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A more convenient truth

By Kelley M. Butler

Although U.S. health care problems may not be on the same scale as the global climate crisis, employers' costs are continuing to rise right along with the earth's temperature.

However, unlike environmental activists, employers are beginning to extol the virtues of going "less green" — tapering off from years of shifting higher premiums to employees in favor of alternate cost-containment initiatives.

"More employers are recognizing today that cost-shifting is not effective over the long term," says Tom Lerche, health care practice leader at Aon Consulting. "It's a good short-term solution, but after several years of doing that, employees have higher contributions, but it hasn't reduced or stabilized health care spending, and at worst it's devalued the health benefit."

In today's battle for talent, a less valuable health benefit is not what an employer wants to offer.

"There's a limit to where employees can take cost-shifting," says Michael Thompson, a PricewaterhouseCoopers principal. "It's a balancing act between asking employees to pay their share and staying competitive to keep workers. The ability to attract and retain quality employees is job one."

Adds Helen Darling, president of the National Business Group on Health: "It's also the No. 1 reason to say, 'Let's find [cost-containment] alternatives.'"

'Do all the easy things'

When reviewing their list of alternatives to cost-shifting, Darling says employers should first “do all the easy things to reduce costs. Make sure you’re not overpaying for things — do the vendor audits to look at costs and review health spending data to look at things like generics adoption [to target areas for savings].”

Howard Gerver, founder and CEO of auditing firm HR Best Practices, also stresses auditing. “Given the materiality of health care costs, employers simply cannot afford to not audit their respective plans every two or three years” he says in a related article on page 16. “Employers can effectively and efficiently take control of their health care costs and, at a minimum, identify and contain costly financial leaks.”

Bruce Kelley, a consultant with Watson Wyatt, agrees with Darling that data mining is an important part in targeting methods to contain costs without cost-shifting.

“In terms of sequencing, using data to figure out what is driving employee costs is the first thing,” he says.

He admits that “by the time you find something in claims data, it may be too late, but you can see patterns and prevent the pattern from continuing, or target employees not getting preventive screenings to avoid cancers or other illnesses.”

Engaging employees in a “less green” initiative is crucial as well, according to Tony Merlo, national practice leader for Health Dialog. Companies adopting alternate cost-containment initiatives must “do the messy work of culture change. It’s very different to go from saying that part of the HR/benefits job function is to lower health care costs to saying, ‘Everyone in this organization has a responsibility for improving health and reducing the total costs of poor health care and poor health.’”

Get well soon

The trend toward cost-containment alternatives is most evident in the adoption of workplace wellness programs. According to the Society for Human Resource Management:

- 66% of employers offer a wellness program, resources and information.
- 49% offer health screenings.
- 29% have a weight loss program.
- 22% house an on-site fitness center.
- 12% provide on-site medical care.

“Wellness is one of the hottest topics across all markets with employers,” Aon’s Lerche says. “The beauty of it is that the health benefit is not reduced. If employees are healthy, it’s easier to keep benefit levels where they are.”

Within the entire wellness space, Lurche says on-site clinics in particular are getting “a lot of interest as a way to improve access to care. Forty percent of employees have no primary care physician.”

According to Watson Wyatt, 23% of large companies have health clinics for their employees at or near the workplace, and it projects that number will be 27% by the end of the year.

Todd Keller, president and CEO of IMC Healthcare, a provider of onsite clinic services, says the rise in popularity is a case of what’s old becoming new again.

“Back in the 1920s and 1930s, employers always had a company doctor, but it got phased out in the ‘40s,” he says. Although onsite clinics peaked in the 1970s only to fade once again, Keller says he’s seen his company’s business spike in recent years.

“Several years ago, we opened an average of 10 to 12 clinics per year. Last year, we opened 22, and in the first quarter of this year we did 11 for clients like AT&T and Cadbury Schwepps.”

Looking at Keller’s client roster, it’s easy to see why some dismiss on-site clinics as an option only for large employers.

However, Keller says while “it is a matter of cost, that’s not to say you can’t do something. We have clients with as few as 350 employees. The smallest provide a single nurse onsite at a fairly reasonable cost.”

While the financial investment can be large, Keller says employers can expect to save up to \$4 for every \$1 they spend.

Other research estimates large employers can save as much as \$2 million per year in health care costs from reduced hospital, ER and specialty physician visits.

“It’s an area I think has a lot of promise,” says PwC’s Thompson. “It shows employers have a vested

interest in employees being healthy at work, and makes employees happier and view their employer as an employer of choice. It's a natural extension of human capital strategies.”

On the cutting edge

Announcing the government's initiative to improve health care transparency, Health Secretary Mike Leavitt said: “If we are going to get a handle on health care costs — and we must — we first need to know what our costs are and what we are getting for our money. Our nation's private employers are the major source of health insurance for Americans, and they can help us provide the information consumers need to achieve better value for their health care dollars.”

In nearly the year since, employers are making fledgling steps toward influencing change in this area.

More than 200 companies signed statements of support for the administration's plan, which Darling says is “extremely important. The president's initiative provides a powerful lever for change.”

Powerful, yes, but unwieldy, experts say, indicating that change — and savings — likely will be slow. More detailed health care quality and pricing data, Lurche says, “will make employees more informed and empowered, and you can't necessarily attach a dollar sign to that. Employers need to be patient and realize that the cost savings from this may not occur for several years.”

Keller adds that employers may be gun-shy about getting involved in collecting and disseminating quality data after seeing the stumbles of leading-edge employers — like Boeing's failed high-performance physician network that resulted in several lawsuits from physicians who were deemed low-performing. “You can't paint providers with a broad brush,” Kelley says.

“No provider is good at everything or bad at everything; they're just more proficient in certain areas. Boeing's experience will make employers hesitate, but it's not that the basic criteria were bad, but the information used to apply the criteria was inaccurate.

“The information around hospital quality is much better, so I think we'll see employers do more with hospital data.”

Regardless, Health Dialog's Merlo doesn't believe health care information “will ever be as transparent as packaged consumer goods, where you know how much Oreo cookies or a Sony television costs at 20

different stores.”

Employers are having more rapid success, however, in the area of electronic medical records.

Last December, several of the nation’s largest employers founded Dossia, a framework that provides employees with their own electronic medical records. And marking even greater progress, the VA’s 155 hospitals, 881 clinics, 135 nursing homes and 45 rehabilitation centers use EMRs for the system’s 5.3 million patients.

Facing facts

Although change is never easy — or inexpensive or fast — increased interest in other cost-containment measures shows employers are realizing that health care cost-shifting is not a long-term solution. Indeed, just 13% of employers say cost-shifting is a “very effective” cost-containment strategy, reports the Kaiser Family Foundation.

In short, “cost-shifting isn’t cost saving — it’s cost-shifting,” says Thompson.

“To save costs, you have to take costs out of the system. Employers started cost-shifting because it was the easiest thing to do, but there are now opportunities for employers to attack rising costs without cost-shifting. It takes a level of commitment and engagement that not many employers have right now, but the ones that are committed to a total health strategy are already making a difference.”

—K.B.

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