Synergies at Work: Realizing the Full Value of Health Investments

February 2011
Transforming the Health System: From Medical Costs to Full Value

- Employers, researchers and policy makers should reconsider how they measure healthcare return on investment.

- Basing health benefits decisions on the full value of improved health is essential for providing employers with the best return.

- Full value includes improvements in workforce productivity and reductions in absence in addition to medical costs.

- Defining value broadly for employers could substantially transform the provision of health care benefits in the U.S. health care system.
“Employers can contribute greatly to the transformation of the health system by focusing on value and not simply on financing and who pays. It is imperative that we move beyond the current paradigm of exclusively measuring medical offsets, and include measurement of the effects in increased productivity that accompany improvements in health.”

– Dr. A. Mark Fendrick, Co-Director Center for Value-Based Insurance Design University of Michigan
www.vbidcenter.org
Cost-Neutrality Not a Practical Goal

- Most actuarial, governmental and academic analyses systematically underestimate the economic benefits of health production by considering only medical cost offsets.

- Most high-quality health care services do not result in reduced total medical spending, especially in the short time frame used for governmental fiscal scoring or corporate results.
Broader Measures Are Needed

- For employers, the traditional focus on medical cost offsets ignores value from reductions in health-related work absence and disability, improved job performance and the resulting improvements in workforce productivity.

- Employer recognition of the additional human capital value of their health investments would help support initiatives to improve employee health and productivity.

- A broader and more appropriate measure of the economic benefits of good health would ultimately allow employers, and other decision-makers and payers, to make better choices about how much to invest in health care and where to invest it.
Medical care costs amount to less than 30% of all health-related costs for workers.

The remainder stems from wage-replacement payments and lost productivity from absence or reduced job performance from ill health.

IBI’s CFO surveys show potential acceptance for considering the human capital impacts of workforce health.

Most employers fail to develop actionable data on these non-medical costs.

Support for Broader Value Measures

Employer Full Costs from Employee Ill Health

- Lost productivity: Job performance (41%)
- Lost productivity: Absence (10%)
- All medical care (22%)
- Wage replacements (27%)

* More information on IBI’s Full Cost Estimator available at http://ibiweb.org/fullcosts
Better Data Is Needed

- Medical claims information and lost-time estimates are hard to get for the same population.

- Data beyond medical claims must be collected to quantify the full impact of ill health and results from health-related interventions:
  - Employer collection of workplace absence and disability will help researchers determine a baseline and assess intervention results.
  - As to measuring diminished performance on the job, a number of validated self-report surveys are available, although more work is required to assess which tool(s) is best for which purpose.
Better Data Is Needed

- Collecting data over longer time horizons on the same individuals and measures that account for the broader impacts of different value-based designs can capture a variety of useful information.

- To be most valuable to employers, lost time estimates should be monetized to determine bottom-line impact.
Employer Case Studies

- Growing employer trend to move from a treatment focus to a workforce-wide view of health – promoting strategies for value-based investment in prevention and health-risk management

- Employer case studies that demonstrate different approaches to these measures are included (see next slide)

- Participants have a value-based program and many measure at least one broader program outcome beyond medical costs

- All say they are moving toward emphasizing both direct medical costs and productivity, though they may be approaching that goal differently
## Integrating Cost Offsets and Productivity Gains*

<table>
<thead>
<tr>
<th>Company</th>
<th>Current Approach</th>
<th>Challenges/Future Directions</th>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chippewa County, Wisconsin</td>
<td>Improve health and conditioning of their employees in order to reduce health-related costs, WC incidents and WC case duration.</td>
<td>Improving understanding among unions of investments in employee health; moving thinking away from disability and sick leave and toward prevention and wellness</td>
<td>Reduced total health care costs and premiums</td>
</tr>
<tr>
<td>QuadMed</td>
<td>Holistic approach to wellness and chronic disease management</td>
<td>Major acquisition resulted in an influx of geographically dispersed employees; therefore, they will add more internet-based engagement mechanisms</td>
<td>Medical costs have declined</td>
</tr>
<tr>
<td>Goodwill</td>
<td>Wellness coaching, on-site screenings, chronic disease management</td>
<td>While Goodwill does track last time outcomes, they are challenged in making those outcomes to improve health investment decision-making</td>
<td>Among employees with high health risks, 42% experienced sickness absence and 48% experienced presenteeism (poor on-the-job performance due to health reasons)</td>
</tr>
<tr>
<td>EBMS</td>
<td>On-site clinics, disease management, and targeted member engagement</td>
<td>Planning to improve the health risk assessment to include broader absence dimensions in order to track lost time and productivity improvements associated with their services; can build on their workers’ compensation management services where they currently track time away from work</td>
<td>Clients using the EBMS value-based health strategy were able to decrease their overall medical cost trend and reported improvements in overall employee morale and productivity</td>
</tr>
<tr>
<td>Colorado Springs Utilities</td>
<td>Biometrics, wellness coaching, disease management and follow-up</td>
<td>Mapping their results to sick leave experience</td>
<td>Health risks and costs reduction as well as absence and presenteeism reductions</td>
</tr>
<tr>
<td>LoxSCE</td>
<td>Comprehensive medical, disability and absence management program</td>
<td>Adding human resource absence records to their integrated database</td>
<td>Lower medical claims costs and lower utilization of STD and LTD</td>
</tr>
<tr>
<td>Security Wholesaler</td>
<td>Biometrics, Health Risk Appraisal (BRA), disease management, medical coaching</td>
<td>Improving participation in disease management and HIPAA completion</td>
<td>Biometrics improved and health risks declined. Lost productivity and absenteeism have declined</td>
</tr>
<tr>
<td>Midwest Utility</td>
<td>Case management for Stay-at-work/Return-to-work (SRA/RWA) program</td>
<td>A new chronic condition management team has been implemented to tackle some of the most prevalent chronic conditions among employees</td>
<td>Early indicators of the pilot program in the company’s call centers show a significant decrease in employee absenteeism as measured by reduced sick hours per year</td>
</tr>
</tbody>
</table>

*Cases are ordered by the evidence used to assess progress as outlined in the chart above. The gray color in the center indicates more integration of health and productivity outcomes. White indicates an emphasis on health care cost reduction, while black indicates an emphasis on productivity costs.*
Will Employers Stay In or Get Out?

- Employers’ decisions about “staying in” or “getting out” of health care must focus on a broad definition of value – not just the costs of medical care – and not simply on financing and who pays.

- When employers look horizontally across benefits programs, rather than vertically down program silos, considerations are more complex but also more relevant to business decisions around the value of a healthy workforce.
Will Employers Stay In or Get Out?

- This broader, more robust approach can replace the status quo, which has systematically undervalued the impact of improved health outcomes to businesses and their employees.

- It also can provide a catalyst towards a transformation of the goals and success of the entire health care system.
“The true costs of ill health and the full savings from health improvement are a more appropriate measure of the economic benefits of good health. Knowing such measures would immediately allow decision-makers and payers to make better choices as to how much to invest in health care, prevention and wellness, as well as how to determine the specific services in which to invest.”

– Dr. Thomas Parry, President Integrated Benefits Institute

www.ibiweb.org
For Additional Information

- “Synergies at Work” is available online at www.npcnow.org/synergiesatwork

- Print copies can be ordered from NPC at info@npcnow.org