Managing Healthcare Expense

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I have no conflicts of interest related to this topic

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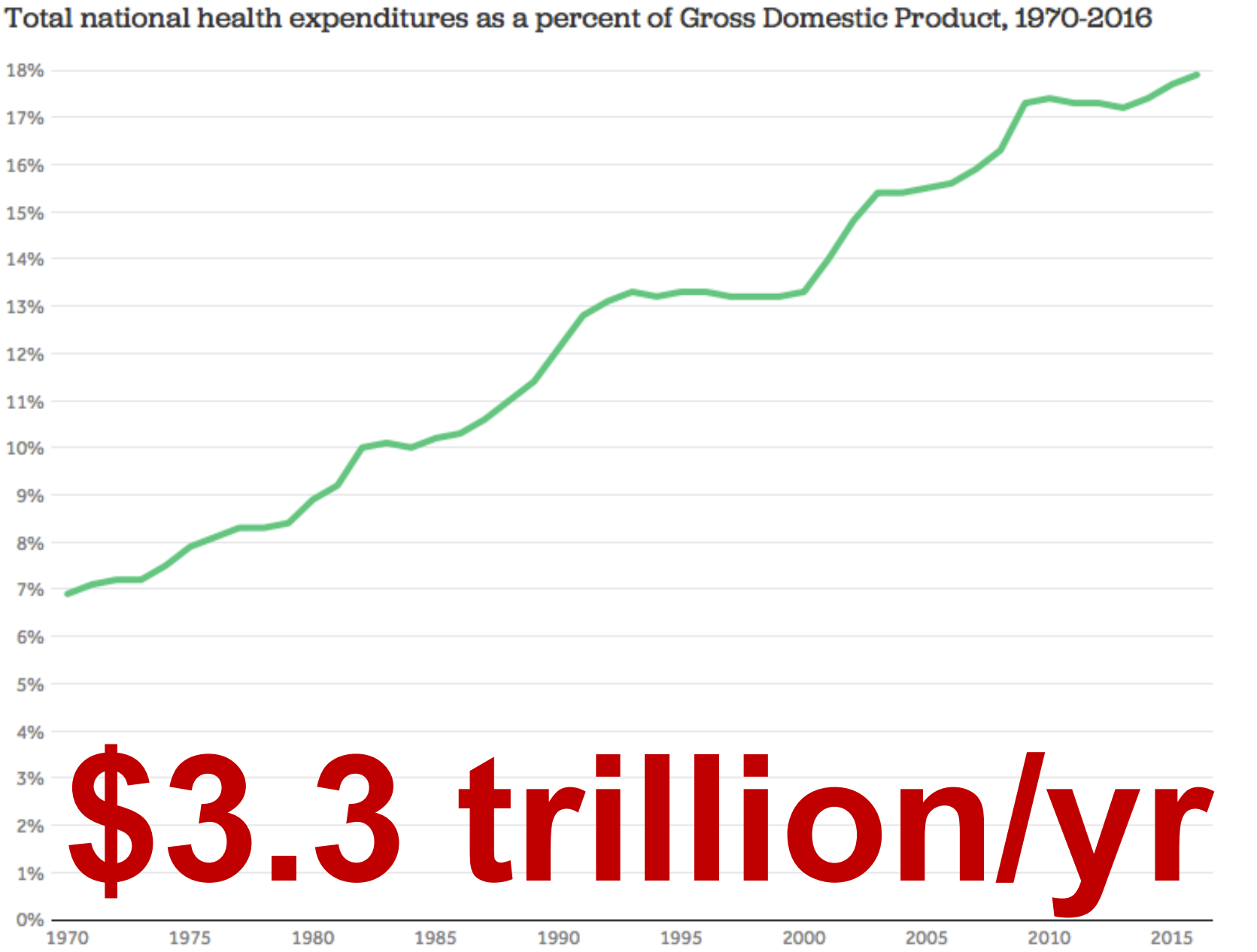
Managing Healthcare Expense

1. Know Your Company's Health Data
2. Wellness Programs
3. Impact of Smoking
4. Impact of Obesity
5. Employee Accountability and Education


Where were
you 3.3 trillion
seconds ago?

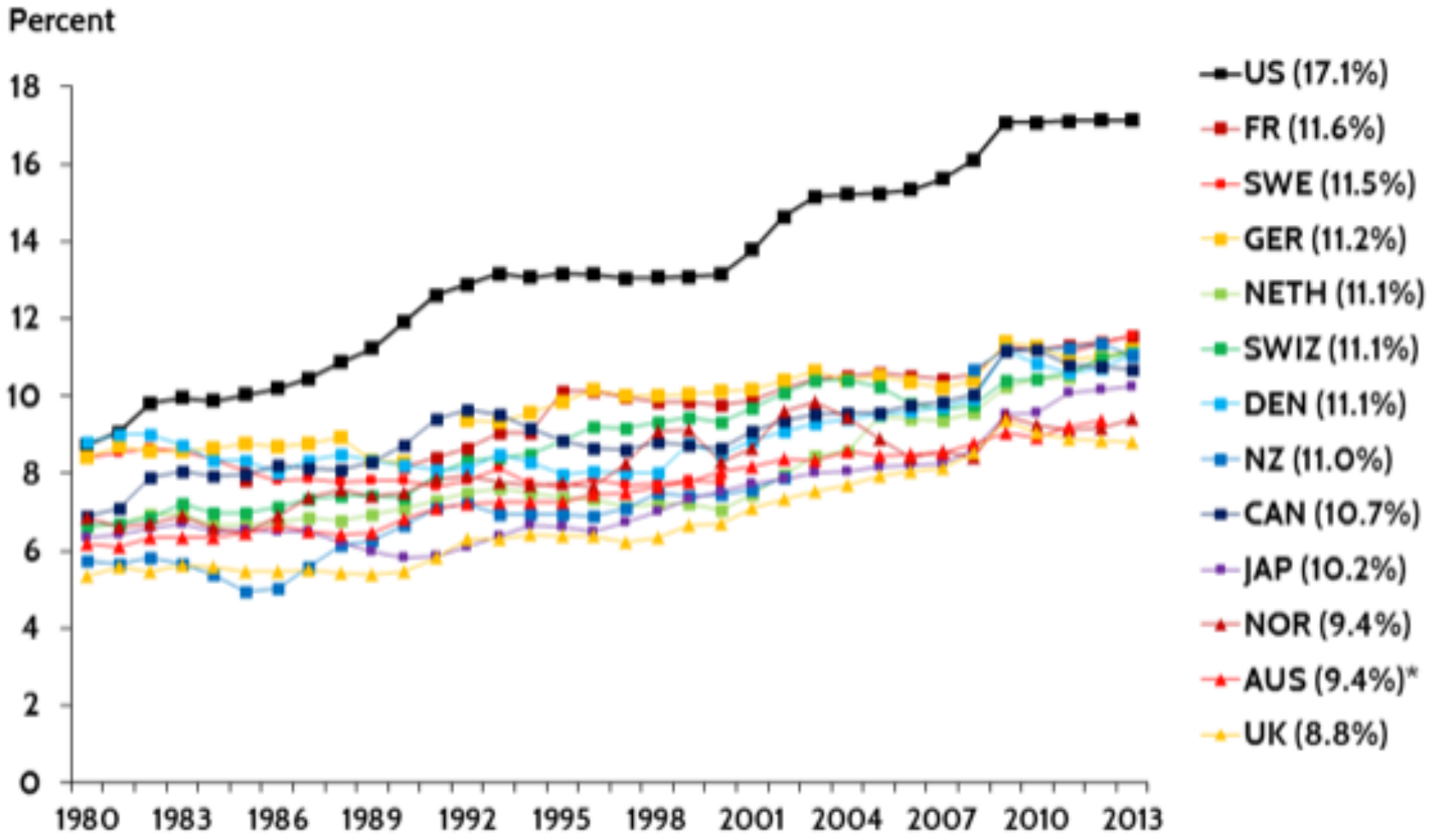

102,000 BC



Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group • Get the data • PNG

Peterson-Kaiser
Health System Tracker

Exhibit 1. Health Care Spending as a Percentage of GDP, 1980–2013



* 2012.

Notes: GDP refers to gross domestic product. Dutch and Swiss data are for current spending only, and exclude spending on capital formation of health care providers.

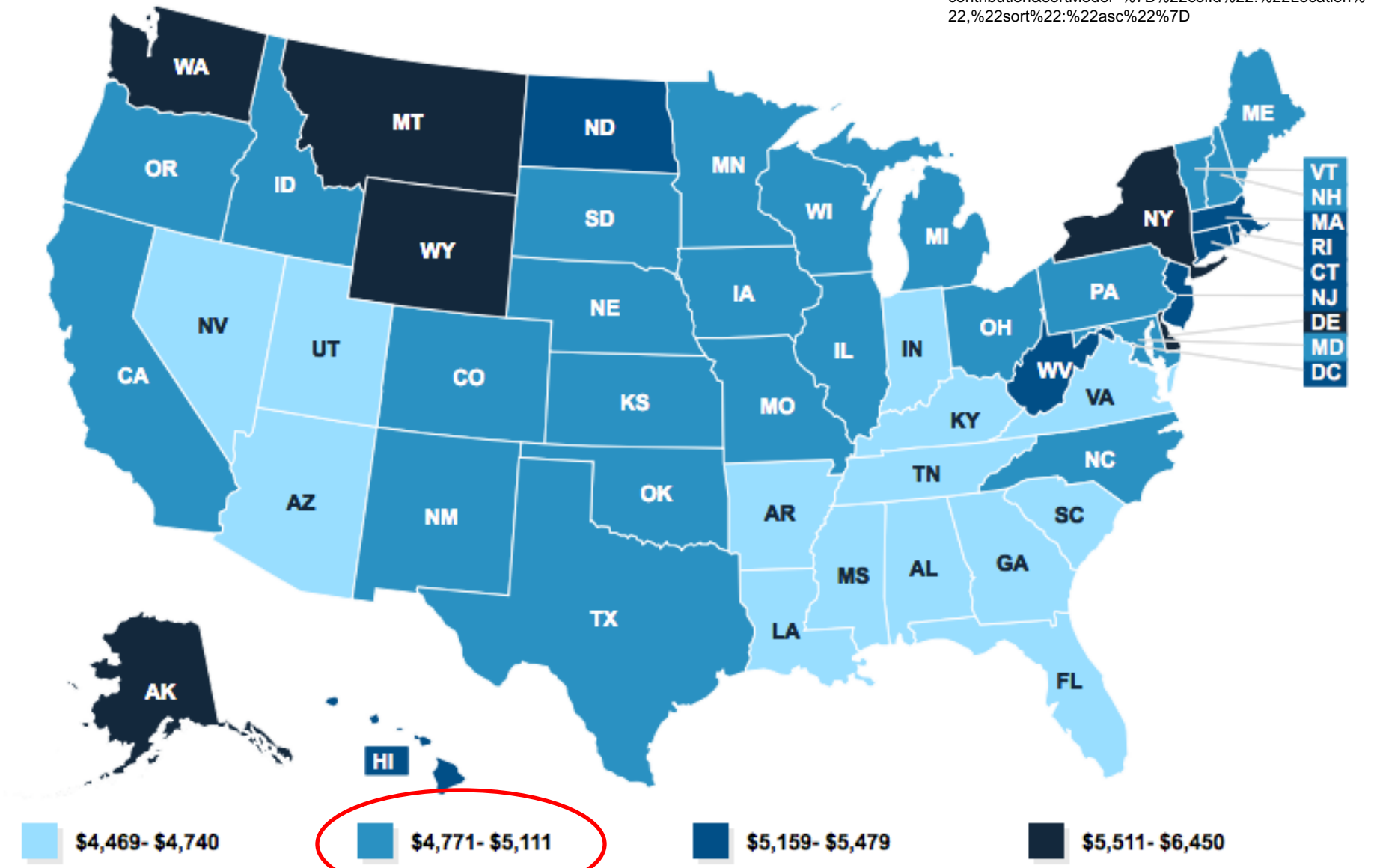
Source: OECD Health Data 2015.

https://www.commonwealthfund.org/publications/issue-briefs/2015/oct/us-health-care-global-perspective

Employer Paid Health Insurance Premiums

Per Employee

https://www.kff.org/other/state-indicator/family-coverage/?activeTab=map&currentTimeframe=0&selectedDistributions=employer-contribution&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D



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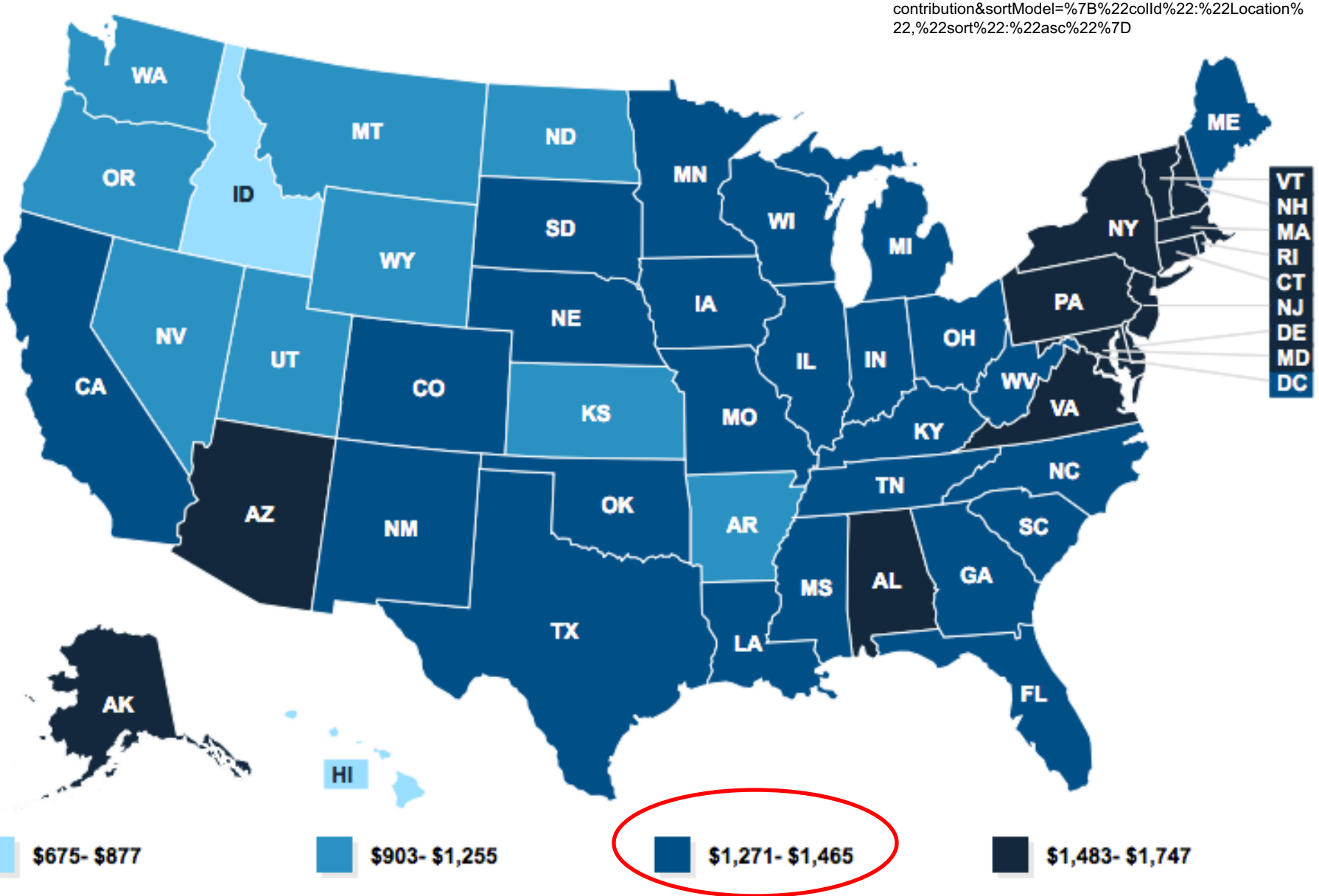
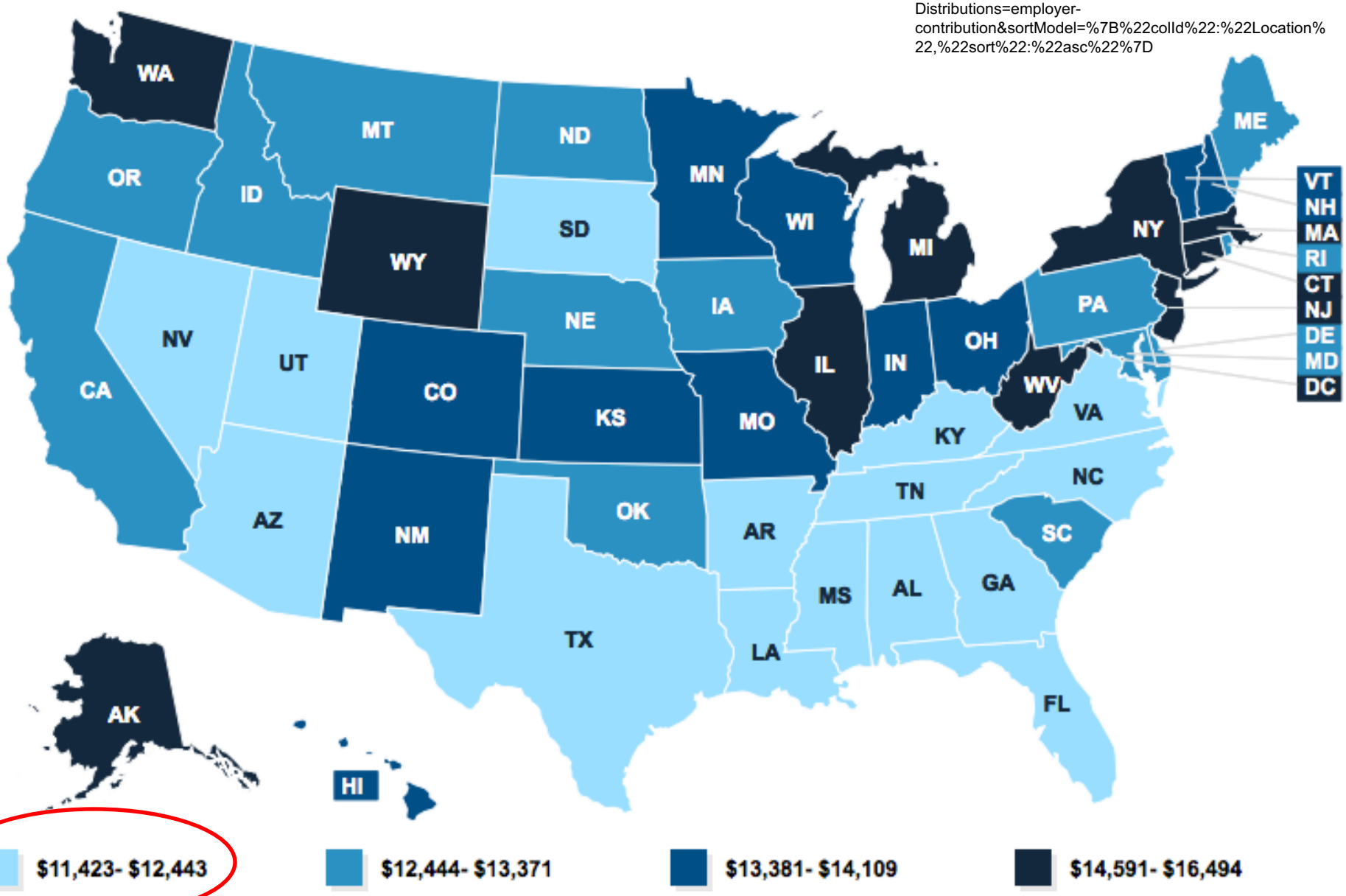


Health Insurance Premiums

Average Employer Paid for Family Coverage

https://www.kff.org/other/state-indicator/family-coverage/?activeTab=map&currentTimeframe=0&selectedDistributions=employer-contribution&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D



Health Insurance Premiums

Average Employee Paid for Family Coverage

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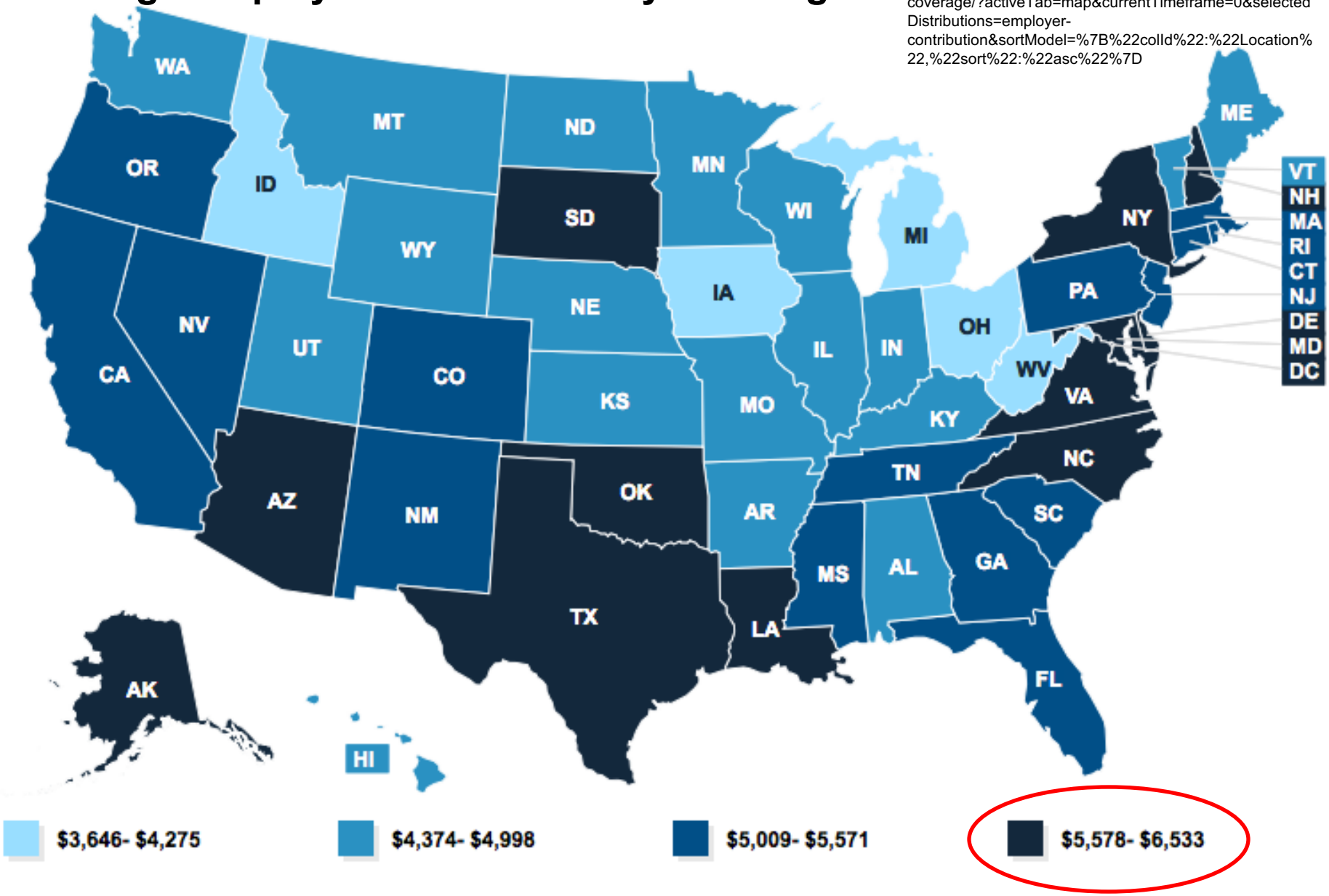

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1. **Know Your Company's Health Data**
2. Wellness Programs
3. Impact of Smoking
4. Impact of Obesity
5. Cost Shifting

Know Your Company's Health Data

Select Insurers or Third Party Administrators that provides a report and benchmarks at least annually without charge and suggest value-based options. **Value = quality/cost**

1. Demographics – General description: age, gender, etc.
2. Prevalent diagnoses – Top five by volume and costs
3. Largest spends
   - By Condition or Diagnosis
   - By Provider – Identify high and low value providers
   - In aggregate, **NOT** by Employee - HIPAA
4. Utilization Patterns
   - Hospitalization and Emergency Department Use
   - Pharmacy, e.g., per cent generics
   - Imaging, e.g., use of cross section imaging, CT and MRI
   - Post Acute Care – more common in older populations, skilled nursing facilities
5. Know your healthcare's administrative costs
   - 13-18% is typical, or about $453/covered life/year

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Employer Wellness Programs – What Doesn't Work

Overall Controversial - trials with mixed results, mostly negative
Even when effective, may take $\geq$ 2 years for ROI

Programs known to be ineffective in reducing costs:

1. Passive Health Risk Assessments (HRAs)

2. Passive Biometric screening (BP, body mass index, and blood test screening)

3. Passive onsite gyms

4. Passive employer provided gym memberships
   Might be an attractive perquisite, but don't reliably decrease healthcare costs

Employer Wellness Programs – What DOES Work

1. Annual BP screening with referral as necessary

2. Employer provided smoking cessation programs

AMERICAN LUNG ASSOCIATION®

3. **Active**, as opposed to Passive, wellness programs MAY BE effective in reducing costs
   - HRAs and Biometrics with follow-up by trained staff in a program overseen by a physician – ROI within 2 yrs
   - Only aggregate data provided to employer – HIPAA
   - Diet education and management
   - Managed exercise programs – make it social
   - Examples: Futura Corp, OnSiteCare

OnSiteCare
Affordable Healthcare at Work

4. Always require an ROI from any wellness vendor!

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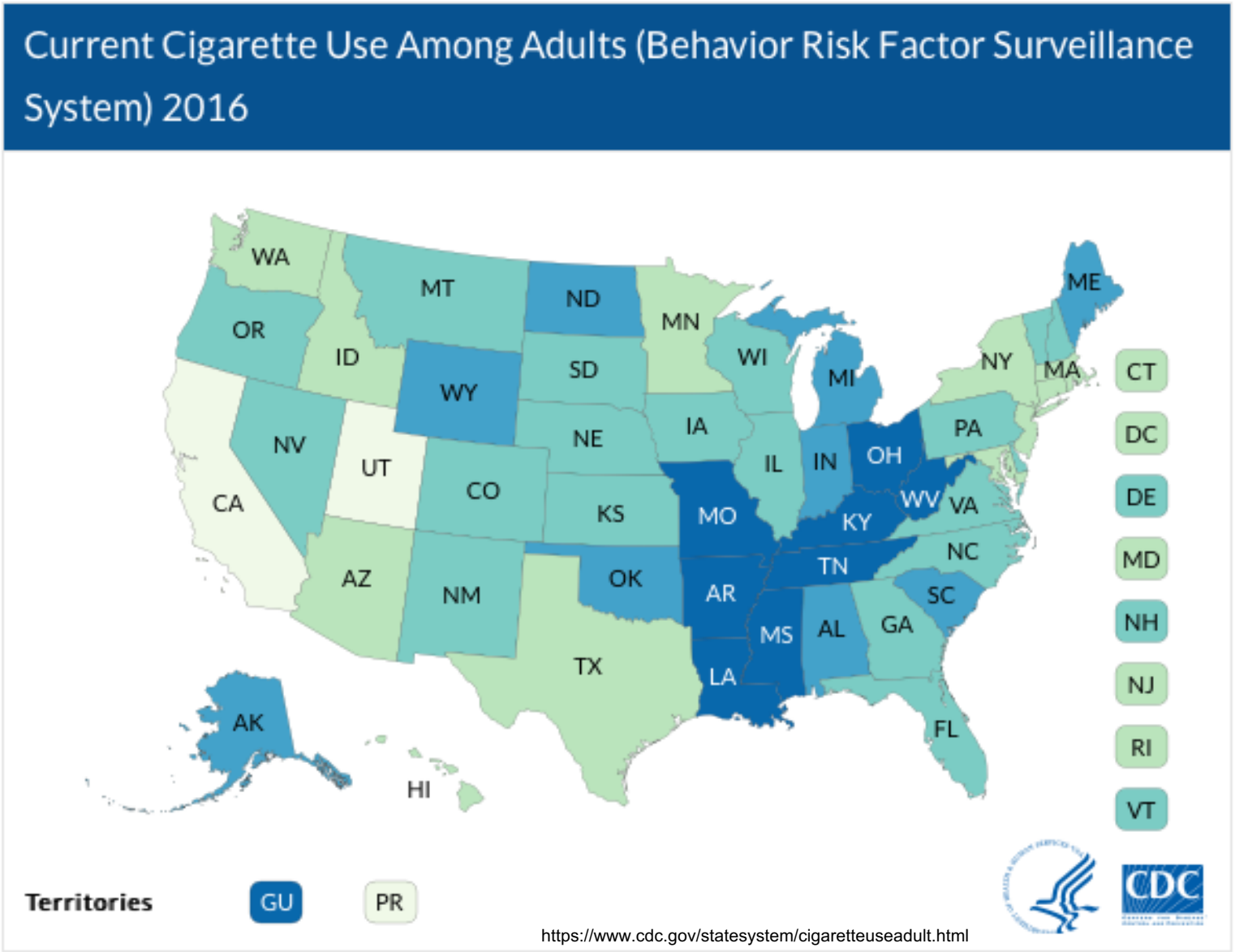
Smoking Demographics



https://www.cdc.gov/statesystem/cigaretteuseadult.html

Cigarette smoking is the leading preventable cause of death in the United States

1. Cigarette smoking causes more than 480,000 deaths each year in the United States, about one in five deaths.
2. More than 10 times as many U.S. citizens have died prematurely from cigarette smoking than have died in all the wars fought by the United States.
3. Cigarette smoking increases risk for death from all causes in men and women.
4. More women die from lung cancer each year than from breast cancer.
5. Smoking causes about 80% of all deaths from chronic obstructive pulmonary disease (COPD).
6. Smoking causes about 90% of all lung cancer deaths
7. Smoking causes more deaths each year than the following causes combined:
    1. Human immunodeficiency virus (HIV)
    2. Illegal drug use
    3. Alcohol use
    4. Motor vehicle injuries
    5. Firearm-related incidents

https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/index.htm

Financial Consequences of Smoking

Employer costs: Adds $6,000/smoking employee/yr

Smoking-related illness in the United States costs more than $300 billion each year, including:

- Nearly $170 billion for direct medical care for adults
  Employer costs: + $2,056/smoking employee/yr
- More than $156 billion in lost productivity, including $5.6 billion in lost productivity due to secondhand smoke exposure

https://www.meyouhealth.com/blog/how-much-do-smokers-really-cost-my-company

Addressing Employee Smoking

Design the programs based on concern for employee health and wellbeing, not cost containment

Ban smoking anywhere at the workplace campus

- Provide months of notice
- Involve employees in the ban planning
- Do not provide an onsite smoker's lounge
- Smoking bans aid durable smoking cessation
- Include a ban on vaping or e-cigarettes

Consider partnering with an interested provider or community organization for smoking cessation and provide a standard program including medications without charge to the employee

Consider not hiring smokers

- Confer with your attorney

Charge smokers a higher healthcare premium

- Confer with your insurer or third party administrator (TPA)

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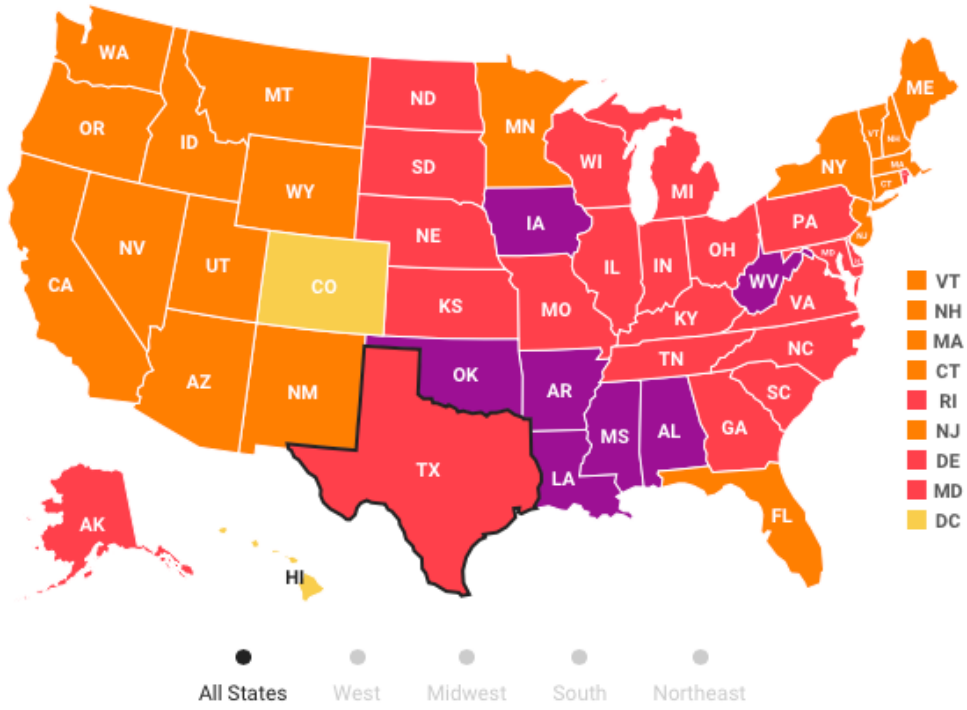
Obesity Demographics

Adult Obesity Rate by State, 2017

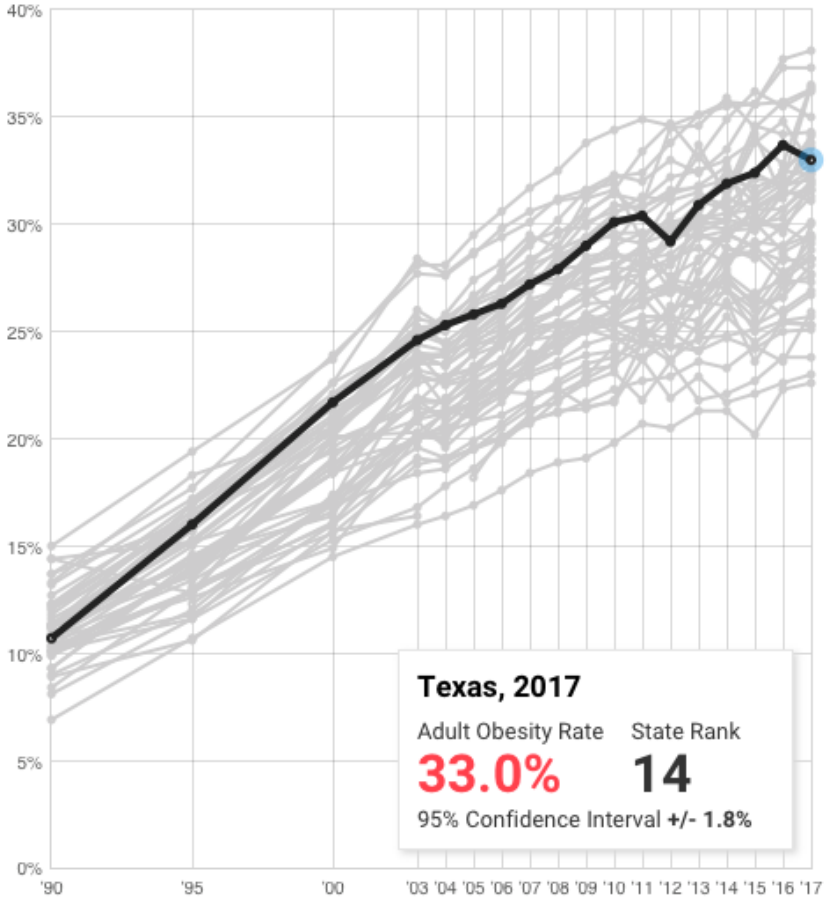
Select years with the slider to see historical data. Hover over states for more information. Click a state to lock the selection. Click again to unlock.

Percent of obese adults (Body Mass Index of 30+)

0 - 9.9% | 10 - 14.9% | 15 - 19.9% | 20 - 24.9% | 25 - 29.9% | 30 - 34.9% | 35%+



Adult obesity rates, 1990 to 2017



https://stateofobesity.org/adult-obesity/

Medical Consequences of Obesity

1. Coronary heart disease
2. High blood pressure
3. Stroke
4. Type 2 diabetes
5. Some cancers (breast, colon, endometrial, gallbladder, kidney, and liver)
6. Sleep apnea
   - Heart failure, pulmonary hypertension, vehicular trauma
7. High LDL cholesterol, low HDL cholesterol, or high levels of triglycerides
8. Gallstones
9. Osteoarthritis
10. Infertility or irregular periods

https://www.livescience.com/34787-obesity-high-bmi-causes-diabetes-heart-disease.html

Financial Consequences of Obesity

1. Obese adults spend 42% more on direct healthcare costs than healthy weight adults.

2. Per capita healthcare costs for severely or morbidly obese adults (BMI >40) are 81% higher than for healthy weight adults.

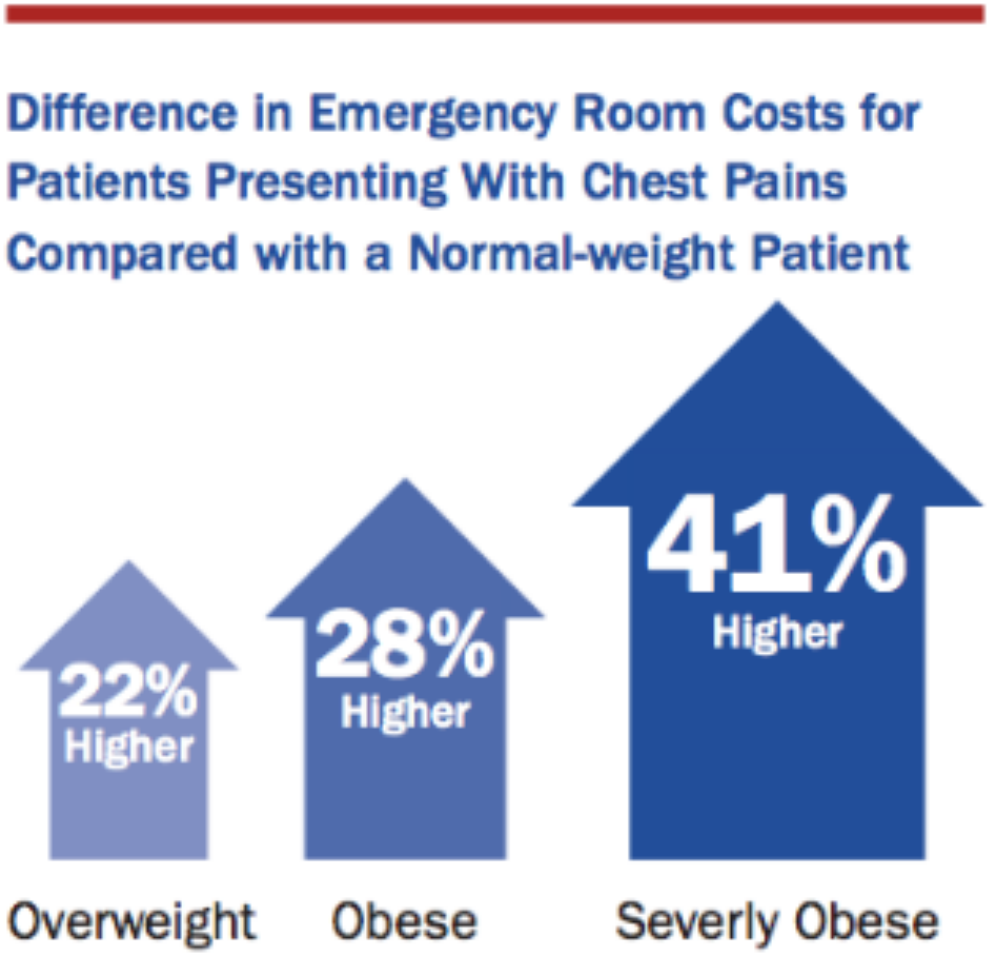
3. Moderately obese (BMI between 30 and 35) individuals are more than twice as likely as healthy weight individuals to be prescribed prescription pharmaceuticals to manage medical conditions.

Finkelstein EA, Trogdon JG, Cohen JW, Dietz W. Annual Medical Spending Attributable to Obesity: Payer-and Service-Specific Estimates. *Health Affairs*, 28(5): w822-831, 2009.

Arterburn DE, Maciejewski ML, Tsevat J. Impact of morbid obesity on medical expenditures in adults. *Int J Obes*, 29(3): 334-339, 2005.

Teuner CM, Menn P, Heier M, Holle R, John J, Wolfenstetter SB. Impact of BMI and BMI change on future drug expenditures in adults: results from the MON-ICA/KORA cohort study. *BMC Health Services Research*, 13(424), 2013.

Financial Consequences of Obesity



https://stateofobesity.org/healthcare-costs-obesity/

Addressing Employee and Dependent Obesity

Obesity management is a matter of culture and education, and so must include the family.

1. Raise awareness of obesity and its effects and prevention
   a. Sponsor onsite seminars and education events for employees and dependents
   b. Help employees and dependents track their diets, physical activity and body mass index (BMI)

2. Reinvent the desk and workspace
   a. Standing desks
   b. Stability balls

3. Facilitate social interactions
   a. Avoids boredom and depression that encourage overeating
   b. If food is served at meetings, keep it healthy

4. Improve the food environment
   a. Stock vending machines with healthy snacks. Replace soda with waters and seltzer. Substitute chips and candy with nuts, pretzels and low-fat popcorn
   b. If the company has a cafeteria, make the choices healthy, e.g., “smaller portion, smaller price, smaller you.”
   c. Sponsor a periodic local farmers’ market onsite – facilitates healthy social interaction

Addressing Employee and Dependent Obesity

5. Improve the physical activity environment
    a. Sponsor employee and dependent sporting leagues
    b. Encourage use of stairs rather than elevators
    c. Encourage lunchtime walking groups

6. Encourage physically active commuting
    a. Provide preferred and secure bicycle parking

7. Bolster employees' support networks
    a. Encourage the development of affinity groups for health
    b. Sharing healthy recipes and ideas in employee newsletters

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Employee Accountability and Education

1. **Spousal Coverage** – If an employee's spouse has the ability to have coverage at their place of employment, make that spouse ineligible for the health plan or increase that spouse's premiums.

2. **Discount Drug Programs** – Partner with local pharmacies that will provide discounts for generics in exchange for the employee volume.

3. **Premium Steering** – Provide discounts, e.g., premiums, deductibles, or co-pays, for employees who use a network of **higher value providers** (better or same outcomes at lower cost) or participate in managed wellness programs for obesity and smoking.

4. **Emergency Room (ER) Education** -
   - The average cost of an ER visit is $1,917 compared to $200 for an office visit.
   - Encourage employees to establish primary care provider relationships and to use those clinics or urgent care sites when appropriate.
   - Consider providing telemedicine (~$50/event) for minor complaints as a health benefit.

https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/HSAsvsHRAs.aspx

Keeping Employees' "Skin in the Game"

Health Savings Accounts

HSAs vs. HRAs: Requirements and Features	
Health Savings Accounts (HSAs)	**Health Reimbursement Arrangements (HRAs)**
• **HSAs must be linked to a high-deductible health plan (HDHP).** For 2018 and for 2019, HSA-linked HDHPs must have an individual deductible of $1,350 or higher, or a family deductible of $2,700 or higher. • HSAs have maximum total out-of-pocket (OOP) expenses. For 2018, these maximums are $6,650 for self-only coverage and $13,300 for family coverage. For 2019, the OOP maximums are $6,750 for self-only coverage and $13,500 for family coverage. • **HSAs cannot be used to pay health plan premiums,** except for qualified long-term care insurance, health insurance while receiving federal or state unemployment compensation, COBRA plans and Medicare premiums.	• HRAs are often coupled with an HDHP but there is no requirement that they must be. • There are no government-set out-of-pocket maximum limits specifically for plans linked to HRAs. • HRAs for active employees generally can not be used to pay health plan premiums. However, a law enacted at the end of 2016 lets a new type of small business stand-alone HRA pay nongroup plan premiums, such as for individual policies purchased by an employee through the Affordable Care Act's Marketplace exchange. The qualified small employer HRA (QSEHRA) is only available for employers with fewer than 50 full-time equivalent employees, if the employer doesn't sponsor a group health plan.
Unspent Funds	
• HSA funds are "real dollars" in an employee-owned account. Unspent funds are rolled over to the next year, reducing or eliminating the enrollee's share of the deductible in subsequent years. • HSA account-holders can invest funds in interest-bearing accounts or, if the administering firm allows it, mutual funds.	• An HRA is a notional account controlled by the employer. Most HRAs allow the attributed "funds" to accumulate from year to year; however, this is not required and is at the employer's discretion. • Most HRAs do not pay interest to participants, nor do they allow participant-directed investments.
Funding	
• **HSAs may be funded by employees, by employers, or by both.** For 2018, the HSA contribution limits from all sources is $3,450 for single coverage and $6,900 for family coverage (plus the additional $1,000 catch-up contribution for account holders age 55 or older). For 2019, the HSA contribution limits from all sources rises to $3,500 for single coverage and $7,000 for family coverage (with an additional $1,000 catch-up contribution for account holders age 55 or older). Employer contributions are not taxable to the employee. Employee contributions can be made with pretax dollars through a Section 125 salary-reduction cafeteria plan.	• **HRAs must be funded solely by employers.** Employer contributions are not taxable to the employee.
Portability	
• **HSAs are employee owned and portable on termination of employment**. Prior to termination, HSA funds can be transferred from one HSA administrator (including the default firm selected by an employer) to another HSA administrator at the account-holder's discretion.	• **An HRA's funds generally revert to the employer on termination of employment.** • Employers can offer post-retirement HRAs as a retiree-only medical benefit.

https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/HSAsvsHRAs.aspx

Managing Healthcare Expense Summary

1. Know Your Company's Health Data
   - Your TPA or insurer should be your partner
   - Target your outlier spends with value based strategies

2. Wellness Programs
   - Managed wellness programs can work

3. Impact of Smoking
   - Compassionately get tough on smoking

4. Impact of Obesity
   - It's culture and repetitive education

5. Employee Accountability and Education
   - The employee is your partner
   - Create financial incentives to make choices

Thank you Brenham/Washington County Chamber of Commerce

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