The 7 Biggest Health Benefit Mistakes

How to Turn Benefits Into Profits

A Special White Paper by Scott Foster, President, Wellco

"Nothing endures but change."
Heraclitus (480-540 BC)

Can you afford continued double-digit health care cost increases? Are you prepared for a major change in the way health benefits are delivered? Employers are already shifting costs to employees to cut monthly company premiums. However, such cost shifting without regard to the underlying conditions behind the cost is ignoring the real problem of the demand for health care and is compromising employee retention.

Here are the 7 biggest mistakes my clients are making at the beginning of our coaching sessions. By the time we're through, they've learned how to avoid them.

Poor Communication.

Health benefits are constantly changing and costs are increasing to the employee through higher premiums and co-pays. It is more important than ever to frequently communicate your health care strategy. Otherwise, employees will perceive changes as more bad news from their employer. To prepare for change, identify how rising costs impact your company and inform each employee of the true cost of his or her health benefits to help them to become more effective health care consumers. Then, credibly convince those skeptical employees that your business truly is threatened by rising health care costs. Employees who understand the impact on the business are more likely to understand how their benefits can be affected. Also, they will realize that their employer cannot absorb the added costs alone. When communicated effectively, your employees will be open to change if they believe it's in their interest and that they are valued stakeholders in your organization. Try to communicate monthly with health and benefit updates.

Understand that correcting the following 7 mistakes can take 1-3 years, depending on your current status, resources and expertise.

Disconnect Between Benefit and Executive Departments.

Health care costs are likely the second greatest expense to your company (following wages). Gone should be the days that employee benefits are the "cost of doing business" or fringe benefits. Medical costs can consume up to half of corporate profits and have little hope of improvement without comprehensive intervention. However, most benefit departments are not aligned with business operations. Start by identifying operational and profitability measures. Then, link the measures to your employee health plan. Next, determine the operational ratios that can be evaluated for success (e.g., improved absenteeism, productivity, costs, etc.) Finally, find an executive champion to participate in a pilot program that integrates benefit and wellness programs.

Unqualified or Unhelpful Benefit Administrator.

Retain a qualified benefits administrator or consultant to review your plan and discuss options. The best benefit administrators form a partnership with your organization to help reduce costs and communicate changes, not just lip service. Also, they keep up on the legislative intricacies of benefit plans, including IRS designations and HIPAA requirements (Health Insurance Portability and Accountability Act of 1996). Find out what cost-saving benefit changes can be implemented. Evaluate your benefit plan with your consultant annually. A good consultant will offer options, strategies and helpful advice.

Outdated Prescription Drug Plan.

Ask your benefit administrator to provide different prescription plan options. Your employees should have a financial incentive to choose generic and preferred over brand name drugs. Some effective plans require the employee to pay a percentage of the total cost (e.g., 25%). Another involves different pricing options (or “tiers”) for generic, preferred brand and non-preferred brand drugs. A 3-tiered plan is the best option for many organizations. You should be on the lookout for possible exceptions to your drug coverage regarding formulary coverage and exclusions.

Lack of Medical Data.

If your plan covers more than 100 employees, you should request and receive medical claims and utilization data specific to your organization. If not, you should still be able to review specific trends or other information regarding factors influencing your workforce’s health and the cost of your healthcare (e.g., top avoidable conditions, top prescriptions, associated costs). Determine and track your total healthcare payments each year. Evaluate your benefit administrator’s willingness and capability to provide helpful data. The information should identify avoidable costs, reduce claims and control future premiums based upon results. This important step can help you decide whether you should consider changing benefit administrators. Retain a qualified claims analyst and/or wellness consultant to make sense of your medical claims data and integrate it into your wellness program.

Wimpy Employee Wellness Program.

So you have a wellness program? Big deal. So do about 80% of your competitors. Theirs probably isn’t working effectively either. Is your wellness or health promotion program scattered over several departments? Are your program goals unified with your corporate objectives and demonstrating quantifiable improvement in your health culture, risks and costs? Probably not. It’s time to step away from community-based and toward evidenced-based wellness programs. The best wellness programs are comprehensive in scope and budget. How much are you currently spending for healthcare and prescription coverage? How much can you expect that to increase if you do little or nothing? Project at least 11%. Get the picture? Your comprehensive program should be integrated into a seamless risk reduction program based upon medical data and operational objectives. The program should reach 100% of your population with expert preventive health information. The remaining population should be targeted based upon their readiness for change. Each participant should be identified with an overall risk category (“triage”) and each category targeted with risk reduction programs. The best wellness programs have superior data capabilities. Data management should be used to follow-up with each participant. Outcomes should be measured, tracked and integrated with medical claims. Criteria and employees should be identified for financial incentives. Although wellness program return on investment (ROI) has been strongly documented in the literature, most organizations are not capable of the comprehensiveness, individual attention and follow-up needed for such an effective program. Retain a qualified wellness consultant to take your program to the next level. The best wellness consultant will develop a plan based upon your specific situation to improve risks and costs to your organization. If you are working with a wellness vendor, he or she must measure, track, target and personally contact employees based upon many specified criteria.

Lack of Employee Accountability.

Healthier employees have lower medical costs throughout their entire lifespan. However, your employees are likely shielded from the true cost of care with your current managed care or other health plan. In best practice scenarios, employers and employees are partnering as stakeholders to control costs and reduce the demand for expensive care through consumer driven health care (CDHC). CDHC is the latest, and one of the most promising ways to control costs. The employee ("consumer") is placed in charge of healthcare decisions through an increased deductible. The employee will then be more likely to make financially smart decisions, such as choosing a generic medication or avoiding an unnecessary emergency room visit. An effective partnership includes the employer sharing information about rising costs with employees to help them become more informed consumers. When employees begin to understand that rising costs affect their own budgets they will be open to allowing their employer to help. The best CDHC plans incorporate a higher deductible health plan, a tax-favored health savings account (HSA) and a bridge or gap between the HSA amount and the deductible. The gap should be reimbursed from the employer based upon wellness program data.

In summary, the future of successful healthcare requires integration of health benefit plans, employee health measurements, wellness programs and communication. Winning programs need extensive knowledge of employee benefits, medical data and wellness program design. Accomplished integration will result in quantifiable outcomes, ROI and continued success.

Avoiding *The 7 Biggest Health Benefit Mistakes* will help steer your changes toward success.

About Scott Foster and Wellco

Scott Foster is President of Wellco. Wellco works with organizations who want to measurably improve health costs and conditions. Wellco specializes in health ROI systems, health risk appraisals, corporate wellness programs, speaking, and consulting. Wellco is the developer of the award winning HealthHammer™, the first and only Zero Trend Appraisal® system. Scott has generated millions of dollars in cost savings for organizations and is a highly popular speaker and consultant. Scott works with Fortune 500 companies to small businesses, including Home Depot, MetLife, SBC, and 3M. Scott is a consultant for the Michigan Department of Health, Chairperson of the Michigan Cardiovascular Business Alliance, a featured writer and columnist for publications such as "Health Michigan" and an Executive Committee Chairperson of the Oakland County Wellness Coalition (a strategic alliance of prestigious organizations such as Automation Alley and 28 Chambers of Commerce). Scott is the facilitator of wellnessroi.com, a resource that provides interviews and commentary from the nation's wellness superstars. Often featured as a media expert, he is certified as a Health Promotion Director by the world-renowned Cooper Clinic in Dallas, and he was awarded a Lipid Clinic facilitation certificate by Chicago's Midwest Lipid Clinic. Scott has previously served as a hospital administrator and clinician. For more information, visit www.wellcocorp.com or call toll-free (866) 636-WELL (9355).

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