

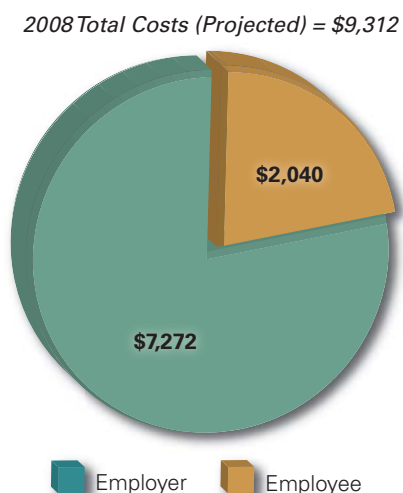
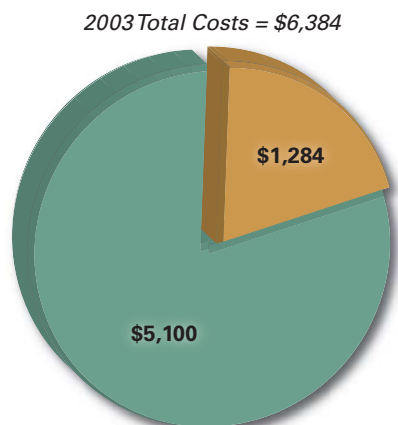
To Infinity & Beyond

Making Healthcare a Priority (Again)

by Jeff Jorth

You'd better sit down for this one—

Estimates for 2008 project that U.S. healthcare costs will total approximately \$2.2 trillion or 16 percent of the gross domestic product. Companies will likely pay an average of \$9,312 per employee for healthcare and employees are increasingly being asked to pay a greater share. This share has increased from \$1,284 in 2003 to \$2,040 in 2008—a 59 percent increase in only 5 years.¹



Employer Employee

Source: Towers Perrin 2008 Health Care Cost Survey

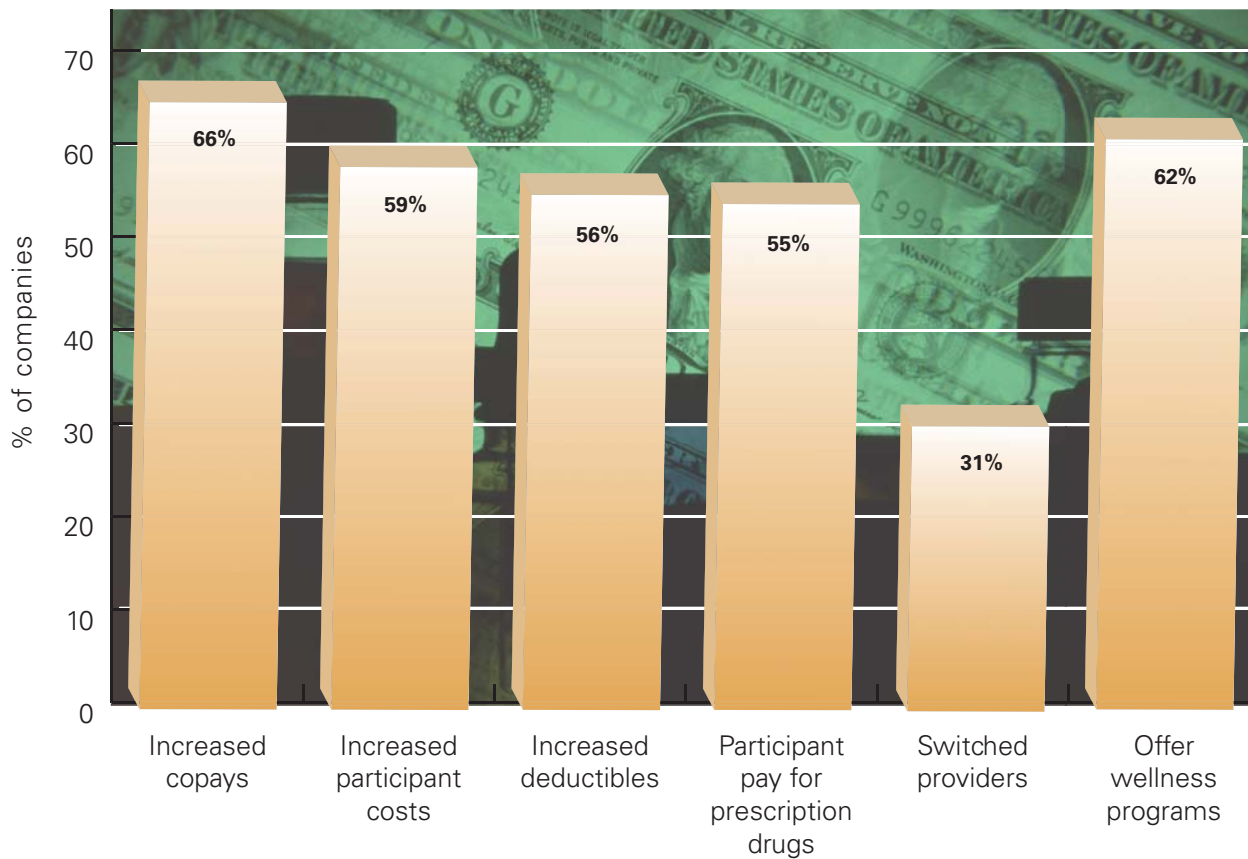
The Costs are Staggering

It seems that everyone, from employers to employees, feels the squeeze from rising healthcare costs. Wellness education and incentive plans have been initiated to encourage people to take responsibility for life choices. As employers face increased costs from carriers, more and more employees are being asked to help share the cost of their employers' health plans. Despite the changes that have already been made, healthcare costs are still soaring. Healthcare issues remain a priority for everyone. Is there anything insureds and their employees can do to slow the upward cost spiral?

Supply vs. Demand

Many employers have already made a variety of adjustments to address rising healthcare costs, such as increasing copays and setting higher deductibles and out-of-pocket maximums. Some have even switched carriers/administrators. These changes comprise the *supply management* approach, which, initially, appeared to be a promising strategy for cost containment. Over the last several years, however, the amount of healthcare cost reduction that was hoped for through supply management has not been realized. An alternative approach is *demand management*, which focuses on encouraging employees to live healthier lifestyles and be conscious consumers of healthcare services (see chart on page 20).

In order to impact demand, employers want to know the types of risk their employees face. Having employees fill out a Health Risk Assessment (HRA) can accomplish this. Government statistics are available that enumerate the number of risk factors for every 100 employees. The American Institute for Preventive Medicine (AIPM) developed the Wellness Wizard™ to help companies understand how these statistics apply to their employees. It also provides a cost breakdown for specific risk factors and the savings derived from a reduction in those risks. The Wellness Wizard™ is available at no charge to employers by logging onto www.healthylife.com and informing the institute of the number of employees in your organization.



Source: Society for Human Resource Management, 2006

Choosing Wellness

A major reason for the surge in wellness programs is that employee lifestyle choices account for a significant majority of healthcare claims costs. According to a 2006 study conducted by Indiana University-Purdue University in Fort Wayne, Indiana, 87.5 percent of healthcare claims are directly attributable to lifestyle choices. It is obvious that choosing healthier behaviors can positively impact healthcare costs. SilverStone Group has invested in technology that provides clients with the information and knowledge necessary to understand how employee utilization can impact demand. Health Plan Intelligence™ allows us to gain valuable insight into the underlying issues driving healthcare costs and takes the guesswork out of plan design changes, employee communication and education, wellness programs, etc. And because we understand that good health is the cornerstone of happier, more productive people, we've also invested in our own Wellness Activities Group, which offers educational opportunities that promote health and well-being of Associates and their families.

¹ Towers Perrin 2008 Healthcare Cost Survey

Beyond Wellness Programs

America's Health Insurance Plans (AHIP), a national trade association representing nearly 1,300 member companies that provide health benefits to over 200 million Americans, has a plan to reduce the nation's healthcare expenditures by \$145 billion by 2015. AHIP believes disease management, care coordination, prevention, paperless transactions, transitioning to a value-based payment system and addressing the effective introduction of new technology will allow the country to achieve more value for its healthcare investment. The AHIP proposal (see chart on page 30) offers strategies designed to encourage public and private sectors to work together.

Cost shifting — focusing only on unit cost and supply management — is not enough to effect real change in healthcare costs. We must maintain health while managing expense, by implementing new cost containment strategies. If healthcare is to achieve the desired results, an integrated approach must be developed across public and private sectors.

Principals	AHIP Proposal
Patients and their doctors must have the information and tools they need to evaluate treatment options and make healthcare decisions on the basis of safety, quality and cost.	Access to information that compares the effectiveness and cost of treatments—Give providers, patients and purchasers access to a trusted source where they can find up-to-date, objective information about healthcare services that are most effective and provide the best value.
Patients and doctors want an efficient, interconnected healthcare delivery system that reduces medical errors.	Health information technology—Encourage widespread adoption of tools such as electronic health records (EHRs), personal health records (PHRs), secure e-visits with physicians and e-prescribing.
Doctors and nurses need the freedom to practice medicine without worrying about frivolous lawsuits.	Reforming the legal system—Replace the current medical liability system with a dispute resolution process consisting of an objective, independent administrative process to provide quick and fair resolution to disputes while promoting evidence-based medicine.
Health insurance plans are transitioning to a system that more closely aligns payments with the quality of care patients receive.	Build healthcare reform around quality improvement by rewarding safety, value and effectiveness—Work for the broader adoption of value-based reimbursement mechanisms and provide consumers with more actionable information about healthcare value.
The nation must move toward a system of care that focuses on keeping people healthy, detects disease at the earliest possible stage and rewards chronic care management.	Enhance disease management, care coordination and prevention programs—Deploy a new generation of strategies that emphasize prevention, improve chronic care and tailor healthcare for patients to help them live longer and stay healthier.