Outcomes-Based Health Risk Management: More Than a Wellness Program

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Company health plan costs have been outpacing inflation, increasing over the past 10 years at an average annual rate of more than 13 percent. Contributing to the problem is the fact that a small percentage of any company’s insured population typically generates a disproportionate percentage of the organization’s healthcare costs. In fact, a review of Lockton’s InfoLock® data revealed that 77 percent of costs are generated by only 37 percent of the population.

As a result, more companies are aggressively seeking ways to control their healthcare costs. One option is an outcomes-based Lockton Health Risk Solutions® program.

What Are the Characteristics of a True Outcomes-Based Program?

Some employers lack an understanding of an outcomes-based program and believe the implementation of a wellness program should be sufficient to reduce healthcare costs. While a wellness program is an important element of any cost-reduction strategy, an organization must understand the difference and implement a true outcomes-based program, such as a Lockton Health Risk Solutions® program, to experience a bend in the cost curve.
A successful outcomes-based program includes the following characteristics:

- Alignment with the organization’s business objectives
- Buy-in from individuals at all levels of the organization, including a leadership team that supports a culture of health through carefully crafted policies and work environments
- An understanding of cost management opportunities and receptiveness to using economic motivators
- Integrated plan design for health, wellness, disability, and workers’ compensation
- Effective data integration from claims, health risk assessments, and biometric health screenings that are used to identify risks and measure progress
- Active engagement and shared financial accountability for medical expenses on the part of employer and employees

**The Importance of Measurement and Evaluation**

The only way to understand the financial and clinical effectiveness of a program is to regularly measure and evaluate its results. Therefore, an evaluation process should be established at the outset. Employers should evaluate the following:

- Participation levels
- Health risks
- Cost implications

**Assess participation levels.** Participation should be assessed as soon as possible. This measurement can be an early indicator of the effectiveness of the communication methods used to launch the program with employees. Employers who are experiencing low participation rates should investigate further to understand the root cause, whether it’s general dissatisfaction or perhaps a misunderstanding of the program elements. An anonymous survey or focus group can be an effective tool in developing this insight.

**Assess health risks.** Next, an assessment of health risks should be performed through a biometric screening. Some employers choose to host a biometric screening event at the workplace to encourage high participation levels. Key elements to be measured during a biometric screening include weight, blood pressure, cholesterol, glucose, fitness, nutrition and smoking. These indicators will provide a baseline of lifestyle-related risks. Ideally, participants should be assessed on an annual basis for these elements. When a minimum of two years of data is available, it becomes possible to begin measuring effectiveness.
Determine cost implications. The biometric elements noted previously can be tied to a population health analysis that is conducted using InfoLock® to provide employers with an understanding of cost implications related to lifestyle risk factors.

Changing Behavior to Improve Health

A true outcomes-based program will not only drive employee engagement, but it will also require employees to change their behavior to improve and maintain their health. Many factors can affect an individual’s health and well being. Although certain factors cannot be changed, such as family history and genetic risk factors, there are those key factors that are well within an individual’s power to address and improve. Getting individuals to make lifestyle changes that can lower their health risks may not be easy, however, so employers must make it clear that even modest changes can lead to some degree of meaningful improvement.

Lowering Risk for Type 2 Diabetes

Learning to make better decisions can significantly improve and even reverse the most common chronic conditions.

The most common chronic conditions, which tend to occur in a cluster, are heart disease, diabetes, high blood pressure and high cholesterol. This is a good news/bad news situation. The bad news is that these conditions are common because so many individuals make poor decisions about fitness, nutrition and other behaviors. The good news is that learning to make better decisions can significantly improve and even reverse these conditions.

A biometric screening can measure an individual’s status and risk with regard to these conditions. For example, a glucose measurement will classify an individual as having a normal glucose level, prediabetes, or established diabetes. For an individual with diabetes, the goal should be to lower the glucose level, potentially getting it back to within normal range.

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Men:

- Risk Reduction: 28%
- 4% 7% 33% 72% Lower risk

Women:

- Risk Reduction: 29%
- 4% 24% 27% 84% Lower risk

Time frame: 11 Years
Source: Annals of Internal Medicine, Sept. 6, 2011
For all of these common conditions, medical assessment and treatment may be important elements of management. However, it is clear that specific lifestyle choices can and do have an impact (see illustration on the previous page). Again, using diabetes as an example, healthy eating, physical activity, and weight loss provide a significant cumulative effect in reducing risk for both men and women.

**Measuring Nutrition and Exercise Habits**

While it is easy to measure and track weight, body mass index (BMI), and waist circumference over time, measuring and tracking nutrition and exercise habits is not as easy. Employers typically rely on surveys to collect self-reported data. Unfortunately, self-reported data is not always accurate; experience shows that people tend to provide survey responses that show themselves in a more favorable light. Therefore, when members provide negative or less than ideal responses, employers can take it at face value because people typically do not lie to make themselves look less favorable. In contrast, any positive self-reported data should be analyzed with an understanding that it may have been overreported.

Research suggests that the key areas of lifestyle and behavior choices can be assessed effectively via standardized questions if they’re asked a certain way. To measure individuals’ health-related behaviors related to smoking, exercise, nutrition and alcohol consumption, consider asking the questions shown in the table below.

### How to Measure Nutrition and Exercise Habits

<table>
<thead>
<tr>
<th>Smoking Abstinence</th>
<th>Criterion for “no use of tobacco” is met if response is “not currently a smoker.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q: Do you smoke cigarettes?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adequate Physical Activity</th>
<th>Criterion is met if the combination of vigorous and moderate physical activity totals 30 minutes or more on four or more days per week.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q: How many days in a usual week do you engage in vigorous and/or moderate intensity activities for at least 10 minutes?</td>
<td></td>
</tr>
<tr>
<td>Q: On the days you engage in vigorous and/or moderate intensity activities, how many minutes are you active?</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Proper Nutrition</th>
<th>Question should be accompanied by examples of a serving of fruits and vegetables.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q: How many servings of fruits and vegetables do you consume in a typical day?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alcohol Consumption</th>
<th>Criterion is met if consumption of alcoholic beverages is two or fewer drinks per day for men and one or fewer drinks per day for women.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the Alcohol Use Disorders Identification Test (AUDIT) questionnaire.</td>
<td></td>
</tr>
</tbody>
</table>
Assessing Smoking Status

Smoking status can be more formally assessed via an affidavit, which places a higher emphasis on truthful reporting. Alternatively, a cotinine test of the blood can be used to assess whether an individual is smoking. Keep in mind this blood test is not foolproof; there are ways to “beat the system.”

Measuring Cardiovascular Fitness

Physical activity helps maintain bone density and muscle tone, especially as individuals age. Plus, physical activity of at least moderate intensity helps to condition the heart and improve cardiovascular health. In addition to asking the questions related to exercise noted previously, employers can measure employees’ cardiovascular fitness using a three-minute step test.

Progress Reports Over Time

Tracking these four key parameters is sufficient to gauge the status and progress over time of a population with regard to healthy lifestyle and behavior choices. Controlling these factors can go a long way toward reducing the risk of key diseases, such as heart disease, diabetes, high cholesterol and high blood pressure. In addition, they can help reduce or improve the severity of these diseases once established.

The Challenge of ROI

Although these lifestyle factors can and should be tracked, ROI can be challenging to prove, especially in a short period of time or with small populations. Regardless, it is clear that most individuals could benefit from better lifestyle choices. Beyond financial impact, there is value in improving these statistics. An employer with a healthier employee population has the potential to experience enhanced productivity and reduced absenteeism.

“...A key component of a program is holding employees accountable for changing their behaviors.

Navigating the Compliance Landscape

A fundamental component of an outcomes-based program is holding employees accountable for changing their behaviors. Employers sometimes express concern, however, over whether it is legal to require employees to meet certain health standards to qualify for incentives (such as premium discounts) or be assessed penalties (higher premiums). Such programs are, in fact, legal if they meet specific criteria.

A program is considered a HIPAA Wellness Program if the associated reward (or penalty) is both:

- Related to a healthcare plan (premium discount or deductible waiver) AND
- Contingent upon the health plan member satisfying a standard that is related to a health factor

In addition, a program must meet these five requirements to operate within HIPAA nondiscrimination rules:

1. Beginning in 2014, the reward or penalty may not exceed 30 percent of the total cost of the employee’s coverage. Federal agencies have proposed a 50 percent threshold for tobacco use. (For additional information on requirements, please contact your Lockton account team for a copy of Employer’s Guide to Wellness Programs.)
2. The program must be reasonably designed to promote good health.
3. Individuals who cannot attain the plan’s desired goal (or should not try) due to a health condition must be given an alternative standard to attain the reward or avoid the penalty.

4. The plan must notify individuals about the availability of alternative standards.

5. Individuals who are eligible for the program must have the opportunity to qualify for the reward (or avoid the penalty) under the program at least once each year.

**Designing an Outcomes-Based Program**

When designing an outcomes-based program, an employer will make decisions about standards their employees must meet to qualify for incentives. Common standards are shown in the table below.

<table>
<thead>
<tr>
<th>Sample Incentive Requirements</th>
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</thead>
<tbody>
<tr>
<td><strong>Waist Circumference</strong></td>
</tr>
<tr>
<td>Women: &lt; 35 inches</td>
</tr>
<tr>
<td>Men: &lt; 40 inches</td>
</tr>
<tr>
<td><strong>Weight</strong></td>
</tr>
<tr>
<td>BMI &lt; 30</td>
</tr>
<tr>
<td><strong>Blood Pressure</strong></td>
</tr>
<tr>
<td>&lt; 130/85 mmHg</td>
</tr>
<tr>
<td><strong>Cholesterol—LDL</strong></td>
</tr>
<tr>
<td>&lt; 130 mg/dL</td>
</tr>
<tr>
<td><strong>Tobacco Use</strong></td>
</tr>
<tr>
<td>Negative</td>
</tr>
</tbody>
</table>

Health plan members who meet three of the five outcomes as measured during annual screenings receive a premium reduction in the next plan year.

**Providing Fair Alternatives**

If it is unreasonably difficult due to a medical condition for a health plan member to achieve the standards for the reward under an employer’s program, or if it is medically inadvisable for a health plan member to attempt to achieve the standards for the reward under an employer’s program, he or she may request a reasonable alternative program or measure or a medical exclusion form for his or her personal physician to complete.

**Addressing Employee Concerns**

Typical feedback suggests employees are not comfortable sharing personal health information with their employer. And in many cases, HIPAA regulations prevent sharing such information. Therefore, employers should consider using an outside vendor to administer an outcomes-based incentive program. An outside vendor can obtain the necessary data to administer the incentive and manage the appeal process on behalf of the employer while maintaining employee privacy.

“Employers should consider using a vendor to administer their incentive program.”

**Long-Term Commitment**

Although an outcomes-based program can be effective in reducing healthcare spend, it is not a quick fix. In fact, for most organizations, a Lockton Health Risk Solutions® program must be in place an average of three to five years for significant savings to become evident. During that time, employers can measure progress year over year. Analysis of the data collected annually will provide a basis for making program adjustments along the way to drive the behaviors required for eventual cost reduction.

During those three to five years, a Lockton Health Risk Solutions® program must drive high levels of employee engagement, and those engaged employees must make specific changes in their behavior for the program to be effective. Financial incentives and disincentives both seem to be effective motivators for employees who need to make lifestyle changes to improve their health. However, for those changes to be sustained over time, an organization must also undergo culture changes.
Managing Culture Change

An outcomes-based program spells major culture change for many organizations, and such change does not happen overnight. Employers may face some resistance from employees when introducing an outcomes-based health and wellness program. Employee attitudes and expectations often take the following forms:

- Co-pay mentality
- Fear of having to pay more for healthcare
- Feeling of entitlement
- Lack of awareness that the employer has been absorbing increased healthcare costs
- Concern about their employer potentially having access to their personal information

Understanding these dynamics and designing communications around them can allay concerns and encourage employee acceptance and engagement. To ensure success, most organizations will benefit from a phased approach to building a new culture of health. An example of such an approach is described to the right.

Phase 1: Build Awareness

- Communicate early and often to employees about upcoming changes and demonstrate leadership buy-in.
- Offer a small premium discount to employees who complete a health risk assessment.
- Promote preventive tests and care.
- Offer an educational series that is focused on healthy behaviors.

Phase 2: Offer Rewards

Offer gift cards to employees for a variety of healthy activities, such as:

- Flu shot
- Preventive exam
- Cancer screening
- Wellness class attendance
- Personal coaching for lifestyle changes
- Athletic event participation
Phase 3: Require Responsibility.

Implement both “carrots” and “sticks” to drive desired behaviors:

- Employees are awarded points for healthy behaviors
  - Positive biometric outcomes
  - Care management of chronic conditions
  - Participation in disease management programs
  - Participation in athletic events
- Employees with enough points earn discounts on their premiums.
- Employees who do not engage are charged significantly more for premiums.

“Over time, employees who engage in a healthy lifestyle will no longer subsidize those employees who choose not to be engaged.”

A phased approach like this gives employees time to adapt to the new expectations for a healthy lifestyle. Over time, the result will be that employees who engage in a healthy lifestyle will no longer subsidize those employees who choose not to be engaged.

Summary

An employer’s best opportunity to create a healthier employee population while reducing healthcare costs is through a true outcomes-based Lockton Health Risk Solutions® program. An effective program will use a strategic combination of incentives and disincentives, along with careful data analysis, to hold employees accountable for their own health. Over time, as costs are decreased, healthy employees will no longer subsidize the healthcare costs of their colleagues who continue with unhealthy habits.

Sources

1. The Kaiser Family Foundation and Health Research and Education Trust 2011 annual national survey of non-federal private and public employers with three or more workers.

2. Annals of Internal Medicine, Sept. 6, 2011.