

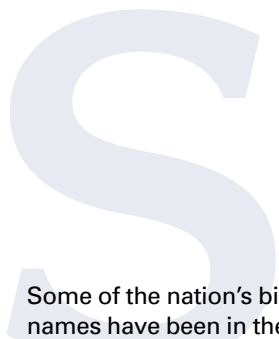


**A  
Better**

**Rx**

**for What  
Ails Us**

**Smart companies are learning that a healthier workforce can help them control spiraling costs. Here's how ...**



Some of the nation's biggest corporate names have been in the news lately—not for the products and services they're known for, but for the kind of health benefits they offer their workers. General Motors and Wal-Mart both made headlines in recent weeks for their plans to overhaul the medical benefits they offer active workers and retirees. The two companies are dealing with different sides of the health-care dilemma. GM is being strangled by the \$77 billion it spends on retiree health benefits. Wal-Mart is responding to long-standing criticism that many of its workers can't afford the health plans it offers. The media coverage puts the spotlight on one indisputable fact: Companies need to reign in health-care costs and they need to get better value from the health-care dollars they are spending.

The numbers tell the story. Employer-sponsored health insurance premiums increased an average of 9.2% in 2005, according to the Kaiser Family Foundation and Health Research and Education Trust. Family coverage now costs a whopping \$10,880 a year, which happens to be more than the minimum-wage worker's annual salary of \$10,712. While the current premium increase is less than the 11.2% hike in 2004, it's still three times greater than the growth in workers' earnings and more than twice the rate of inflation. To put it another way: Since 2000, health-care premiums have climbed a staggering 73%.

A survey released in February by the Business Round Table, a coalition of major corporations, asked CEOs to name their biggest concern. The top response by a huge margin was health-care costs, which explains the flood of new ways that are being developed to manage this threat to the bottom line.

Many companies have passed along a portion of the increases in health insurance premiums to workers in the form of higher deductibles for out-of-network services and higher co-pays for doctors' visits and



Productivity losses related to personal and family health problems cost U.S. employers \$1,685 per employee per year, or about \$226 billion annually.

— Journal of Occupational and Environmental Medicine

prescription drugs. Others are stressing consumer-driven health-care options such as health savings accounts (HSAs), which have lower premiums but higher deductibles. The idea behind HSAs is that with more of their own money at stake, consumers will think twice before rushing off to the doctor for every ache and pain. For healthy individuals who don't typically spend much on health care during the year, the savings from HSAs may indeed be the way to go.

#### **CONSUMER-FRIENDLY CARE**

But while these moves may ease the financial burden for companies and individuals in the short-term, health industry experts say they don't really get at the core issue of how to overhaul the nation's increasingly expensive and convoluted health-care system. Michael Chernen, professor of health management and policy at the University of

Michigan, puts it this way: "We have a long way to go if we're going to get the kinds of consumers that proponents of consumer-directed health-care want."

What is beginning to emerge as possibly a more logical and long-lasting approach is a combination of health plan redesign and more sophisticated programs that target behavior modification by workers. Rather than focusing primarily on reducing health-care spending, forward-looking companies are realizing they can have even more leverage over expenses by keeping workers healthy in the first place.

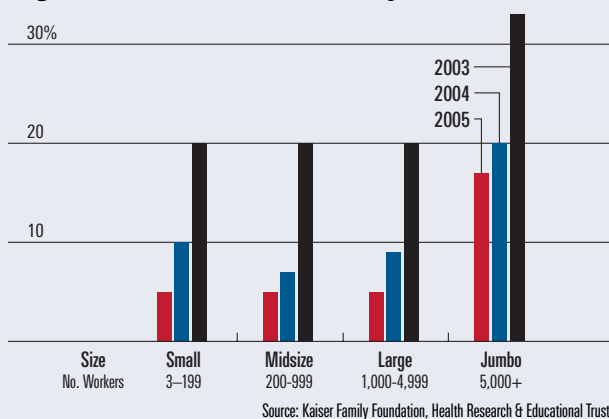
"There are at least 30 million Americans with high cholesterol who don't know it, and 15 million people who know they have the condition but don't treat it," says Neal Masia, director of economic policy at Pfizer. Similarly, the Centers for Disease Control reports that most of the nearly 21 million diabetic Americans have the Type-2 variety associated with poor diet, too little exercise, and being overweight. Six million of these folks do not even know they have the condition.

Risk-assessment screenings, wellness programs, and disease management efforts are just some of the routes employers are taking to change the U.S. health system from "one that spends most of its resources treating disease into one focused on preventing disease," says John Clymer, president of the Partnership for Prevention, a Washington, D.C.-based nonprofit that promotes investing in workplace health. Adds Chernew: "I don't think companies should expect

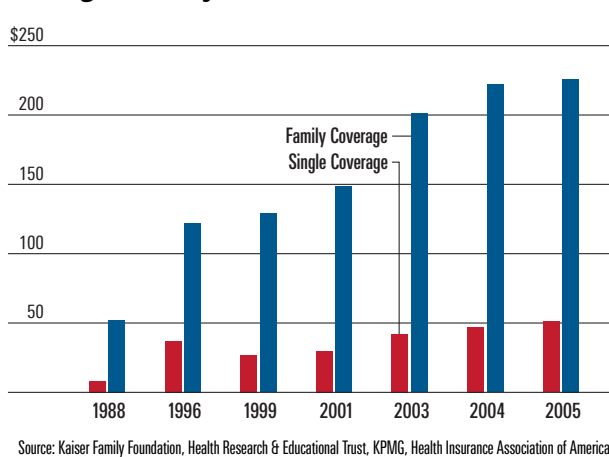
## PICKING UP THE TAB

# A survey of nearly 3,000 public and private companies reveals startling health-care trends in the workplace.

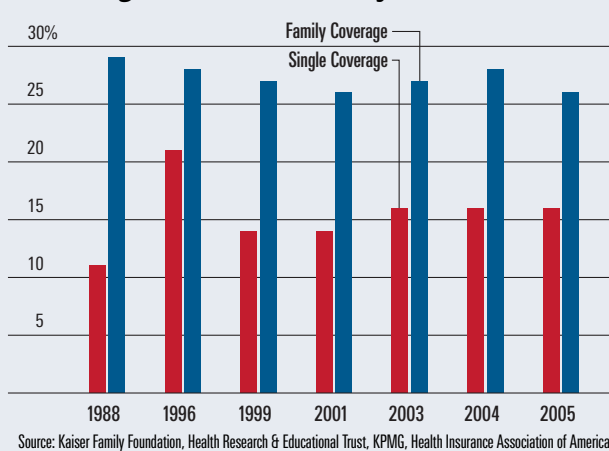
**Percentage of Firms That Offer Employees a High-Deductible Health Plan, by Firm Size**



**Average Monthly Worker Contribution**



**Percentage of Premium Paid by Covered Workers**



tons of cost savings from changes in health plan, but rather better value for their health-care dollars."

This more proactive approach to health-care spending reflects a growing belief that workplace health and productivity are inextricably linked. "The consumer-directed health-care piece is important, but it's just one part of the whole picture," says Sean Sullivan, president of the Institute for Health and Productivity Management, a nonprofit group headquartered in Scottsdale, Ariz. He believes that companies often are not aware of the toll that unhealthy workers take on the bottom line.

As it happens, research gathered by Partnership for Prevention shows that the indirect costs of poor employee health—absenteeism, disability, and "presenteeism" or lost performance at work—are two to three times higher than the direct medical costs a company incurs. Says Sullivan: "The connection between workplace health and job performance cannot be overlooked by employers, who can improve productivity by not just treating sick workers but by preventing them from getting sick in the first place."

## ROOM FOR IMPROVEMENT

The players currently involved in bringing about change in the nation's health-care system range from insurers like Aetna



and United Healthcare and pharmaceutical companies like Pfizer and Abbott to a growing cadre of disease management and wellness companies that serve corporations, insurance providers, and the government. While each takes a slightly different approach to helping cure what ails the system, all agree that what's in place today leaves plenty of room for improvement.

The Health Enhancement Research Organization, a not-for-profit health research coalition, recently looked at the correlation between health risks such as depression, obesity, and high blood pressure with medical care costs. In every instance, the costs associated with these risks were higher by anywhere from 10% to 70% when compared with workers who didn't suffer from these health issues.

Providing businesses with the tools they need to head off these issues in the first place is the role of companies like CHD Meridian Healthcare, a health and productivity management specialist based in Chadds Ford, Pa. Through its 185 locations around the country the company provides on-site healthcare including wellness and disease management services. CHD Meridian chairman Frank Martin says that when an employee leaves the office to see a doctor, the time taken away from work is never just the time of the appointment. "First there's the waiting for the doctor, then taking the prescription to the pharmacy, then waiting for it to be filled," he explains. "By the time it's all totaled up, an entire day is gone."

In August CHD Meridian opened an employer-sponsored on-site corporate health center for Horizon Blue Cross Blue Shield of New Jersey, the state's largest health insurer, at its headquarters in Newark. Later this year two other facilities will open at the insurer's locations in Wall and Mt. Laurel Township, N.J. When they are up and running, the three health

centers will serve more than 3,000 Horizon BCB-SNJ employees.

The Newark health center combines wellness and preventive care, occupational health, and health education. Workers can use an icon on their computer desktop to book appointments for blood pressure and cholesterol checks, and allergy and flu shots. The center also includes a pharmacy service that fills prescriptions, and it is equipped to handle medical emergencies and workplace injuries. Employees are charged a co-pay for the services, but the cost is typically less than what they would pay

Since 2000, health-care premiums have climbed a staggering 73%. This year the increase is twice the rate of inflation.

at a doctor's office. Prices for prescriptions drugs, says Martin, are also cheaper.

"Having a health advocate at the workplace, someone who employees can turn to with problems and questions right on-site, is a tremendous tool for helping workers get the medical care they need," says Dr. Raymond Fabius, chief medical officer at CHD Meridian. One of the biggest drivers of health-care expenses is people who do not take the proper medication and then go on to develop even more serious and chronic ailments, he says. "If the doctor or nurse at the worksite can convince people to take the medications they are supposed to, and do it consistently, there is a much better chance that the person's condition will not get worse," Dr. Fabius says.

CHD Meridian's on-site health centers are typically located in the basement or on the first floor of a company's facilities and take up anywhere from 400 square feet to 4,000 square feet, depending on the services offered. Occasionally the centers are located nearby so that family members of employees can have easier access. CHD Meridian supplies the doctors and nurses that staff the facilities; the corporate client pays a fee for each employee who uses the facility.

By giving workers access to convenient medical care and wellness programs, Martin says his company can in most instances trim a company's health-care costs

from 10% to 12%. "When workers don't have to leave the office to get medical care, you cut down on absenteeism and costs," says Martin. "You also become an employer of choice by showing that you care about the health of your workers. It's not just talk anymore. The company is putting its money where its mouth is."

### IMMEDIATE ASSESSMENT

Pfizer is taking an equally proactive approach to health care. In June the New York City-based company launched a program for its U.S.-based employees called Healthy Directions. The initiative starts with a comprehensive health screening assessment that employees can take online. By addressing potential health risks early, says Jennifer Arcure, senior director of the Healthy Directions initiative, Pfizer can help employees avoid costlier medications and medical procedures down the road. For example, an employee can answer 100 or so health-related questions (family history of disease, how often they exercise, etc.) and get an immediate assessment of his or her overall health and potential risk factors, along with suggested lifestyle modifications to address those risks.

When the assessments indicate risk factors such as high blood pressure, obesity, smoking, or signs of heart disease, the employee is given a health coach. The coach works with the employee over a course of four to five months to reduce the risk factors through diet, exercise, and, when appropriate, medication. The coach also sends reports to the employee's physician to keep

him or her abreast of any progress or complications that may arise. To date, says Arcure, 80% of Pfizer's employees in the U.S. have taken the health assessment, a number she says the company is "very pleased and proud of." The next step is taking the information from the health questionnaires and better tailoring health and wellness programs for different segments of the workforce.

"There are lots of health and wellness offerings out there, but the reporting is just terrible," Arcure says. To get around that roadblock, Pfizer is creating a rich data warehouse that will collect the results from the health assessments and use it to better measure the return Pfizer is getting on its investment in the Healthy Directions program. "Right now, since the program is so new, we're really just measuring the process and engagement among workers," she says. Eventually the company will be able to look at overall behavioral changes—workers who start exercising, stop smoking, stick with high blood pressure medication—and analyze the impact those activities have on health-care costs and productivity.

The Healthy Directions initiative is "not inexpensive," says Arcure, "but when you consider that the company spends about \$300 million a year on health care, it's really a small percentage. Given the impact that it can have on health-care costs in the long run, it's a very worthwhile investment."

### SUITE OF SERVICES

CorSolutions, a health intelligence and solutions company based in Rosemont, Ill., has been working with health plans, companies, and the government for more than ten years. As Dr. Ron Loeppke, chief medical officer, explains it, CorSolutions has a suite of integrated services and programs covering the spectrum of the health continuum that employers can choose from, including health risk assessments, wellness programs, disease management and a 24-hour nurse support line.

Should an employee in any of CorSolutions' programs be under the care of a doctor, one of the company's nurses who serve as personal health coaches would make sure the physician receives quarterly updates on the employee's progress. "As a doctor myself," says Loeppke, "I can honestly say how helpful it is to get spe-

### INVESTING IN HEALTH

Helping employees stay healthy is a sure-fire way to help them become more productive on the job.

With all the talk of soaring health-care expenses, it's no surprise that employers are focusing on ways to cut costs. Sean Sullivan believes there's a better answer.

President and CEO of the Institute for Health and Productivity Management (IHPM), a nonprofit created in 1997 to make employee health a strategic business objective, Sullivan says companies are missing an opportunity when they view employees simply as patients who need to get well and back

to work. "We don't wait until the machines in our factories break down before we fix them," says Sullivan. "We do constant maintenance to assure that they are working at their peak. Why should we treat our human capital any differently?"

### COMPREHENSIVE APPROACH

What's needed, says Sullivan, is a comprehensive approach that looks not only at physical and



mental health, but also at its impact on overall employee performance and productivity. This impact now can be measured with new tools, making it possible to determine the return on health improvement as well as disease management programs in the workplace.

"When companies invest in the health of their workforce, they have the opportunity to reduce health-care costs and increase productivity," says Sullivan. "No company should pass up that kind of leverage." ■

cific information on additional medications a patient might be taking, or if there are any other changes in that person's life or health."

Loeppke believes there are a number of trends at work that will convince employers that early intervention and prevention programs are the most sensible and long-lasting ways to affect change in our health-care system. Among the top drivers, not surprisingly, is cost. "And it's not just the cost of procedures and prescriptions," he says. "For every dollar a company pays out in health-care costs, another \$2 to \$3 is being spent on health-related productivity losses."

To make the case that this trend can be reversed, CorSolutions recently teamed up with the University of Michigan's Health Management Research Center to design an accurate methodology for measuring the return on investment (ROI) for health management and wellness programs. The research will focus on clinical and financial outcomes of healthy lifestyle behaviors, and will look at the productivity for employees enrolled in programs that promote healthy behavior choices, such as exercise, balanced diets, and stress management.

"Companies tell us they're getting inconsistent data when it comes to the ROI for any of these programs," says Loeppke. "By working with the University of Michigan and other industry experts, we want to come up with the industry standard for measuring the impact of health and productivity initiatives. The bottom line is that good health is good business. Now we want to be able to prove it."

#### **WEIGHT-LOSS BENEFITS**

Kaiser Permanente, the managed-care giant based in Oakland, believes there is already a growing body of statistically sound evidence that makes a bottom-line case for the connection between better health and improved productivity. Dr. Michael Mustille, associate executive director of the Permanente Federation, the organization that includes the physicians of Kaiser Permanente, says that in one of its web-based weight-loss pilot programs the company looked at members who over a period of six months lost or gained weight. Individuals who lost at least 10% of their body weight showed a 10% to 15% increase in self-reported productivity and performance on the job compared with a 20% loss in reported productivity in those who gained 10% of their body weight. "This is no longer just a wish," says Dr. Mustille. "It's getting easier to prove that there is a strong link between wellness and disease management efforts and better productivity."

Kaiser Permanente has always

emphasized preventive care and the proper management of chronic illnesses such as diabetes, high blood pressure, and asthma. "Most people are in their doctor's offices only a few hours a year," says Dr. Mustille. "What they do and how they take care of themselves takes up the other 8,755 hours." The company itself takes a long perspective. Although obesity is constantly in the news, he says, recent studies have shown an alarming increase in pediatric obesity, and Type-2 diabetes is now appearing in children. "These are the kinds of things that we can get a handle on early so that these children do not grow up to be unhealthy adults."

In Boulder, Colo., Kaiser runs a pilot weight-management program with Wells Fargo Bank called Incenta-health. The web-based program sends the 1,000 Wells Fargo employees who are involved regular e-mails encouraging them to make healthy lifestyle and nutritional choices. Participants are assigned their own web page and photos are taken of each person at the beginning and throughout the process so they can see the results of their weight loss. Folks who enroll in the weight-loss program monitor their progress online, says Dr. Mustille, and they are given a cash reward of up to \$1 for each pound lost. "It's another way to give people the incentive to stick with the program."

While Dr. Mustille says he finds value in the movement towards consumer-driven health care, he worries about the long-term effect it will have on overall health. "By and large, people are not equipped right now to make the best decisions when it comes to health and wellness programs or even chronic illness," he says. For example, if a person with high blood pressure or diabetes feels good one day, Mustille says, they might skip

More companies are passing the rising costs of health care to workers in the form of higher deductibles and co-pays.



taking their medication if they are solely responsible for the cost. "When the financial burden shifts too sharply to the consumer, we run the risk of encouraging people to avoid care, not take better care of themselves."

#### **HEART-HEALTHY OPTIONS**

Abbott, a \$19.7 billion diversified medical products company headquartered in Abbott Park, Ill., discovers, develops, and markets many pharmaceuticals, nutritionals, and medical devices that help people lead healthier, more productive lives. Yet Russ



## A healthy fix: By giving workers access to convenient medical care and wellness programs, companies can substantially trim costs.

Layman, divisional vice president of corporate marketing, says fostering behavioral change among employees is where companies will see the biggest payoff when it comes to getting a handle on spiraling health-care costs. "Health-plan design is not the silver bullet," when it comes to reining in health-care expenses," he says. "Companies that create a culture that supports behavioral change of modifiable risk factors—encouraging exercise, giving heart-healthy options in the cafeteria, managing diabetes and hypertension—are the ones that are going to get the best value and outcome for their health-care spending."

Layman says Abbott realized the importance of "stepping up and promoting healthy living," among its own employees. "We're a company known for helping to improve the lives of others," he says. "We need to do that for our own people or we're going to have a credibility factor at home." Walking the walk, the company for the last three years has sponsored Exercise

Across Abbott, a program designed to promote exercise and fitness. Employees gather into teams of 12 to compete against other teams to reach cardiovascular and resistance training goals. Layman says last year alone 3,500 employees participated. Although the program measures fitness levels and not specific weight loss, Layman says workers typically lose weight as they improve their overall fitness levels.

"It makes sense that senior executives have a healthy skepticism when it comes to behavior modification among employees," says Layman. "It's an uphill battle to get people to change and adopt healthier habits, but it's the right thing to do." In addition to its exercise programs—which include on-site workout facilities at many of its locations—Abbott revamped its cafeterias to

offer more healthy options such as salads, low-fat sandwiches, and even nutritional bars and shakes to accommodate folks who use them as part of their diet.

When fitness and diet changes don't do it for some employees, Layman says "the whole tool box" is used, meaning that appropriate medications are introduced. "Avoiding disease in the first place is critical," says Layman. "But when conditions are there, like high blood pressure or cholesterol levels that aren't responding to dietary change, then pharmaceuticals are still the least expensive way of preventing these conditions from worsening.

"You know, people spend ten times more effort and energy researching a car they are looking to buy than on what they can do to lead healthier, more productive lives," Layman adds. "With the right information and support, it doesn't have to be that way."

### **PART OF THE SOLUTION**

For a long time, insurance companies were thought to be a big part of what ailed our nation's health-care system. After all, the major insurers were the ones vilified when payment was denied for a costly medical procedure or expensive drug. But now, health insurance providers like Aetna and UnitedHealthcare, to name just two, are decidedly becoming part of the solution.

Jim Foreman, head of national businesses for Aetna, the insurer based in Hartford, says our nation's drive

towards consumerism in health care means individuals need more and better information and support. Aetna, he says, is in a position to do that. "Whether you're talking about disease-management programs or health-savings accounts, people need good information to make the best health-care decisions," he says. "You want to keep costs in mind, of course, but not at the expense of the quality of care, because then the person is just going to need to keep going back for additional treatments."

To that end Aetna offers members in many of its plans the ability to tap into patient advocates. These nurses and clinicians are available through a toll-free numbers to review potential treatments and courses of action for employees. If a person twists her knee, Foreman explains, she can call the patient advocate before even seeing a doctor to get a sense of what options might be available. "Many people will want to get an MRI right away," says Foreman. "But studies have shown that less than 2% of those who get MRIs actually need them. The patient advocate will review all the other options that are available, including an MRI."

Aetna is also responding to employers who have a first-hand view of the connection between various

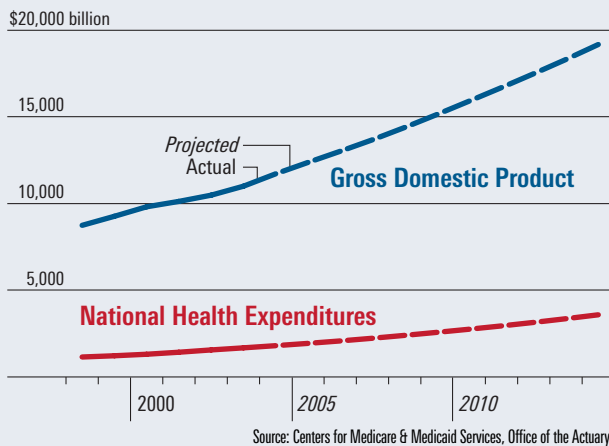
health risks and productivity. In October, the company announced plans to begin paying for a depression management program. As part of the plan Aetna will pay primary care doctors—the ones patients typically turn to first—additional money to screen patients for depression and then provide follow-up care for those who are prescribed medication as a result.

Studies show that depression is the fifth largest disability affecting the U.S. The tab for medical care and productivity loss relating to depression is estimated to be more than \$40 billion a year. Aetna figures that the cost of its program will be more than offset by avoiding

## A BIGGER BITE OF GDP

Health-care costs are projected to keep soaring in the U.S. with no public policy solution in sight.

### Gauging Medical Inflation



### National Health Expenditures as a Percentage of GDP

1998	13.2%
1999	13.2
2000	13.3
2001	14.1
2002	14.9
2003	15.3
2004	15.4
2005	15.6
2006	16.0
2007	16.3
2008	16.7
2009	17.0
2010	17.3
2011	17.6
2012	18.0
2013	18.3
2014	18.7

The money spent on health care in the U.S. is projected to grow 7% or more annually over the next ten years, taking up nearly a fifth of our nation's GDP.

the larger expenses often associated with depression. For instance, the company says depressed patients who suffer from heart disease or diabetes are more likely to forget to take their medication, or don't take it consistently.

Aetna is also trying to get a handle on prescription drug costs by making less-costly generic drugs even more convenient for patients. This fall the company is testing a program in Philadelphia that puts ATM-like machines that dispense generic drugs right in doctor's offices. The advantage of the machines, explains Aetna, is that unlike the free five- or seven-day samples of branded drugs that doctors often give to patients, the free generics are dispensed in 30-day supplies, usually enough to complete treatment.

The Aetna machines also make it more likely that doctors will continue to write future prescriptions for generics, furthering the cost savings from these less expensive drugs. And, of course, perhaps the biggest benefit, says the company, is that the free medication

will encourage people to actually take—and finish—the drugs they are prescribed. Studies have shown that the No. 2 reason why people stop taking medication is that they can't afford it. The No. 1 reason: they forget.

### EMPOWERING INDIVIDUALS

UnitedHealthcare recognizes that consumer-driven health care—that is, health care that empowers individuals to make both more informed financial and medical decisions—is here to stay. "Consumer-driven health care is changing the way patients, providers, and health plans interact," says Michael Turpin, president of key

accounts for the company.

UnitedHealthcare is a big believer in health savings accounts, which address the two main health-care needs. An individual buys a high-deductible insurance policy to cover major medical expenses, and then sets aside money each month in a savings account (that's the HSA part) to pay for routine health-care costs. The account is owned by the individual, not the employer, which means if there's a job change, any balance in the account moves with the employee. Any money not used in one year can be rolled over into the next.

Based in Minnetonka, Minn., UnitedHealthcare has been offering HSA plans since 2004. The company says that of all the insurance products it offers, HSAs have generated the most interest among customers. But the company also realizes that giving individuals more access to—and a bigger financial say in—their health-care spending is not enough. They also need a wealth of information that is current and easily accessible. "You can't ask people to be more engaged in and responsible for their own health, and then not give them the tools to make informed decisions," says Turpin. "The system is complicated enough."

To make sure the tools arrive, UnitedHealthcare has spent considerable time and money putting useful information online. On its corporate website, members can look at the cost of procedures and treatments, as well as how doctors compare with one and other for a variety of treatments. The point, says Turpin, is to give individuals enough information so that they are not making medical decisions based strictly on price.

#### **INFORMATION MANAGEMENT SOFTWARE**

Companies that are looking for better, more efficient ways to deliver health-care information and programs often need administrative improvements to make that happen. That's where Amisys Synertech Inc. (ASI) comes in. The company, based in Rockville, Md., provides information-management software products and web capabilities for employers, health insurance providers, and the government. It also provides the behind-the-scenes support and processing for companies that offer consumer-directed plans such as HSAs, FSAs, and HRAs.

Terri Bretz, executive director for product management at ASI, says that as companies provide more and richer consumer-directed programs to employees and plan members, it puts a strain on the technological infrastructure in place. For instance, plans that offer HSAs need not only to process the medical side of the equation, but they also must get involved with the finance side since the accounts have a savings component. UnitedHealthcare actually created a bank—Exante—to support HSA, "but not all health plans can do that," says Bretz. "We can come in and help these plans manage the finance side." To date, ASI is providing consumer-directed administration for nearly 300,000 consumer-driven health plan members.

Players in the country's health-care industry may

**The 18th Annual National Managed Health Care Congress (NMHCC), taking place April 24–26, 2006 at the Washington, D.C. Convention Center is the longest running health-care event connecting employers, providers, and plans to improve America's health-care system. Visit [www.nmhcc.com](http://www.nmhcc.com) for more information, or call 888-670-8200.**



disagree about the best ways to fix our current system, but they do agree that something must be done—and soon. "We have a real challenge ahead of us," says Kaiser's Dr. Michael Mustille. "Large purchasers of health care are beginning to understand that simply shifting the financial burden to consumers is not a long-term solution. We need an integrated approach that involves the consumer, the health-care company, and the employer all playing their part."

But with consumer-driven health care—and its products—gaining momentum in the marketplace, most industry experts say the likely solution will be a combination of health plan redesign and a continued emphasis on wellness and preventive-care programs. "I think we have to move away from thinking of this as finding a way to drastically reduce health-care costs," says University of Michigan professor Michael Chernew. "Employers could easily bring costs down by not covering any of this. But that's not a desirable option."

Chernew believes that the companies that will be in the best position to move the needle on this issue are the ones that focus on getting the best value from the health-care money they actually spend. As an example, he points to Pitney-Bowes, the world's largest producer of postage meters, as a company that views health care as a value proposition rather than as a business expense in need of cutting. The company lowered the co-insurance for all asthma and diabetes drugs to 10%, compared with the 30% to 50% co-pay required for other drugs. Within two years, overall disease-related costs for asthma and diabetes among its workforce dropped 12% and 15% respectively, along with a decrease in hospital admissions, office visits, and pharmacy costs.

"Employers provide health benefits because that's what employees want," says Chernew. "It follows, then, that the strongest incentives to change the system are going to come from those very employees."

—Susan Caminiti

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