Texas and Dallas-Fort Worth Business Groups on Health
Survey of Texas Employers' Key Benefits Challenges in 2014

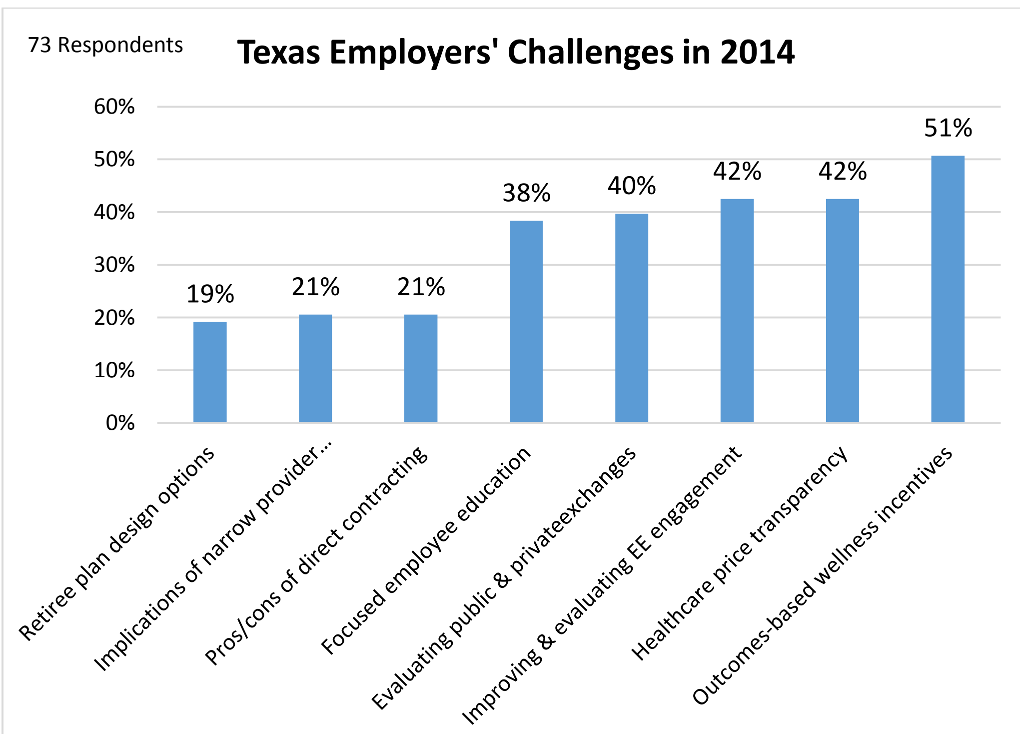
Executive Summary

Texas Business Group on Health (TBGH) and Dallas-Fort Worth Business Group on Health (DFWBGH) recently surveyed Texas employers on what they consider are their top three challenges in 2014.

<u>Five major challenges and concerns emerged</u>:

- More than half mentioned the challenge of creating outcomes-based wellness incentives, meaning they would like to reward measurable health improvements rather than participation in wellness activities.
- About 42 percent identified lack of healthcare price transparency.
- The same percentage (42%) said they wanted to improve employee engagement in their health and wellness.
- Forty percent said evaluating the impact and opportunities afforded by private exchanges and the insurance marketplace created by the Affordable Care Act.
- About 38 percent named focused employee education on personal health improvement and becoming savvier healthcare consumers.

The survey was sent to 342 large and mid-size Texas employers in February 2014. Responses were received from 73 employers located in major metropolitan areas across the state, including Austin, College Station, Dallas-Fort Worth, Houston, Odessa, and San Antonio. The average size of participating companies was 8,200 full-time and 3,800 part-time employees.



Outcomes-Based Wellness Incentives

Employers are investing heavily in employee health improvement and wellness programs, but it's no longer enough to measure success by participation rates. A re-invigorated focus on measureable improvements and positive health outcomes seems to be driving Texas employers' incentives strategies this year, as the survey results suggest.

According to a 2013 survey by Fidelity Investments and the National Business Group on Health, employers planned to spend an average of $521 per employee on wellness-based incentives within corporate health care programs, which was double the per employee average of $260 reported in 2009.

However, the financial and health improvement of wellness programs has yet to be proven. Billions are being spent on faith.

The RAND Corporation released an extensive study in 2012 on wellness programs commissioned by the U.S. Department of Health and Human Services. It reviewed wellness programs at more than 600 employers and medical claims from the Care Continuum Alliance, which is a trade association for the health and wellness industry. Researchers compared the results of program participants to nonparticipants. The results were modest, including:

- An average of only 1 pound a year of weight loss for 3 years
- No significant reductions in total cholesterol levels
- Only short-term success on smoking cessation
- A statistically insignificant reduction in cost or use of emergency departments or hospital care

While most employers believe that their programs reduce costs, only half have actually evaluated their impact financially and only 2 percent report actual savings estimates. RAND's study found cost reductions of 0.5 percent in the first year, increasing to 2.5 percent in the fourth year, but the decreases were not statistically significant. The average annual savings over five years was $157 per employee, compared with the typical program costs about $150 per employee. Essentially, it is a wash.

Few corporate benefits executives actually know whether the programs are working. Yet many clearly want to move beyond incentives for participating in wellness activities and reward outcomes that truly improve health, productivity and lower health-care costs.

Improving and Evaluating Employee Engagement

The conundrum of how to motivate employees to improve their personal health and their healthcare decision making skills continues to challenge many Texas employers, the survey found.

According to University of Michigan researcher Dee Edington, a business with 85 to 100 percent participation will control health-care costs if 75 to 85 percent of its workforce has two or fewer health risks. To get 90 percent participation, businesses need to provide per-employee incentives of about $1,000.

Unfortunately, employees in poor condition are the least likely to manage their health. In this group, only 1 in 5 uses programs to manage chronic conditions. These people represent the biggest health-care expense. About 80 percent of a business's health-care costs is created by 10 to 20 percent of the employees.

A Midwest Business Group on Health survey of employees reflected a stunning disregard for personal health. Nearly 9 out of 10 lacked an understanding of the value of preventive services and more than half said they have "no motivation to stay healthy."

The availability of employer-sponsored insurance does not mean employees will take advantage of preventive services, even when they are free. In a federal government survey of 160,000 working adults, 3 out of 4 did not get an influenza vaccination. About half had not been screened for colon cancer.

According to a recent Hewitt Associates survey, about 7 percent of employees used nurse help lines, and less than 5 percent of those eligible for smoking-cessation and weight-management programs used them.

In focus groups, employees say they lack the confidence to make health changes, and need support and tools to get started. They are increasingly reliant on their companies to provide information about quality of health plans and how to improve their health.

Chris Nicholson, chief operating officer of Humana Wellness, said at the 2013 TBGH/DFWBGH Annual Benefits and Wellness Forum that the key to lower direct and indirect health-care costs is active employee engagement in—not simply signing up for—wellness activities. Humana's research shows that the most-active participants in its Humana Vitality program had 30 percent lower indirect medical costs.

Employers were urged to tap into each employee's "moment of influence" to help them improve their health when they are the most open to being motivated. That was defined as "delivering the right content, through the right channel at the right time to drive an immediate action."

Healthcare Price Transparency

The continued growth of employee health benefits costs remains a top concern of U.S. employers, despite the changes many employers are making to reduce costs, including empowering employees to make better informed decisions about where to go for needed healthcare services and how much these services cost. It's not surprising that the lack of price transparency emerged in TBGH's survey as one of the top challenges facing Texas employers this year.

Businesses increasingly are agitated by seemingly random price variation in the cost of medical services. As Medicare and Medicaid reimbursement continue to fall further below the cost of care, private insurers are targeted to pick up the slack. Price pressure is expected to continue for commercial payers because the Affordable Care Act will cut Medicare payments by $741 billion over the next decade, and Medicaid rates have been cut by Texas and other states, resulting in a cost shift by hospitals from government to private insurers. Medicare currently pays 86 percent and Medicaid 56 percent of a hospital's average cost of care, compared with 144 percent paid by private insurers.

Eric Bricker, MD, chief medical officer of Compass Professional Health Services in Dallas, pointed out at the TBGH/DFWBGH annual conference the seemingly arbitrary differences in prices his company has found within markets. Some examples:

- An arthroscopic knee surgery was $1,900 with an overnight hospital stay, compared with $7,000 for the same surgery at an outpatient facility in Houston.
- A procedure by the same surgeon cost $1,900 in an ambulatory surgery center and $6,600 at a hospital. The same company owned both facilities in Austin.
- The charge for an orthopedic procedure by the same surgeon cost $18,800 at Hospital A, $13,500 at Hospital B, and $7,200 at Hospital C in Austin. The hospitals were located within two miles of each other.

Transparency efforts by government largely have fallen flat. Advocacy groups Catalyst for Payment Reform and Health Care Initiatives Improvement Institute recently issued report cards based on state-specific laws on healthcare price transparency, other regulations related to price transparency and state-mandated price transparency websites. Forty-five out of 50 states (including Texas) earned an F, and no states were awarded an A. The groups said an essential tool for transparency is an all-payer claims database that collects all health insurance claims from all payers—Medicare, Medicaid, private and others—into one location.

Consultant PwC believes cost-conscious businesses will make transparency a major issue in negotiating with health plans and provider networks. The pervasiveness of open pricing in public and private health exchanges likely will accelerate the trend.

Evaluating Private and Public Exchanges

By 2017, about 1 out of 5 Americans will buy health insurance on exchanges that are not run by the government.

Private health insurance exchanges fundamentally are expected to change how insurance is purchased by the 170 million U.S. workers who have employer-sponsored insurance. Yet, more than 8 out of 10 Americans have no idea what private exchanges are or how they work, according to a survey by Accenture Research. However, once the concept was explained, 85 percent of respondents reacted positively.

Private exchanges have been used by companies for years for Medicare-eligible retirees. About 10 percent of large companies do so now, and about half are considering shifting their retirees to private exchanges in the near future. However, spreading the approach to active employees is a relatively recent phenomenon. Another emerging market for private exchanges is younger retirees under age 65 who are not eligible for Medicare or for subsidies on the public exchanges.

Many health policy analysts say the move to private exchanges will have the same impact as when companies years ago shifted employees from defined-benefit pensions to defined-contribution plans such as 401(k)s. Employers continued to shape employee investment choices and make matching contributions, but the investment risk remained with employees.

As the cost of healthcare continues to rise, the companies increasingly consider the expense unsustainable and are more likely to consider caps on employer contributions.

Employers also are weighing the impact of the health insurance marketplaces created by the Affordable Care Act (ACA). For many companies, it may be less expensive to pay the penalty than to offer health benefits.

However, the vast majority of companies do not plan to drop their health plans in the near future because these are key components in attracting and retaining talent. However, if competing firms discontinue offering health insurance benefits, it may create a domino effect within certain economic sectors.

Companies with 50 or fewer employees can generally buy health plans through special state-based Small Business Health Options Program (SHOP) exchanges. Employers will decide what level of coverage to offer and how much to contribute toward that coverage. Beginning in 2017, the ACA will allow states the flexibility to allow larger businesses to buy health insurance in the SHOP exchanges.

Focused Employee Education

Businesses would like their employees to become better informed and wiser healthcare consumers. High-deductible plans are spreading swiftly, out-of-pocket costs are increasing, and companies are attempting to teach employees that there is little or no link between the cost and the quality of a medical service or procedure.

For example, UnitedHealthcare (UHC) is launching *myEasyBook*, an online healthcare shopping service, in Dallas and two other U.S. markets in early 2014. The patient portal helps consumers find doctors, book appointments, and pay their share of the cost of the visits. Users can search by specialty, location, appointment date, and can compare in-network healthcare providers.

This type of service offered by many health plans is aimed at enrollees in high-deductible health plans tied to health savings accounts (HSA) and health reimbursement accounts (HRA). Generally, the health plan websites will calculate the cost of the appointment, out-of-pocket costs, how much the patient has spent out of their HSA or HRA, and how much of the deductible will have been met. Some businesses also are contracting with firms that provide healthcare concierge services to help employees navigate the healthcare system.

Employers also are encouraging their employees to question providers about the necessity of procedures. The ABIM Foundation's ***Choosing Wisely*** tool identifies tests and treatments that are often overused and unnecessary. More than 50 medical specialty societies have joined the *Choosing Wisely* campaign and more than 30 societies are expected to contribute lists of services by mid-2014. Each list is called "Five Things Physicians and Patients Should Question," encouraging discussion between patients and providers about the need—or lack thereof—for many frequently ordered tests or treatments.

Companies also are trying to get employees to make better decisions about their personal health. The RAND study found that lifestyle management can reduce health risks such as smoking, obesity, and lack of physical activity. The study also showed that lifestyle management can reduce absenteeism. Thus, if an employer wants to improve employee health and productivity, an evidence-based lifestyle management program can achieve this goal. However, employers seeking a healthy return on investment on their programs should target employees who already have chronic diseases.

Why This Information Is Important

Texas employers have a significant stake in attracting and retaining talented employees, and health benefits are a critical component to employees' overall compensation. The state has been a job-creating juggernaut.

Consider:

- By March 2013, the nation's 10 largest metropolitan areas had regained 98 percent of the jobs lost during the recession. However, Houston gained more than two jobs for every one lost after the stock market crash, and Dallas gained more than 1.5 jobs for every one lost.
- WalletHub, the personal finance social network, ranked the best cities to find jobs in the U.S. based on job openings, unemployment rate trend and cost of living. Four cities—Fort Worth, Arlington, Dallas and Austin—were among the top six.
- The Texas economy grew at nearly twice the U.S. rate in 2012. The state's gross domestic product increased 4.8 percent, compared with 2.5 percent for the U.S.

- Think-tank Milken Institute named the top 25 U.S. "best-performing cities," based on data from long- and short-term growth in jobs, wages, salaries, and technological output. Of those, Texas had three of the top 10, and seven of the top 25 large cities.

For these reasons among others, the benefits challenges facing Texas employers, identified by this TBGH and DFWBGH survey, are important indicators of what employers across the country are concerned about, and also what the healthcare services industry should be focusing on. Most employers that offer company-sponsored health benefits today want to continue to do so in the future. Helping employers address their major challenges is a good way to “keep them in the game”.

About the Texas Business Group on Health

The Texas Business Group on Health (TBGH), is a non-profit 501(c)(6) statewide employer-led coalition that provides education, resources and tools to help Texas employers design employee health benefits that emphasize healthcare quality, transparent pricing and accountability. TBGH also serves as the voice of Texas employers to healthcare organizations, policymakers and legislators in matters relating to health benefits and employer-sponsored healthcare.

About the Dallas-Fort Worth Business Group on Health

The Dallas-Fort Worth Business Group on Health (DFWBGH) is a 135-member regional coalition of Dallas and Fort Worth employers dedicated to improving healthcare quality, cost-effectiveness, transparency and accountability. Members include American Airlines, Bell Helicopter Textron, Brinker International, Federal Reserve Bank of Dallas, JC Penney, Neiman Marcus, Sabre Holdings, Southwest Airlines, and Texas Instruments. A member of the Texas Business Group on Health and the National Business Coalition on Health, DFWBGH’s goals are to educate and empower employers and their employees to make informed health care-related decisions and to encourage healthcare providers to continuously improve their performance.

This Report is available in electronic format for downloading at www.tbgh.org and www.dfwbgh./org.