

Consumer Driven Healthcare

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NC furniture maker saves money, changes behavior with consumer driven PPO

Huntington House Furniture in Hickory, NC, manufactures hand-crafted home furnishings. Many of its approximately 165 employees work in the plant and don't have Internet access at home or at work. It's not your typical audience for a consumer-directed plan, but after only two years, more than 30% of those covered by the company's health plan have opted for the Great-West Consumer Advantage option over the traditional PPO, and **Johnny Slagle**, the company controller, expects that to increase.

Among the most significant results:

- During the past two years, the company's claims costs have increased by only three percent and zero percent, respectively.
- By implementing higher copays for brand name than for generic drugs, Huntington House lowered its prescription drug expenses by five percent and increased generic drug use by 30%.
- In the last year, paid claims have dropped 25%.

Making the move

Huntington House already had a 401(k) with Great-West, so turning to the company for health coverage made sense. Slagle appreciated the online administrative tools and liked the fact that Great-West was its own re-insurer, so there was no third party to worry about. (Huntington House is self-funded, and Great-West specializes in self-funded health plans.)

The move to a consumer driven model addressed several of the company's goals:

- It needed to cut health care costs -- the previous plan's renewal rates were just too high.
- It needed a rich enough benefits package to attract and retain its skilled furniture crafters.
- It wanted to cultivate a corporate culture that encouraged healthy lifestyles.

The Consumer Advantage program was a good fit, meeting these goals and providing what Slagle calls a "good first step" toward turning employees into savvy health consumers. It was also a plan design more familiar to Huntington House's employees: It's

not a conventional CDHP; rather, it's a tiered PPO, structured as follows:

- The highest level of coverage -- Tier I -- is for office visits and preventive care; it's covered 100% after the co-pay.
- The second-highest coverage level, Tier II, is for medically complex or catastrophic services, including inpatient care. That's covered from 70%-90%, depending on the plan design.
- Tier III is covered at 50%-70%. It includes routine outpatient or diagnostic services -- where the consumer has the most control, more choices and more time. In this tier, employees are encouraged to investigate costs and quality, plan ahead for treatment and even consider alternatives. (For instance, rather than elect knee surgery, a member might want to try physical therapy first.) It's designed to encourage employees to ask the right questions about cost and coverage, explains **Marc Ver Straate**, director of CDHC product strategy at Great-West Healthcare.

The theory behind the plan design is that by distinguishing among preventive, catastrophic or acute care, and routine or scheduled services, responsibility for health choices is shifted to the members. At the same time, it lets employees know they will be taken care of when a choice really doesn't exist.

Employers have the option of adding an account, and Slagle recently added an FSA option; it's too soon, however, to gauge its success, he says.

Employee interest growing

Using a PPO-based CDHP seems to have made it easier for Huntington House employees to make the transition to consumerism. When first offered in 2004, only about 10% signed up for the Consumer Advantage plan. That leapt to 33% this year thanks to positive word of mouth, Slagle reports. Some employees, of course, will never change, but they still have the option of a traditional PPO. The Consumer Advantage plan has been most popular with newer hires, he says.

Getting buy-in wasn't that difficult. During open

enrollment, the company held group meetings that included representatives from Great-West. In addition, Great-West provided informative material (hard copy and online) to help explain how the plan works.

The most important selling point, Slagle says, was cost. Showing employees how they could save money piqued their interest. Ver Straate agrees, stressing the value of showing employees how to use the CDHP approach to “reduce the stress on their own pocket books.”

Wellness and corporate culture

Slagle speaks passionately about wanting the company to support healthy lifestyles. For him, consumer driven health is about more than plan design; it's about lifestyle change. Accordingly, he appreciates having access to various wellness programs for his employees.

To demonstrate its commitment, Huntington House opens its wellness programs to all employees, regardless of whether they are signed up for the company's health coverage. Spouses and other family members are also encouraged to participate. One of the messages Slagle is trying to drive home is that Huntington House wants healthy employees not only for the bottom line, but because it cares about them as individuals.

He also wants to stress that *everyone* can do something to improve their health, even those who already consider themselves healthy. It's part of the new health care paradigm, he maintains: “You have to try to get the sick people to the doctor, and you have to keep your healthy people healthy.”

Overcoming challenges

While Slagle is enthusiastic about the various wellness programs available, he's struggling with adoption: Only a handful of employees have signed up. The reason? The programs are online, and many of his employees don't have online access, either at work or at home. (There is a paper version, but it's cumbersome to use, he says.)

Slagle's solution is to encourage employees to become computer literate. Huntington House has started providing computer stations for its employees. They can go online, manage their account, compare prices, and participate in wellness or other programs. The response has been good, but not as strong as Slagle would like; he recognizes such a dramatic change can take time, however.

Perhaps the biggest challenge in this arena is trust. Some employees are skeptical about certain aspects of the consumerist tools. For instance, some fear if they complete a health risk assessment honestly, the company will know they have a certain condition and perhaps fire them.

Trust issues can't be ignored. Especially for populations not comfortable with the Internet, there may be hesitancy about revealing personal health information. Slagle has found education goes a long way in explain-

ing to employees what's involved, what's confidential, and how the information will be used -- and not used.

Another challenge is one many employers face: overcoming the entitlement mentality. There's still a strong sentiment among employees that “you owe us a decent plan,” says Slagle. It's been disappointing to see this attitude assert itself, but Huntington House's plan is rich enough that employees generally aren't disgruntled. In fact, they are coming to understand that active participation can mean more money in their pockets.

A coordinated effort

Huntington House is a small organization and so relies on Great-West to help during open enrollment and with plan promotion throughout the year.

A Great-West representative attends open enrollment meetings, outlines the plan and answers employee questions. In addition, says Ver Straate, there's a dedicated team and account manager available at Huntington House's “beck and call.”

Great-West also provides a variety of educational materials, dubbed Driver's Education, that employers use to help educate and motivate employees. The materials include online health- and plan-management options focusing on helping employees become more engaged, including hospital information, a treatment-cost estimator, and a drug-comparison tool. Great-West also provides disease management and nurse support services.

Lessons learned

Huntington House's experience with a CDHP holds lessons for other employers and plans, especially those with a similar employee population:

- **Providing employees with the tools they need is essential.** In Huntington House's case, that means providing computer access for its workers and helping them learn how to use them.
- **Word of mouth can influence adoption in subsequent years.**
- **Education and communication are critical at open enrollment and beyond.**
- **Trust is critical.** Lack of trust can significantly inhibit participation in wellness programs, completion of health risk assessments, etc.
- **Money talks.** Employees will respond positively if you can show them a better way that will save money.
- **Online tools matter.** For Slagle, it was important to have a plan that offers decision-support and other tools for employees as well as administrative tools and support for the employer.

Despite the challenges, Slagle remains committed to consumer driven health care, and he believes the company's extra efforts have been worthwhile. “It's really paid off for us.”

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