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Educating employees may yield cost savings

By JOANNE WOJCIK

It may be possible to curb the rate of increase in health benefit costs through education alone, without making radical plan design changes, some benefit experts say.

In fact, early results of the effectiveness of consumer-driven health plans shows that employees who are more knowledgeable about health care do make better purchasing decisions, such as reducing unnecessary care and increasing self-care to prevent major illness.

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*David A. Kindig
University of Wisconsin*

Unfortunately, few, if any, employers have stressed consumer education without attaching it to high-deductible plans in which employees shoulder more of the cost burden, so there is no real data to support this premise, benefit experts say.

The theory that there may be opportunities for significant cost savings through education alone is supported by a recent report by the Institute of Medicine that says the lack of understanding of basic health information adds billions to the nation's health



care tab.

"The public's ability to understand and make informed decisions about their health is a frequently ignored problem that can have a profound impact on individuals' health and the health care system," said David A. Kindig, professor emeritus of population health sciences at the University of Wisconsin in Madison, who served on the committee that drafted the IOM report.

"Most professionals and policymakers have little understanding of the extent and

effects of this problem," Mr. Kindig said in a statement early last month announcing the findings.

The Washington-based IOM estimates that nearly half of all American adults—90 million people—are "health illiterate," which is defined as the degree to which individuals can obtain, process and understand basic information and services to make appropriate decisions regarding care.

"There is a lot of opportunity to cut costs through education and communication," said Valerie

Wedan, national health care communication champion at Watson Wyatt Worldwide Inc. in Minneapolis.

"There aren't that many examples of where employers have just relied on education alone. There are always multiple factors. But it certainly can have an impact," she said.

Ms. Wedan is working with one employer—Morristown, N.J.-based Honeywell International Inc.—in one such endeavor (see story, page T15).

"Instead of throwing out the plan design, they're throwing out this top-down approach (created by managed care) and empowering their employees to take control" because "ultimately, it's the consumer that's going to change the system," Ms. Wedan said.

For example, "there's a really high percentage of surgeries that if people knew that they would have an equally good outcome by doing something other than surgery, like exercise or diet, they would choose that. And that's almost always less costly than surgery," she said.

Furthermore, "if you educate your employees about hospital quality, and you get them to steer clear of the hospitals that are not using electronic prescription drug processing or that are not adequately staffed in the ICU, that again is going to help your costs," she added.

Communicate costs

Sometimes just being upfront with employees about health care costs can have a significant impact.

Kathy Durbin, director of benefits at H.E. Butt Grocery Co. in San Antonio, a closely held retail grocery company, tried this candid approach when HEB tweaked its health plan to pass on more of the cost to employees.

Not only did HEB provide information on the amount it contributes to health care benefits compared with the amount contributed by employees, it also explained how the cost of employee health care compares to that of opening new stores.

For example, the company's benefit communication message said that HEB spent as much on health care benefits in 2003 as it would cost to build and open 12 to 15 new stores. As a result of this communication effort, HEB expects only single-digit health care cost increases for 2004, Ms. Durbin said.

Lee Kidd, vp-benefits at Saks Inc. in Birmingham, Ala., took what he called a "shock and awe approach," publishing a front-page article in the company newspaper. The article was written by communications staff, not the benefits department, to put the message in layman's terms.

Saks also developed an "annual report" of its health care benefit plan and went so far as to tell all employees during open enrollment how much they would pay for COBRA should they leave the company, rather than waiting until that time.

Mr. Kidd said the communications initiative kept Saks' 2003 claims trend to 5.2%, and, at the same time, wellness utilization increased to 66% from 54% in 2002. There was also a shift away from the use of brand-name drugs toward generics.

Saks also offers its employees an online tool for deciding which medical plan option suits them best, an online wellness tool that offers customized information and a resource for obtaining evidence-based clinical information to help employees prevent adverse clinical events and thereby reduce health care costs.

"Consumers don't necessarily know that there is a problem with rising health care costs. They see the increases annually in their premium, but they don't really tie that with the



Simply educating employees about the cost of health care benefits can help employers produce savings without necessarily changing benefit plan designs, some experts suggest.

fact that there is a problem in the industry. And then, if they do understand there is a problem, they may not believe that they can do anything to help, that their saving \$20 on a prescription will actually add up to any savings for the company and help reduce an increase that might potentially come the following year," said Cindy Donohoe, vp-marketing and product development at Great-West Healthcare, a division of Great-West Life & Annuity Insurance Co. in Greenwood Village, Colo.

Recognizing that education can reduce health care spending, Great-West Healthcare this month (May) is launching an initiative it calls "Driver's Ed."

"You wouldn't think of putting your 16-year-old in the car without putting them in a driver's ed class. But by starting with plan design (changes), we've effectively put members in the car without giving them any education on how to be a savvy consumer," Ms. Donohoe explained.

The program provides posters, payroll stuffers, direct-mail postcards, prewritten e-mail and newsletter content that can be put in company publications or posted on their intranet sites with key messages that build throughout the year addressing the problem, telling employees that they can help solve the problem and then giving them the tools and advice on how to be more savvy consumers.

Since the high cost of pre-

scription drugs is perhaps one of the easiest messages to convey, Great-West Healthcare provides its plan members access to a Web site that provides cost comparisons of brand-name and generic drugs, as well as lower-cost alternatives.

To educate employees about hospital quality, Great-West Healthcare uses an online tool called "Care Compare," which compares hospital morbidity rates and outcomes for specific services, organized by ZIP code.

"If you actually look at those that have better quality, usually they have lower costs. The outcomes are improved; there isn't more work happening after the fact. There aren't negative consequences that then need to be treated and then get escalated in terms of costs," Ms. Donohoe said.

Highlight value

In some cases, employers can reduce the overall cost of health care by sharing with employees information about the discounts health plans have with providers, according to Jack Bruner, a national health care practice leader at Hewitt Associates Inc. in Lincolnshire, Ill. Hewitt has culled this information to share with its clients.

"Health care in the U.S. is a very chaotic, disorganized industry. And in the same way that you can use arbitrage to improve investment performance, if you have the actual data that shows which plans offer the best value

in which locations, or the actual gain that you'll have for a given group of people if they switch from a PPO to an HMO in an environment like California, you can not only as a company choose to put the most efficient plans on the menu, you can structure a choice for employees so that they can choose between those plans and share in the savings if they choose the plan that has negotiated the better deals," Mr. Bruner explained.

When Hewitt did this analysis for Florida Power & Light, it found that the preferred provider organization the utility company offered its employees did not have discounts that were very competitive. But the point-of-service plan offered by the same insurer, which had virtually the same providers, had discounts that were about 20% better.

"So we were able to help Florida Power & Light explain this to their employees and offer the employees the chance to have a lower premium by agreeing to switch to the POS network," he said.

"It's a huge win for employees, in addition to the employer, unlike cost shifting, because it's reducing the total cost that you pay for the same care," he said.

Education can also be a tool to help ease employees into consumer-directed health plans, much the way POS plans were used to transition people into managed care in the 1980s, some health benefit experts suggest.

"One of the reasons we like education is that not all companies are ready to move into a consumer-driven plan design yet. They're thinking about it, HR administrators are getting some pressure from their CEOs, their CFOs, because they read about it and say, 'Why aren't we doing this yet?' It does in some cases represent a fairly dramatic plan design change, and their employees aren't quite ready for that," said Ms. Donohoe of Great-West Healthcare.

"So we see education as one of the first steps you can take to prepare them, and then you can start to move into some modest plan design changes over time to get to the next level," she said.