



Changing the Health Care Paradigm: The Case for Investment in Worksite Wellness in Texas

About the Texas Coalition for Worksite Wellness

The Texas Coalition for Worksite Wellness is a program of the Texas Business Group on Health (TBGH), one of the state's leading voices on health care and business issues. TBGH and its coalition members are dedicated to finding positive, innovative solutions to the challenges posed by our current health care system. By emphasizing prevention, wellness and disease management in our workplaces and health benefit systems, we can improve Texans' health, prevent costly disease and lower health care costs.

About the Texas Business Group on Health

The Texas Business Group on Health (TBGH) is a statewide coalition of Texas employers committed to market-based health care reform. TBGH brings together leading decision makers, policy specialists and health care benefits experts to empower Texas businesses and local communities to improve our health care system. TBGH offers its members access to timely information, insightful research and cutting-edge solutions to encourage improvements in employer-sponsored health care. Visit TBGH online at www.tbgh.org.

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Background

Public and private sector employers, state and federal policymakers, the health care industry, taxpayers and families all have a personal and financial stake in our health care system. Skyrocketing health care costs and unhealthy lifestyles are taking their toll on the current system, and everyone pays a price. The costs are real, and they are evident in higher health insurance premiums, increasing out-of-pocket expenses, strains on local, state, and federal budgets and on businesses' bottom lines.

Ultimately rising health care costs are borne by individual Texans – as taxpayers, providers, employees and health care consumers. State taxes pay for government-sponsored programs like Medicare, Medicaid and the Children's Health Insurance Program. In Texas, the Medicaid and CHIP programs continue to be budget drivers with more than \$38 billion budgeted for Medicaid alone in 2006 – 2007.¹ At the local level, taxpayers help subsidize public hospitals – the safety net of a state's health care system.

Rising health care costs are making it more difficult for employers to purchase health insurance for their employees. In Texas, the problem is particularly acute. Premiums for employer-sponsored health insurance are higher in Texas. In 2005, the average premium for private employer coverage in Texas was \$4,210 for an individual and \$11,869 for family coverage compared with the national average premium of \$4,065 for individual private employer-sponsored coverage and \$10,979 for family coverage.² Since 2001, health insurance premiums have risen more than 10 percent each year.³

Texas and the nation are facing a health care crisis. Businesses, policymakers, the public and the media are pressing for solutions.

In the most extreme cases, businesses may respond to higher costs by reducing or eliminating coverage for their workers. In 2004, while 61 percent of the U.S. non-elderly population had insurance coverage through an employer, 53 percent of the Texas population had employer-sponsored health insurance coverage.⁴ The proportion of Americans with employer-sponsored health insurance continues to decline for the fifth consecutive year.⁵

More often, "solutions" mean higher co-payments and deductibles – and less health care – for workers as employers shift costs in order to maintain coverage. While requiring workers to pay more for health services and medicines or by limiting their access to preventive care offers immediate savings to businesses, the net effect is negative for employers in the long-term.

Increasing costs to workers for even routine exams or medicines creates barriers to preventive care that can help workers stay healthy and manage chronic conditions. Without easy access to these cost-effective services, employees are less likely to avoid costly complications that can and often do arise without proper preventive care. In the end, a short-term strategy that ultimately decreases access to care impacts both the worker and employer. Employers feel the effect financially through increased cost of care (as acute care is almost always more expensive than preventive care), decreased productivity and increased absenteeism. Therefore, short-term savings are then off-set by increases in other direct costs and productivity losses in the short and long-term.

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However, many innovative employers – in Texas and around the nation – have found investments in worksite health and preventive care are a better way to reduce overall health care costs.

Their efforts are backed by research. For instance, researchers at the University of Pennsylvania found that programs to improve the quality of employee health were a better way to reduce costs in the long term.⁶ Every dollar invested in worksite health promotion yields \$3.50 to nearly \$6 in savings through reduced absenteeism, increased productivity and decreased health care costs.⁷

Therefore, there is a clear financial and business case for shifting the health care paradigm away from “sick care” to a system of value-based benefit design that emphasizes prevention and wellness. Business also can realize ancillary benefits from wellness initiatives, including increased productivity, higher employee retention rates and increased morale.⁸ By investing in prevention and wellness and encouraging value-based health care benefit systems, we can build a stronger, healthier, more economically vibrant Texas.

Nationally and in Texas, the trend toward investments in worksite wellness is gaining momentum. A 2005 national survey of human resource executives and benefit managers found that 43 percent of employers surveyed have adopted disease management, prevention or wellness programs for their workforce.⁹

State Snapshot

In 2000, Texas employers spent more than \$39 billion on health care.¹⁰ Texans with health insurance and the businesses that employ them have seen health insurance

premiums increase at an average of 25 percent in the last several years, compared with the national average increase of 15 percent.¹¹

As Texas health insurance premiums skyrocket, employers are forced to shift more costs to employees. Between 2000 and 2004, Texas workers saw their share of insurance premiums and out-of-pocket expenses increase by nearly 40 percent.¹² Rising out-of-pocket expenses make it increasingly difficult for employees to afford health insurance. According to the Texas Association of Business, three-fourths of uninsured Texans have full-time jobs but cannot afford health insurance.

In the most extreme cases, rising premiums force businesses to look for other ways to manage costs, including elimination of health care coverage.

More than 5 million Texans do not have health insurance, placing Texas as the state with the highest rate of uninsured individuals.¹³ Elimination of health care coverage is a contributing factor to the state's high uninsured rate, which hovers at nearly 25 percent.¹⁴ Texas falls below the national average for private-sector, employer-sponsored health care coverage. In 2003, Texas ranked 48th in the nation with only 52.4 percent of Texans having employer-sponsored health insurance coverage.¹⁵

Costly insurance mandates are frequently cited as contributing to Texas' high uninsured rate and limited employer-sponsored health care coverage. Several studies have identified more than 60 Texas health insurance benefit mandates in state law.¹⁶ Recent legislation to allow "benefit light" designs may improve this environment, but it is too early to assess the full impact.

Negative Impact of Increased Cost-Shifting to Employees

As businesses and government look for ways to rein in health care expenses, the tendency is to shift more of the burden to the employee. Insured individuals on average pay more for preventive care and prescription medicines and far less out of pocket for acute care.

Consumers covered by private insurance pay 37 percent of the total cost of prescription medicines versus 21 percent for physician care, 10 percent for emergency room care, 7 percent for hospital out-patient care and 2.5 percent for hospital in-patient care.¹⁷ In other words, an insured employee may see virtually no out-of-pocket expenses for a \$40,000 cardiac bypass surgery, but

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that same employee is forced to pay a much higher percentage of the cost for preventive care, including prescription medicines that could pre-empt or prevent the onset of disease and the need for costly surgical procedures or services.

As costs are shifted to employees, many individuals and families find the out-of-pocket expenses beyond their ability to pay. Higher cost-sharing may lead to delays in treatment or non-compliance with doctor's prescribed treatment regimens. The *Journal of American Medicine* found that when co-payments are doubled, there were serious reductions in the use of medicines to treat chronic conditions. In turn, for patients with diabetes, asthma, and gastric disorder, reductions in medication use were associated with a 17 percent increase in annual emergency room visits and a 10 percent increase in hospital in-patient stays.¹⁸

The 2005 Health Confidence Survey points to another troubling effect of higher co-payments and out-of-pocket expenses for individuals and their families. Insured Americans who have experienced increases in health care costs tend to alter the way they use health care, often in troubling ways. Among those surveyed who had experienced an increase in health care costs, 21 percent reported not taking prescribed medications. In addition four out of 10 survey participants said they delayed going to a doctor because of costs.¹⁹

There appears to be a significant correlation between the cost of co-payments and a patient's tendency to remain on a prescribed treatment regimen. Patients prescribed statin medications to treat high-cholesterol are more likely to remain on their medications when co-payments are low. The median time to discontinuation of use for a patient with a co-pay under \$10 is approximately 4.9 years; that falls to just over two years when co-payments increase up to \$20.²⁰ For co-payments above \$20 the median time to discontinuation is just over one year.²¹ A recent RAND Health study reinforced these findings, noting that health insurers can save more than \$1 billion a year in hospitalization costs by eliminating co-payments for cholesterol-lowering medications.

For patients with chronic conditions like asthma, diabetes, high blood pressure and high cholesterol, this can be especially troubling. A study of asthmatic Medicaid patients who did not take their medications found that hospital visits and outpatient visits increased by 23 percent and 36 percent, respectively, while patients who did take their medication saw their total health care costs drop by 24 percent.²² For diabetes, studies demonstrate that the net cost (prescription costs and non-prescription medical care costs) is almost double for diabetics who are least adherent to treatment regimens (\$16,498 per year) compared with those who strictly adhere to a treatment regimen (\$8,887 per year).²³

The Costs of Missed Opportunities to Prevent Disease

The U.S. health care system focuses on treating people when they are sick. The status quo is a “sick care” system that creates barriers to preventive care, discourages healthy lifestyle choices and appropriate disease management of chronic conditions. Such an environment is the result of shifting costs to employees, including increased co-pays for office visits, prescription medicines and a lack of access to preventive care.

Unfortunately, shifting an increasing percent of the health care cost burden to employees is a short-term fix with costly, long term-implications for employers in the form of absenteeism, presenteeism, decreased productivity and higher cost care. Lost productivity due to health-related issues alone costs U.S. employers an estimated \$226 billion per year – or \$1,685 per employee per year.²⁴

Unmanaged, chronic illnesses place an enormous economic burden on employers. Absenteeism contributes to lost productivity and profits, while presenteeism is emerging as a far more costly condition. Presenteeism occurs when workers are on-the-job but are struggling with chronic health conditions. According to the *Journal of Occupational and Environmental Medicine*, presenteeism may be five times more costly for American employers than employee absenteeism.²⁵ The *Journal* reports, “Associated costs of on-the-job productivity losses were higher than medical costs in most cases and represented 18 to 60 percent of all costs for health conditions.”²⁶

Many chronic and costly conditions could be prevented or managed more effectively, saving employers money and improving the overall health of employees. According to Dr. Eduardo Sanchez, former commissioner of the Texas Department of State Health Services: “At least 50 percent of health-care expenditures are lifestyle-related and therefore are potentially preventable.”²⁷

The flaws in the current system are evident when costs for the most prevalent disease states and chronic conditions are examined more closely.

Obesity

The number of obese U.S. adults has increased by 61 percent in the past decade and more than doubled among young people in the past 20 years.²⁸ The current pattern of poor diet, lack of physical activity and other unhealthy habits associated with obesity can lead to a number of co-morbidities including diabetes, high blood pressure, heart disease,

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stroke, heart failure and other disease. In 1994, the total cost of obesity to U.S. companies was estimated at \$13 billion.²⁹ Lost productivity due to obesity cost \$4.5 billion in Texas in 2001.³⁰

Smoking-related diseases

Nationally, direct medical expenses and lost productivity for people with smoking-related disease cost \$157 billion each year, or \$3,856 per smoker.³¹ In 1999, tobacco-related disease cost Texas approximately \$4.5 billion in direct medical costs and an additional \$5.5 billion in lost worker productivity.³²

Depression and Mental Health

Depression's annual toll on U.S. businesses amounts to about \$70 billion in medical expenditures, lost productivity and other costs.³³ The President's New Freedom Commission, as part of a state-federal initiative, assessed mental health costs in Texas. In 2003, Texas spent approximately \$16.6 billion on mental health care costs with two-thirds of that cost due to lost productivity and employee absenteeism.³⁴

Asthma

An estimated one million adult Texans suffer from asthma. Asthma is one of the leading causes of lost productivity in the workplace and accounts for an estimated three million workdays lost each year in the United States.

The Case for Change

A recent study suggests that employers' indirect costs associated with the poor health of employees may actually exceed direct medical costs.³⁵ In simple terms, disease *prevention* costs less than disease *treatment*.

Keeping people healthy – investing in health care benefits that offer access to prevention and wellness – can yield healthier outcomes and save money. An ounce of prevention really is worth a pound of cure. Numerous studies and pilot programs are demonstrating that a business' investment in prevention, wellness and disease management can help lower overall health care costs.

The average cost of adding prevention and wellness services to a private health insurance program is typically \$50 to \$85 per person.³⁶ Yet, every dollar invested in worksite health promotion yields \$3.50 to nearly \$6 in savings through reduced absenteeism, increased productivity and decreased health care costs.³⁷

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Many employers and government entities have found that making investments in worksite health and increasing access to preventive care can help lower overall health care costs:

- The City of Asheville, North Carolina provided free medications and a care management program to city workers with diabetes. Prescription medicine expenses increased from \$1,200 to \$3,100 per person – but total medical expenses fell from \$7,100 to \$4,700 per patient.³⁸
- Pitney Bowes invested \$1 million during the first year of an initiative to reduce co-insurance for asthma and diabetes medications. Emergency room visits dropped by 35 percent among diabetes patients and 20 percent among asthma patients. Overall, the company estimated saving \$1 million in its first year and \$2.5 million in its third year.³⁹

In Texas, some employers and government entities are investing in worksite health and preventive care programs, too, although specific return on investment data is incomplete:

- American Airlines – The Dallas-based airline piloted the AIM for Excellence program. This partnership with UnitedHealthcare focused on healthy outcomes and improved care for patients with chronic health conditions including heart disease, diabetes and stroke.⁴⁰
- Bell Helicopter – Fort Worth's Bell Helicopter launched Well@Bell, an incentive program that rewards healthy lifestyles and participation in physical activity and nutrition challenges. Through the program, the number of employees at risk due to physical inactivity dropped from 83 percent to 30 percent, and smokers now represent only 9 percent the Bell workforce.⁴¹
- The Texas Health and Human Services Commission launched a disease management pilot program for its Medicaid population with certain chronic diseases, including asthma, diabetes, heart failure, coronary artery disease and chronic obstructive pulmonary disease. The Texas Medicaid Enhanced Care Program provides patients with 24-hour access to a nursing hotline and personalized preventive care treatment plans. It also guarantees the state savings through an innovative disease management contracting approach. In the first year alone, HHSC anticipates saving more than \$28 million.⁴²
- San Antonio's USAA eliminated smoking in its facilities in the 1990s; in 2004, it declared its entire campus smoke free. The firm then offered employees an expanded annual \$350 wellness benefit that can be used to buy smoking cessation products. Since 2004, more than 575 USAA employees and family members have taken advantage of the smoking-cessation benefits.⁴³

Health promotion and disease prevention also reduce a business' indirect health care costs like absenteeism, presenteeism and lost productivity:

- The Office of Disease Prevention and Health Promotion in the U.S. Department of Health and Human Services found that 44 percent of companies offering health promotion activities report a reduction in health care costs. Fifty percent realize a decline in absenteeism and 56 percent see an increase in productivity.⁴⁴
- Mercer Human Resource Consulting cites statistics showing that companies spend up to 15 percent of their payroll on absenteeism. For an employer with 5,000 employees and an average base pay of \$40,000, that adds up to \$30 million a year.⁴⁵

Conclusion

As employers become more informed about the direct link between chronic disease, unhealthy lifestyles and higher medical costs, business leaders are beginning to examine health promotion and disease prevention programs. This trend toward prevention and wellness is gaining momentum and showing considerable promise. Health promotion and disease prevention can take many forms, but redesigned benefit systems are a worthy investment.

Employers are recognizing that prevention and wellness programs are investments. Their return on these investments is sizable and significant. In recent years, significant return on investment (ROI) studies have been conducted for different industries and of corporations of varying size. In virtually every case, the results are positive. Short-term (one to three years) success can be measured by participation in program offerings, lower utilization of other high cost health care services, improved patient physical outcomes (e.g., blood sugar levels, cholesterol levels and blood pressure), employee satisfaction and morale, and a decline in absenteeism.⁴⁶

Employers who are willing to embrace a shift in the health care paradigm recognize the value – in human capital and real dollars – that prevention and wellness can offer. Our state leaders and business community should continue to work together to find innovative solutions to rising health care costs. By preventing disease, effectively managing chronic conditions and encouraging Texans to take an active role in their health, the paradigm will continue to shift.

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