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State of Employer-Sponsored Health Care

Part 2: CHROs on Employee Engagement and the Future of ESI

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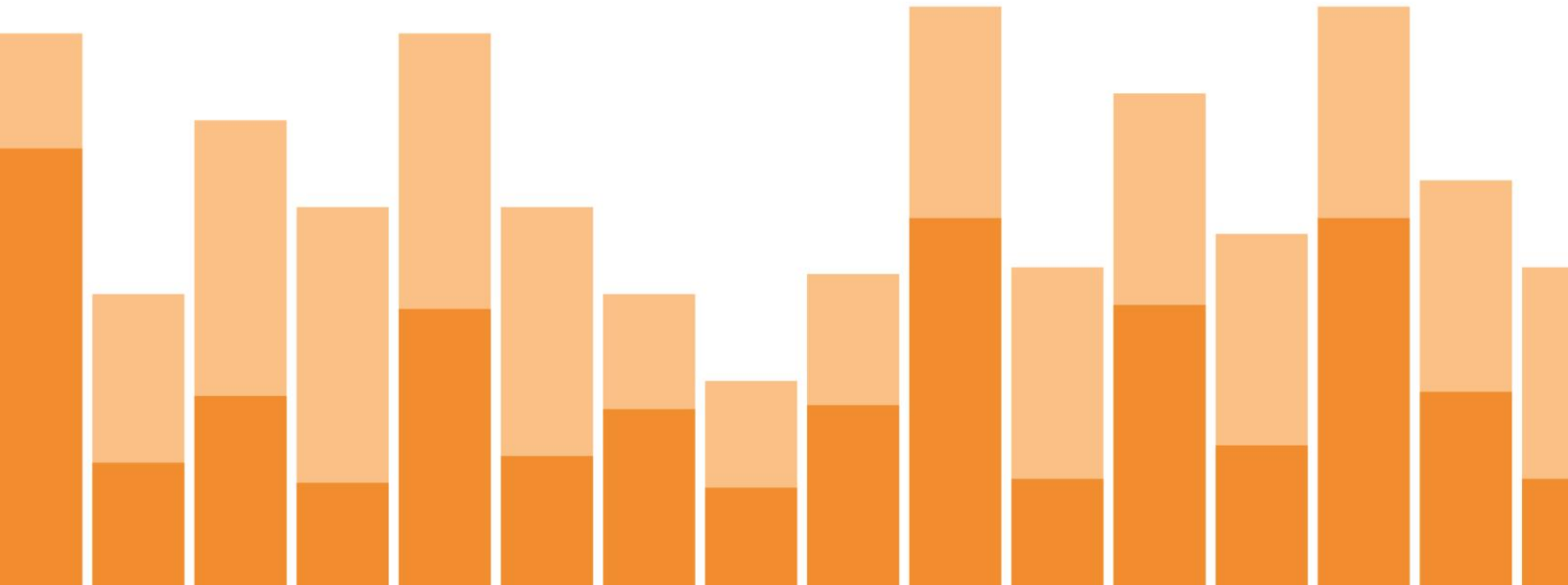

American Health Policy Institute (AHPI) is a non-partisan 501(c)(3) think tank, established to examine the impact of health policy on large employers, and to explore and propose policies that will help bolster the ability of large employers to provide quality, affordable health care to employees and their dependents. The Affordable Care Act has catalyzed a national debate about the future of health care in the United States, and AHPI serves to provide thought leadership grounded in the practical experience of America's largest employers. To learn more, visit americanhealthpolicy.org.

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Introduction

As the American Health Policy Institute (AHPI) explored in our June 2016 paper, "State of Employer-Sponsored Health Care Part 1: Top Concerns of CHROs and Their Teams," large employers are committed to providing health insurance as an essential benefit that attracts and retains talent, contributes to a positive corporate ethos, and keeps employees healthy. Yet, despite the continuing likelihood of employers remaining in the system, there is also a sense of disquiet about the state of employer-sponsored health insurance (ESI). Concerns include the high cost of care, lack of price transparency, lagging technology in the health sector, and insufficient consumerism and employee engagement. The Affordable Care Act (ACA) also imposed new mandates on employers, further complicating matters. Health care costs continue to grow for employers and employees alike, and policymakers are looking at major changes to health care once again in 2018.

Given these challenges, AHPI interviewed 30 chief human resource officers (CHROs) and senior benefit managers from some of the largest U.S. companies to discover where they see potential for health sector innovation in the years ahead. One CHRO says that the ideal future state of health care "looks like a place where everyone can obtain health care." Employers can play an important role in achieving this goal, as the majority of insured Americans already receive coverage through an employer. Maintaining and improving health care benefits will provide stable, affordable, and quality health insurance for 178 million Americans.[1] But employers cannot get there without making their own changes to the system.

This paper will continue AHPI's efforts to outline human resources (HR) executives' desired changes to the system and how they might be attained. In this edition, HR executives explain how to better engage employees to become more prudent consumers of health care and how they plan to accommodate the needs of diverse employee populations. The future of ESI, they say, includes addressing rising health care costs, in part, by helping employees become better consumers of health care. Employers, as major purchasers in the health care system, can use their leverage to drive meaningful change and hold down growing costs. A future paper will look at how HR executives are utilizing new technologies to more efficiently get care to employees, engaging in new relationships with providers and carriers, and harnessing big data to find trends in patient outcomes.

Employee Involvement

Implementing Consumer-Directed Plan Arrangements

Large employers want to promote choice and consumerism among employees while still maintaining a level of control consistent with employer responsibilities as a fiduciary. One way to achieve this is to transition from an employer-directed approach to health benefits to an employer-facilitated model. "Employer-facilitated" care means that the employer may fix costs on a monthly basis by giving employees an allowance to spend on an individual or family health plan of their choice, rather than paying the costs to provide a specific group health plan benefit. Employees must be involved for this effort to work. David Stafford, CHRO at Michelin North America, says that employers are in a position to help facilitate access to better quality care. "The ideal vision is that the employer would be there to facilitate access to high quality care, and

that employees would have the ability to see the cost-benefit tradeoff. If we could be the ones to facilitate that, that would be ideal."

While we have not yet seen a trend of large employers taking up a fully employer-facilitated care model, we have seen that they are increasingly implementing more consumer-directed plan arrangements. One CHRO explains, "As an employer, we emphasize it is an employee's responsibility to make good health care decisions and to share in a portion of the expenses." One step many large employers are taking to encourage consumerism is offering health savings accounts (HSAs) paired with high-deductible health plans (HDHPs). Currently, more than half of large employers offer an HSA-eligible plan, but under a fourth of covered employees are enrolled in one. Only 6 percent of large employers have moved all employees to a HDHP paired with an HSA.[2]

Tim Huval, CHRO at Humana Inc., recognizes that employee engagement is the key to a successful, high quality, lower cost future. Huval says, "We have an aggressive and continued movement to engage employees in their health, and are achieving promising results. We would like to see much more of an outcome-based approach where the employee has as much in the game as the employer." Huval stressed that he finds the more engaged people are, the better the outcomes will be. "We like to see social systems where the employees positively impact and support one another on that journey."

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David Stafford at Michelin agrees: "One element of the ideal future state of health care, for me, is to have engaged employees that truly understand the equation of their personal choices." Yet, employees for their part are still sometimes resistant to these changes. According to Thomas Plath, CHRO at International Paper, "We're adapting and trying to stay aggressive on a proactive and front-edge consumer-based health care model. But our costs are still going up and our employees are unhappy in the way we're managing costs." As Plath noted, "Over the last five to ten years, we've seen a noticeable change in employees' engagement in preventive health care. We've seen this change because of the structure of our plans." Plath's point is an important one. Appropriate plan structure and improved engagement with the employee will help bring about better results.

Johnni Beckel, CHRO at OhioHealth, stresses the importance of offering health benefits that promote preventive care: "Locally, I see that engagement means making sure associates are well—it's managing not just the sick, but also the healthy and transforming the way care is delivered. That means we need to be working with partners that understand a way to manage the sick is to focus on preventing them from getting sick in the first place. We need to be much more proactive in helping to keep people healthy than we have been historically." Beckel's idea of a high-functioning health plan is one that not only cares for the sick, but promotes continued healthy behaviors so those who are well remain healthy. In order for employees and their dependents to take advantage of services offered in their health plan, they first have to know what is available to them and how to navigate their plan.

Educating Employees in How to Use Their Plan

One way to start is for benefits teams to learn what the employees themselves know. Melanie Kennedy, Senior VP of HR at American Water, says, "We're beginning to be more proactive about holding employee meetings to talk about benefits. We ask employees questions to see what they do and don't understand about their health care plan." As she explains, "As a country, we have done a poor job helping people understand health care and encouraging them to become better consumers. I think that employers, being the largest provider of health care, have a responsibility to change this. If we don't do it, it will not happen. We must take ownership and understand that engagement is just as important as choosing the right health care plans. That needs to be a primary focus."

Nazneen Razi, Senior VP and CHRO at Health Care Service Corporation, makes the point that employees need resources and information if they are going to be expected to make good choices. As she put it, "We consistently explore ways to provide employees with access to quality, affordable health care, such as providing tools to assist in making their health care decisions and encouraging wellness while in the workplace and beyond." For starters, she says, "We know health care decisions can be complex and even daunting, so becoming educated about the resources available is really important. For example, the right resources, whether digital or a live person, can help employees determine how much they need to pay for a specific service at a particular location and what alternative locations may be near them. Certain tools can also inform them about whether they have reached their deductible and whether there are cash rewards available for choosing a particular service."

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For example, Razi says that employees at Health Care Service Corporation have access to a Benefits Value Advisor (BVA), a benefits specialist who assists over the phone in navigating the health care system. The BVA does not provide clinical advice, but rather works to educate members about cost-effective services and facilities, as well as assists with preauthorization coordination, out-of-pocket cost explanations and appointment scheduling. According to Razi, "Among employees who have used the BVA, we've seen healthier employee numbers and reduced costs as an employer. Roughly 40 percent of our employees who had a procedure take action to use the service with a savings of more than $900 per action taken."

Razi says that beginning in 2018, "Many of our employees will be eligible for an enhanced advocacy program called Health Advocacy Solutions. This program expands beyond benefits advice to include an option to get a second surgical opinion and expert medical advice. Our employees will be able to work with a personal Health Advocate to help them manage all aspects of their health care. Employees can talk to a clinician about specific health questions and concerns, shop to find a provider or service and get cost estimates before receiving care."

Investing in Wellness Programs

Promoting wellness in the workplace is the key to promoting healthy lifestyles, but it's clear that not all wellness programs improve health or save money. Considerable thought and effort must go into designing, implementing, and monitoring wellness programs to ensure that they are effective. Razi at Health Care Services Corporation emphasizes that workplace wellness is important to promote a culture of wellness as an employer: "Across the company, we offer our employees wellness programs and benefits that help them stay engaged and energized throughout the day and are also making changes to our work environment to suit individual physical needs."

Health Care Services Corporation created the "Hope Award" in 2012 to recognize employees across their member care offices who demonstrate a commitment to their health by providing a thriving wellness environment. These offices share their wellness ideas and accomplishments and receive money to implement them. Razi says, "Examples of past winning ideas include taking an unused room to create a social activity space, creating a physical challenge where teams combined a community event with physical well-being activities, and developing an office walking program to help reduce stress." Razi explains how her company creates a culture of wellness by giving employees a workspace that is conducive to a healthy lifestyle: "In our headquarters buildings, we provide access to on-site fitness centers that are designed to give employees space to focus on their physical wellness. In our non-headquarters buildings, we work with external partners to offer discounted memberships to local fitness centers. On some floors, we even have distance marks to let employees track how far/much they walk."

In many of their facilities, they are also creating working environments that let employees choose where they want to work depending on how they feel and what their task is. Razi says, "We offer focus rooms for one to two people where employees can have a dedicated, quiet workspace. More collaborative workspaces have a variety of furniture options including soft furniture, standing desks and more active seating. We've piloted a program to bring more standing desks into our work environments, and as a result, any new workspace builds will include standing desks to provide more mobility throughout the day. We've also been deliberate about creating more options for natural light by adding glass walls to interior offices and conference rooms and, where possible, we've added windows in the building exterior walls. Focus groups and surveys of our employees tell us that they have more sustained energy throughout the day and at the end of the day with additional natural light."

And when it comes time for a meal or a snack, Health Care Services Corporation aims to offer healthier food options. Razi explains: "In our larger offices, we have updated our cafeteria menus to be more health-conscious and added fresher, more nutritious choices to our vending machines. In some of our offices, we offer enhanced, healthy food markets or cafés that are similar to a coffee shop environment. These are a destination for employees to get a healthy snack and recharge in a relaxing environment that incorporates soft furniture, wood on the walls and imagery of outdoor scenes."

Robert Foley, Director of Employee Benefits at Mutual of Omaha, uses a targeted approach to wellness. He says, "If you increase your spending on wellness for people who have no claims, you make no difference on the high cost claims. If you want to deal with health care expenses, you have to focus on the population incurring the bulk of the costs." Corporate wellness programs do not only aim to reduce costs in the long-run, but also provide return on investment in more intangible ways. ROI can come in the form of encouraging healthy eating habits and

mobility in the office. Wellness programs can engage employees to take charge of their physical and mental health, which in turn, makes for more productive employees. As one CHRO puts it, "In 2018, we will be introducing an updated wellness program that addresses physical, mental, and financial health as opposed to more traditional biometrically driven wellness incentive programs."

Of companies with wellness programs, 88% rate their initiatives as somewhat or very effective in improving employee health.[3] Anne Hill, Senior VP and CHRO at Avery Dennison Corporation, says that her company advocates for innovative and holistic health management through its health and wellbeing program called Mission Possible: "This includes +70 on-the-ground 'health ninjas' [patient advocates] at our sites, quarterly contests, content and tools, all centering on taking small steps to improve one's health and wellbeing. It also includes strong decision support tools for employees to use."

Accommodating Different Populations

In the future, large employers will increasingly navigate the needs of diverse populations. Diversity extends not just to race and gender, but also to generational needs and expectations. Johnni Beckel at OhioHealth, says, "It starts with access and understanding customers. For example, if Millennials want something, they want it now. They also want access to care to be at their fingertips. They don't want to wait three weeks for an appointment and they don't want to sit in a waiting room between the hours of 9-5." Millennials, raised on technology and immediate access to information, clearly have different expectations when it comes to health care than previous generations.

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In addition to generational differences, companies must consider that different employees approach their own health in different ways. These different approaches can have profound influences on whether patients can be effective consumers, which in turn, affects health care cost and quality, within ESI and across the country.

Health status differences within employer populations affect the return individuals get on employer health care spending. Robert Foley at Mutual of Omaha explains that 20 percent of their employees incur no health care costs whatsoever. "These are people who don't even have preventive expenses or pharmaceutical expenses over a period of one year. They are mostly young people who don't go to the doctor," he explains. Beyond the "no cost" employees are the low-cost employees, and almost half of all employees at Mutual of Omaha have minimal costs. According to Foley, "Those with less than $1,000 in health expenses per year made up 48 percent of the employee population. Most are on a $1,250 deductible plan. In all, 68 percent of employees didn't need health insurance over the course of one year because their premiums were probably more than the benefit received from the plan."

Foley says that many of his peers do not consider the large number of employees who use only minimal amounts of care over the course of the year. For his part, he creates his health benefits strategy around this basic fact and tries to manage the plans to reduce the premiums. As

a result, Mutual of Omaha's premiums are 15-20 percent lower than its peers'. "While this is a cost-saving measure for the employees," he says, "it does necessitate education on the part of the employer. New employees are happy when they see the low premiums, but they must understand that if they begin to use the plan, there will be out-of-pocket expenses."

If you look at total plan costs, Foley estimates that Mutual of Omaha's out-of-pocket expenses are comparable to other employers. However, since premiums are lower, he says, "Employees with lower usages will have lower expenses. Those who use the plan will pay more, which makes sense, but this is not always in line with participant expectations. The way it works at Mutual of Omaha is the deductible is about $400 higher than other large companies. If you add up the premiums and out-of-pocket expenses, overall costs are about the same as others, but the difference lies in who is paying. Putting higher costs on those who use more services promotes consumerism and healthy behaviors, which is likely to become a more widespread approach for employers in the future." Understanding the needs and expectations of different employee populations can engage employees to become better consumers, and it can also help to manage costs.

A Hard Look at Costs

As health care costs continue to rise at a rate faster than general inflation, taking a tough look at costs will continue to be a priority for employers. Companies do not accept health care costs as they are or leave decisions on costs to the benefits departments alone. The high cost of health care means that the C-suite is and will be increasingly involved in health care decisions. This means that vendors need to prove their worth to increasingly skeptical companies. As David Stafford at Michelin put it, "Quality is of highest importance to us. Just like the tires that we produce and sell. For medical outcomes, I want to tell the medical community, 'Prove to us your quality to win our business. It's not automatic. Earn our business just like we earn business with every customer.'"

The effort to reduce costs cannot take place at the expense of quality. Employers recognize this. They seek high quality care for the good of their employees and to maintain healthy workforces, and employers are exploring different methods of getting the cost and quality improvements they are seeking. One of the newest and most promising of these approaches is the Health Transformation Alliance (HTA), a collection of over three dozen large employers who are working together to improve quality and lower costs in ESI. The HTA seeks sustainable cost savings for employers as a group, while individual employers also continue to tweak their health plans from year to year.

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Andrew Gregg, Vice President, Employee Benefits at Prudential Financial, Inc., says his company is using Cigna as its consolidated health plan vendor, and they are transitioning to consumer health plan accounts (e.g.: 70 percent enrollment in HDHPs). He mentions leveraging the HTA in the future and moving toward collective solutions in all areas, including consumer

engagement, medical networks, and prescription. His company aspires to flat trend for the next five to ten years via driving efficiencies and alignment to private payor goals.

James Jones, VP of Human Resources and Chief Ethics Officer at Emerson, says, "We have implemented two high deductible plans that provide additional ownership for one's care and expenses. Within the next five years we continue to monitor the impacts of ACA rollback and will certainly take advantage of the leverage gained by the consolidation of companies such as CVS/Aetna as I'm sure there will be some interesting business models with terrific reach across the U.S."

Riz Chand, CHRO at BNSF Railway Company, says, "We have managed to bend costs for our salaried (non-union) plan. By going to high-deductible only plan designs with HSAs in 2011 and adjusting pricing for families vs. individuals, we were able to get to a market-driven employer/employee cost share. We were also able to manage cost inflation. From 2010 to 2016, the total plan per-employee-per-year cost increase averaged four percent, and it was flat from 2013 through 2016, as we optimized our health plan carriers, leveraged coalition drug pricing and introduced various plan design changes. But, we expect to be back at market trend rates of six to eight percent this year." Mark Azzarello, VP of Global Compensation and Benefits at International Paper, says, "We started implementing CDHPs in 2005. We've negotiated preferred-provider organizations (PPOs) out of our major master labor agreements, so we're now consumer-directed across the entire enterprise. Over the last 12 years, we've been running at about four percent [cost increases] whereas the market is seven to eight percent. We've moved to a much different cost-sharing model."

Anne Hill, Senior VP and CHRO at Avery Dennison Corporation, says that her company uses prudent financial management by "leveraging the best-in-market providers, engaging in aggressive purchasing and negotiation to maximize value, and implementing sound dependent management initiatives (spouse surcharge, verification process, pricing approach)." Hill understands that good health insurance attracts employees, and says that her company's competitive benefits program "focuses on finding the balance between cost and the plan design that will be competitive within our industry and among our peer group."

Andrew Gregg at Prudential Financial, Inc. says that the best outcomes will be gained by leveraging private payors. This means having "consistency in the use of local accountable care organizations (ACOs) with agreed removal of underperforming, high cost providers." One possible solution to drive competition and manage variability in the risk pool includes "a robust individual marketplace similar to Medicare exchange." Another possible solution is "the use of flexible health reimbursement accounts (HRAs) allowing for tax favored contributions by the plan sponsor and the ability to provide different levels of funding based on employee circumstance." In this case, the employee must provide evidence to the employer of a health plan purchase. If they choose to opt out, they would get $0. Based on if the employee selects single, dual or family coverage, the employer can fund the difference amount to the HRA. Gregg offered the idea that out of the gate, the employer could choose to use the individual market or continue to use large group coverage.

Conclusion

As these insights from CHROs and their top benefit staff make clear, companies are not satisfied with the current state of health care cost and quality and want to make real changes to improve both their plans and the entire system. Making needed improvements will require more active consumer engagement, to be sure, but getting the employees involved to the degree needed will require significant effort in terms of incentives and plan design. Wellness programs and engagement efforts do not confer benefits automatically, but require serious thought in conception, implementation, and follow through. Top companies are already engaging in these efforts, and not following in their footsteps raises the prospect of being left behind.

Endnotes

Note: This paper is based on a series of interviews conducted with dozens of CHROs in 2016 and 2017. The CHROs were notified that their interviews would be included in a paper and that they would get to review their quotes before publication. Some chose to allow the quotes to run with their names and titles. Others chose to remain anonymous.

[1] Jessica C. Barnett and Edward R. Berchick, "Health Insurance Coverage in the United States: 2016," U.S. Census Bureau, Table 1, September 2017. https://www.census.gov/library/publications/2017/demo/p60-260.html
[2] Health Savings Accounts: Can They Work for Everyone? Mercer, 2017. https://www.mercer.com/content/dam/mercer/attachments/private/gl-2017-health-national-survey-infographic-series-mercer.pdf
[3] SHRM 2016 Strategic Benefits Survey—Wellness Initiatives. https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/2016-strategic-benefits%E2%80%95wellness-initiatives.aspx