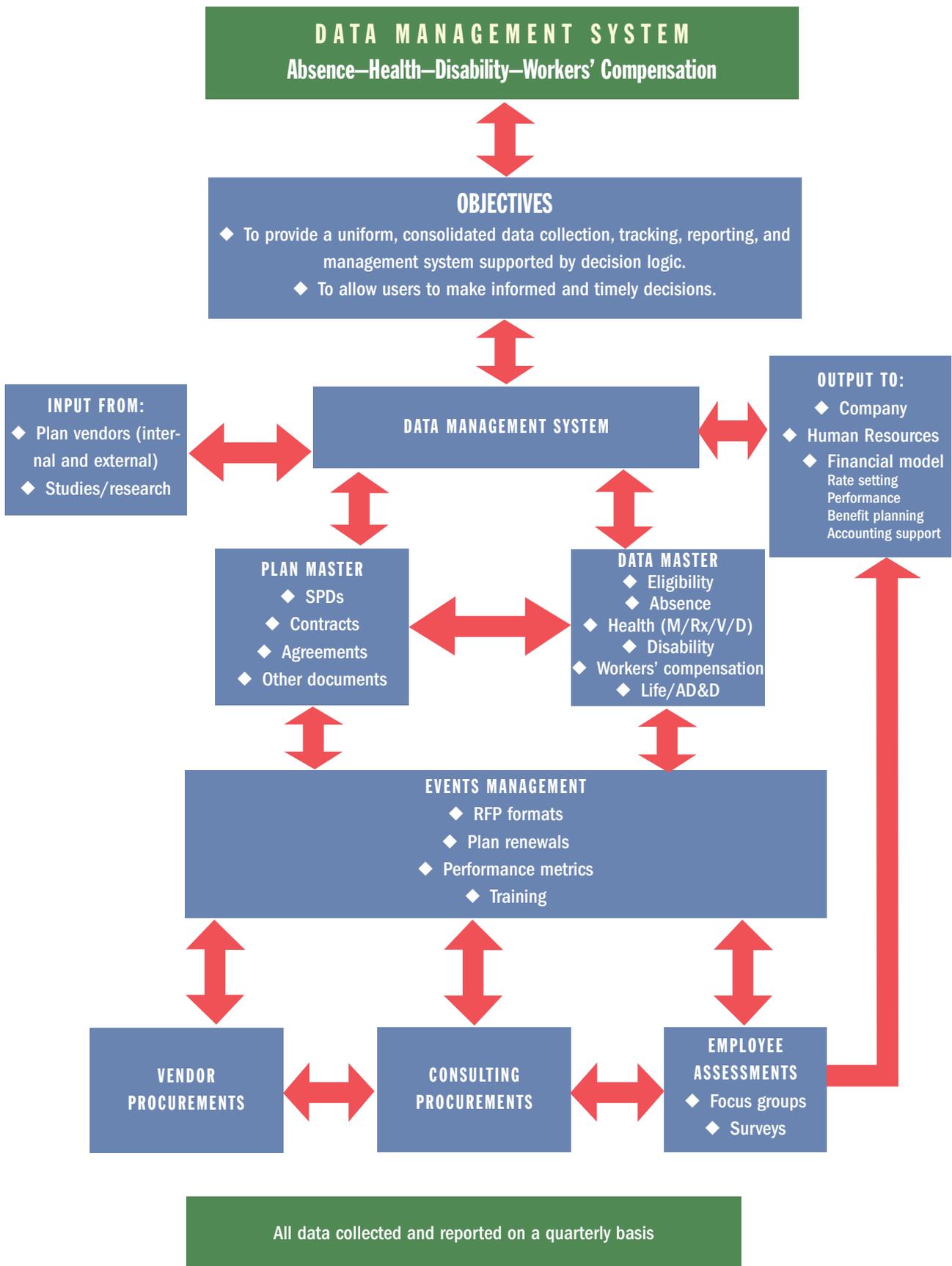
Although analysis will continue as more information becomes available, there's sufficient data to draw certain conclusions:

- ◆ Significant health improvement and savings opportunities are available in any workforce by focusing on the individual.
- ◆ The participation of employees (predominantly union) in the examination and HRA process demonstrates this approach is acceptable and well received. This is further reinforced by the willingness of employees to share results of their examination with the HRA administrator and health-management vendor in order to provide a better picture of their present and future health.
- ◆ Employees who have company-sponsored health plans, especially males, often don't access services in an appropriate and timely manner.
- ◆ The initial HRA completion rate of almost 100% is extraordinarily high. The presence of an on-site facilitator during the process was a factor in this success. Questions could be answered, and the interface between the examination team and the HRA process was made seamless for the employee. The agreement of vendors to share and integrate data to improve the quality of the end product bodes well for the future of H&P programs.
- ◆ Just because they have high-quality health coverage doesn't necessarily mean people will use their plans wisely or access the healthcare system appropriately. A lack of health coverage has well-known adverse health consequences, but its presence isn't sufficient to provide early detection, appropriate usage, and proper intervention. The need for self-care tools and education regarding appropriate health behavior is shown clearly.
- ◆ The number and seriousness of the detected conditions show that it's possible to identify them at both the health-risk-reduction stage and at the disease-management stage. A goal is to have individuals use this knowledge and health information resources to detect conditions earlier and in a cost-effective manner.
- ◆ Relying on the medical community to monitor your health doesn't always happen.
- ◆ This process is cost effective. Using the impact on direct healthcare costs and the impact of improved health on reduced absence, lower disability, and lower workers' compensation expenses, there's a positive ROI.

HOW TO ACHIEVE RESULTS

Now let's look at four major areas this company focused

FIGURE 2



on in achieving results:

- ◆ Behavioral change,
- ◆ Data management system,
- ◆ Financial model, and
- ◆ Programs and protocols.

Behavioral Change

Behavioral change is a critical key to success and is possibly the most challenging. The primary audience is the individual participant—employee, dependent, and retiree—and people always want to know “What’s in it for me?” The company hadn’t focused on changing behavior. Instead, they told employees about programs and how to use them but never answered “What’s in it for me?” Because employees didn’t know how they would benefit, they never committed to the programs.

The seven key elements of a successful H&P program include:

1. Clarification and definition of vision;
2. Identification of key audiences;
3. Identification of desired and required behaviors by audience;
4. Identification of current counterproductive behaviors and drivers of those behaviors by audience;
5. Learning from successful behavioral change and productivity initiatives;
6. Creation and design of implementation protocols for education, training, communication, rewards, and reinforcement;
7. Focused, targeted, customized implementation by line of business.

To help change behavior, the company developed tool kits for all key audiences that describe the what, why, how, and “What’s in it for me?” for each initiative. Take diabetes as an example. The program outlines the early signs (what to watch for), what to do (type of actions the employee can take), and, if diagnosed with diabetes, how best to manage it and live a normal, productive life.

Data Management System

Prior to the H&P initiative, the company didn’t have a centralized data and information system related to health-care. Since they weren’t collecting data in any manageable fashion, they couldn’t link costs and usage patterns across disparate programs. Instead, they used national data that didn’t necessarily reflect their workforce.

Managing each program in silos created additional costs for consulting and administrative fees in addition to lost opportunities for integrated management of pro-

grams and services. Because of this traditional approach, they relied heavily on “outside experts” to provide content expertise. Their new model, however, has allowed them to internalize services, thus saving considerable fees and providing them with a key management tool.

Since data management is at the heart of making sound decisions, the company now uses a uniform, consolidated data collection, tracking, reporting, and management system that allows them to make informed and timely decisions. On a monthly basis, the data management system captures the key elements—eligibility, absence, health, disability, and workers’ compensation—from all pertinent sources. It’s easily accessible to end-users and is managed by a uniform, integrated system that’s supported by decision-logic and resource-optimization tools.

Figure 2 outlines the sources and flow of information where both the plan master and data master capture the data. Through a series of events, the system allows the company to manage plan designs, financial issues, procurements, renewals, surveys, and other issues.

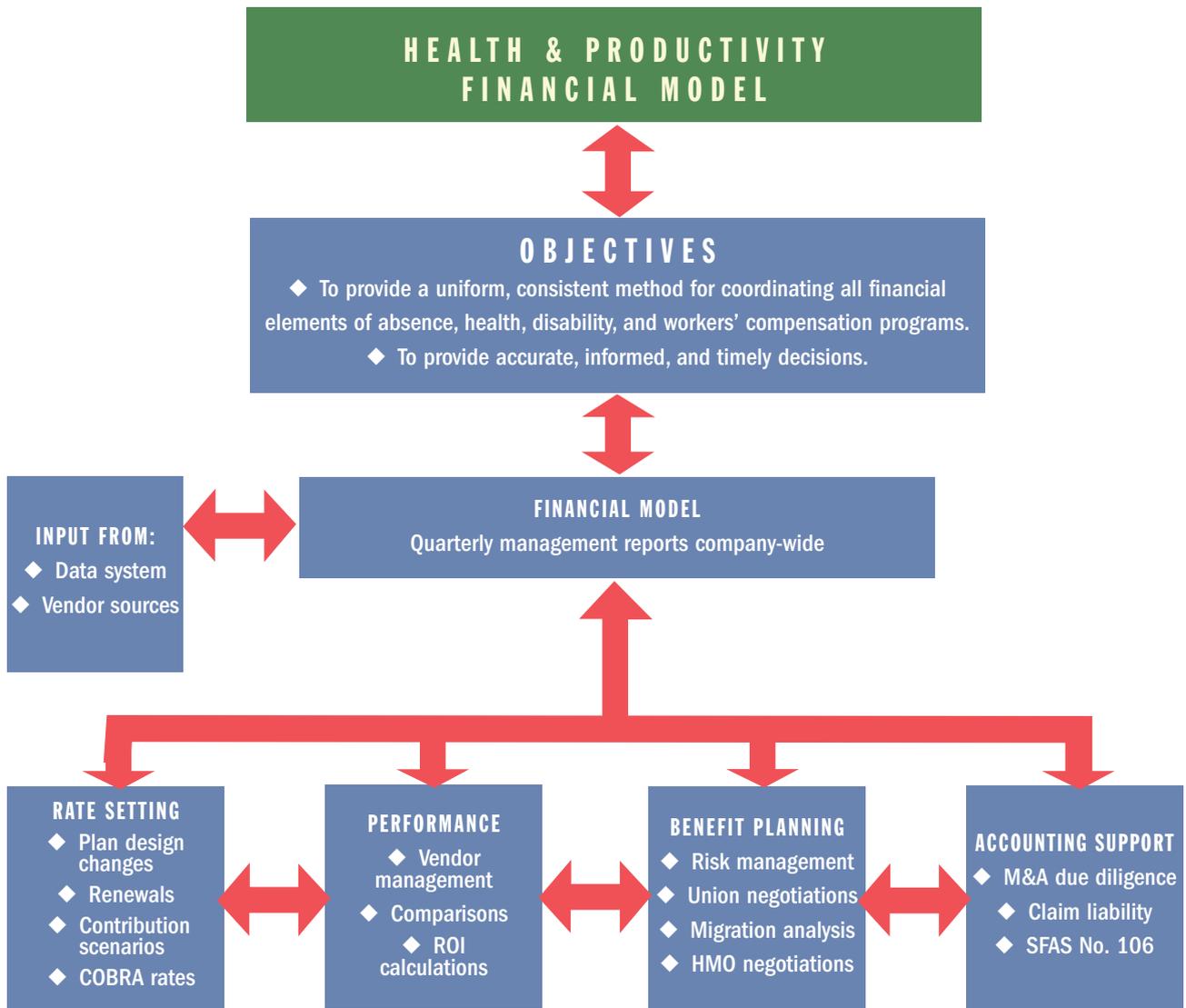
The Financial Model

The financial model is a uniform, consistent method for coordinating all financial elements of absence, health, disability, and workers’ compensation programs. It ensures that relevant information is systematically collected, categorized, and managed so the company can make informed—and timely—decisions, proactively manage all relationships, and use the financial model in a cost-effective manner. Quarterly management reports are provided company-wide.

Though freestanding, the model is integrated with data management activities and also uses the data management system for a wide range of purposes. Figure 3 illustrates the function of the financial model and includes the following elements:

- ◆ **Benefit planning**
 - Risk management
 - Vendor negotiations
 - Union negotiations
 - Migration analysis
- ◆ **Rate setting**
 - Plan renewals and rates
 - Plan changes
 - Contribution scenarios
- ◆ **Performance monitoring**
 - Savings analysis
 - Vendor performance
 - Comparisons/benchmarking

FIGURE 3



- ROI calculations
- ◆ **Accounting support**
 - Mergers and acquisitions
 - Claims liability
 - SFAS No. 106 (Statement of Financial Accounting Standards No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions”) calculations

PROGRAMS AND PROTOCOLS

Uniformity of delivery is critical to realizing maximum value. As with most companies, prior to this initiative there was no consistency of delivery, data gathering, reporting, or financial applications. To provide consistency, the program focuses on adhering to uniform protocols for all programs and services.

The program addresses goals, processes, procedures, and action steps to manage absence, health, disability, and workers’ compensation. All goals and processes for each are followed by procedures that translate the process steps into operational reality, and these are followed by the action steps.

Absence Management

The goal of absence management is the proactive administration of all unscheduled time away from work. All absences—scheduled and unscheduled—are triaged and managed at the time of occurrence for early identification, early intervention, and early integration.

This process includes eight uniform, integrated steps:
1. Reporting: Notification by employee, family member, or other individual of an absence.

- 2. Triage:** Employee absence is classified and managed by type and policy.
- 3. Tracking:** Anticipated duration is established, and tracking commences.
- 4. Notification:** Affected parties are immediately notified and provided a plan of action.
- 5. Assistance:** Employee is assigned to appropriate status—illness/injury/FMLA/personal/etc.
- 6. Intervention:** Certain absences are assigned to case management.
- 7. Documentation:** Individual episode and aggregate data is collected and reported to the data system.
- 8. Process improvement:** Ongoing absence management program is monitored and evaluated.

Health Management—Preventive, Medical, Rx, Vision, and Dental

The goal of health management is to assist participants in performing at optimum achievable physical and mental health levels. To achieve this goal, the process uses information and education to assist employees, retirees, and their dependents to make effective choices to prevent or delay the onset of illness, treat acute conditions appropriately, and obtain optimum treatment to manage chronic conditions. There are nine integrated steps:

1. Identifying the prevalence of health risks and diseases through individual health analysis.
2. Identifying optimum health-outcome targets.
3. Identifying behaviors, risks, and conditions that can be eliminated or reduced.
4. Determining total episode and condition costs by linking medical, disability, and absence expenses.
5. Establishing intervention infrastructures and process flows.
6. Engaging and sustaining participants in programs and interventions.
7. Linking treatment interventions with medical, functional, and cost outcomes to identify highest-quality care.
8. Monitoring programs' progress and effectiveness.
9. Modifying and adapting programs based on new evidence and program results.

Disability Management: Short- and Long-Term Disability

The goal of disability management is to assist an ill or injured employee in attaining the highest level of health improvement and facilitate a successful return to function/work in the most cost-effective manner.

The process includes seven integrated steps:

1. Plan designs that coordinate with other programs, such as safety, workers' compensation, and absence.
2. Clear and accurate adjudication of all claims.

3. Determination of expected duration, cost targets, and tracking method for each case.
4. Development of an intervention strategy for all necessary cases.
5. Integrated health management including case and disease management.
6. Uniform return-to-work program.
7. Coordination of disability payments with other sources.

Workers' Compensation

The goal of workers' compensation is to produce the best job demand and worker capability fits. It's all about the proactive management and integration of risk management (primary prevention and safety) and loss control (mitigation and secondary prevention).

The process integrates four steps:

1. Claim prevention identifies and mitigates work hazards, reduces employee susceptibility to hazards, and ensures claims are compensable.
2. Case-mix modification focuses on medical provider management, case and disease management, and transitional work and structured return-to-work programs.
3. Rehabilitation and reemployment manages physical and vocational rehabilitation, claims administration, and benefits administration.
4. Administration enhancement focuses on consolidated administration, sophisticated information systems, program coordination with operations and production, metrics, and outcome accountability as well as ongoing program modification and improvement.

YOUR HEALTHCARE STRATEGY

This integrated approach allows for creative designs and significant savings. The results are well worth the effort. If your company would like to increase the health and productivity of its employees while decreasing the cost of healthcare, then an H&P program might be the right healthcare strategy for you. After all, isn't your workforce your most valuable asset? ■

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