

BEST'S REVIEW

Monthly Insurance News Magazine

Insurers • Agents & Brokers • Reinsurers

COST Cutters

As employer-provided health insurance costs keep increasing, companies and carriers find innovative ways to halt the upward trend.

by Lori Chordas

While many electronic-device prices decline and the cost of homes continues to plunge, the same can't be said about employer-provided health insurance costs.

Those costs are expected to rise by more than 10% globally this year, according to a recent Towers Watson survey.

In fact, the majority of medical insurers surveyed said they expect to see higher medical costs over the next five years.

This year, the average medical cost is expected to rise 10.5%, with respondents in Latin America and

North America projecting the largest average medical trend: 13.7% and 11.6% respectively, according to the survey. Only European respondents expect a single-digit average medical trend—9.1%—in 2011.

New medical technologies, along with the overuse of care, have a hand in spiking employer-provided health insurance costs upward. As a result, many employers are increasing employees' financial contributions to their health insurance or are cutting health coverage altogether.

But can innovation extending beyond traditional cost-shifting methods help drive down those costs?

All Is Well(ness)

"The industry is at a turning point now that information and analytic capabilities have been built

Key Points

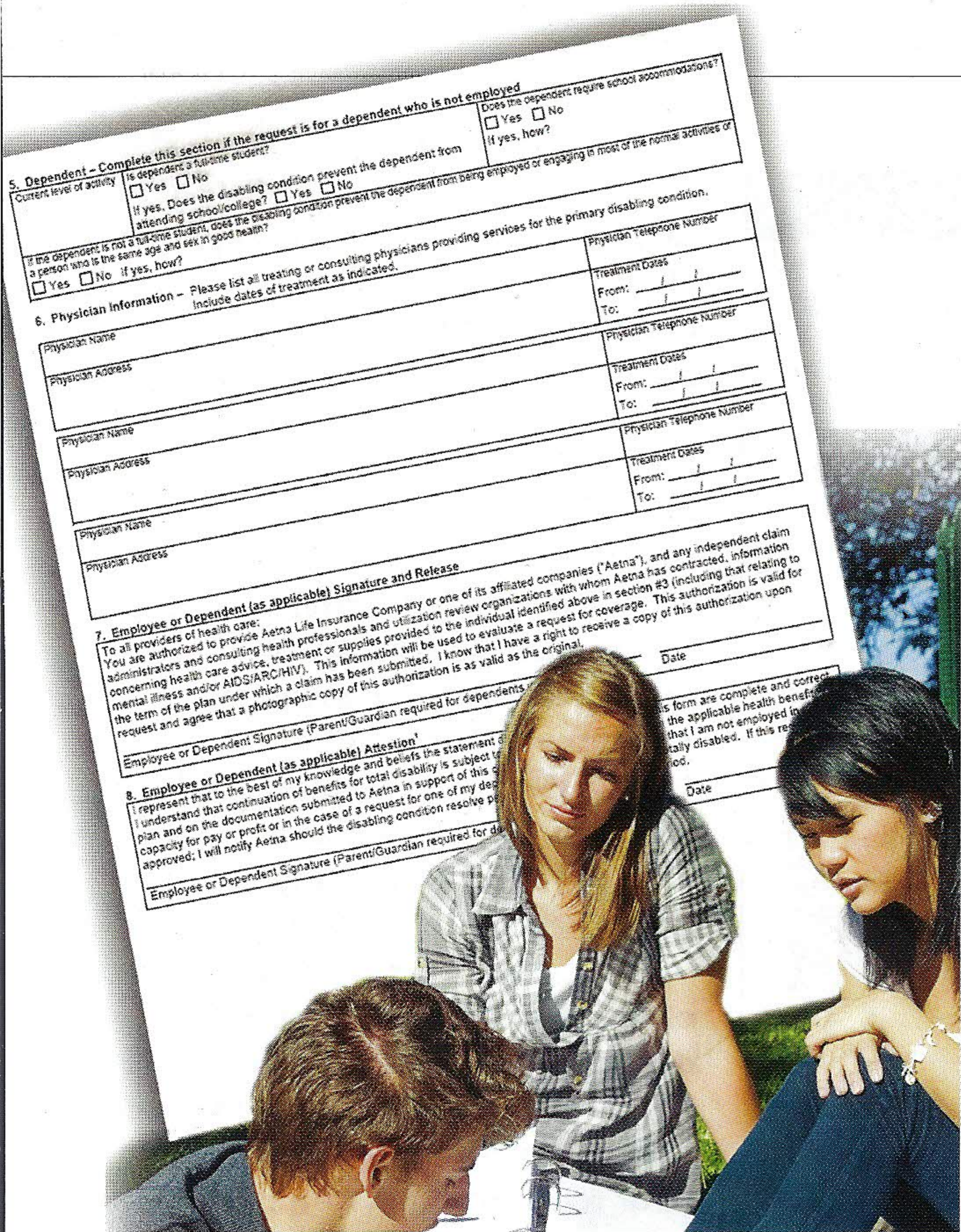
- ▶ **What Happened:** Between 2003 and 2009, employer-sponsored family health insurance costs increased more than 40%.
- ▶ **Current Trends:** Employers are using innovative approaches and cost-sharing methods to drive expenses down.
- ▶ **What's to Come:** Health reform may have some impact on these costs beginning in 2014.

out," said Maureen Sullivan, senior vice president of strategic services for the Blue Cross and Blue Shield Association.

"Blue Cross and Blue Shield Plans are becoming innovation factories through partnerships with employers, doctors and hospitals to improve the quality of health care, provide affordable coverage



Listen to an interview with Michael Smith at www.bestreview.com/audio. Digital readers: Hold cursor over icon for content.



IT'S ABOUT SAVINGS: With employer-provided health insurance costs expected to rise by more than 10% this year, many insurers and employers are turning to new programs to reduce costs. They include virtual doctors' visits; offering price comparison of health costs for consumers; and removing ineligible dependents from health plans.

Employees who complete recommended steps earn credits toward incentives offered by their employer, such as savings on monthly premiums, a deposit into a health savings account or a one-time financial payment, said Chief Medical Officer Dr. Sam Ho.

Lockton Benefit Group takes a somewhat different approach via health-risk management strategies that bring risk management principles to a health plan, said President Mike Brewer.

"In any plan, there is a group or subgroup of individuals that is less healthy than the group as a whole. It's important to identify those risks and help those individuals make better decisions about their health care to hopefully improve their health and reduce their cost of care."

Using sophisticated data analytics tools, "we identify those groups and subgroups that are at risk for obesity, smoking, diabetes," he added. "We assign them a risk score and help employers develop a strategy and contract with vendors to address the health care needs of those individuals."

The payoff? "We've seen people with double-digit trends have those trends cut in half with aggressive and robust health-risk management strategies," noted Brewer.

The majority of respondents to Towers Watson's survey said they plan to add some form of wellness feature to their health care offerings. Globally, nearly 75% offer employees lifestyle and health education programs, while 63% provide personal health assessments and 40% offer chronic condition or disease management programs.

options and help employers with at-risk members."

One growing approach to doing that for many carriers is via lifestyle and wellness programs, which not only improve employee health and productivity but also reduce absenteeism and better manage health care costs.

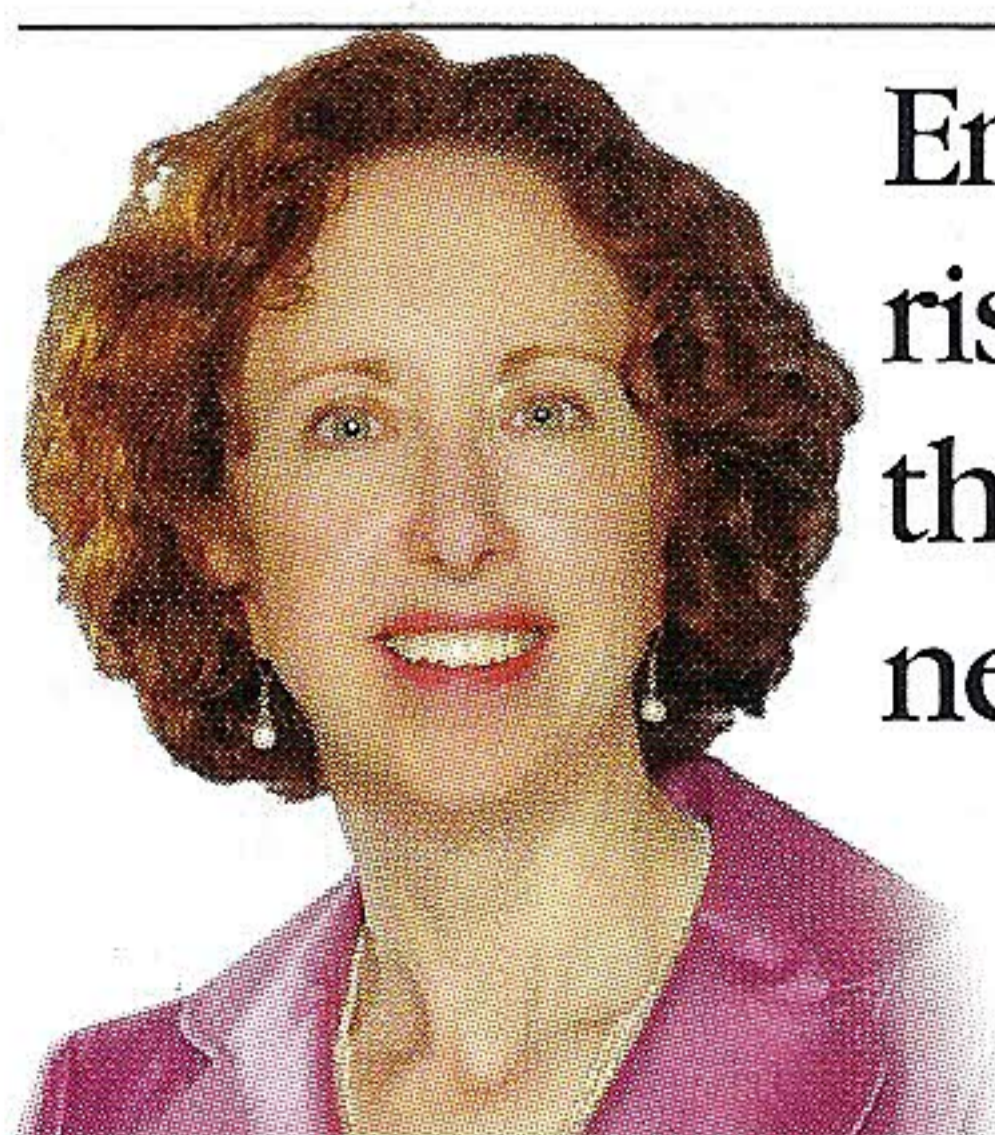
The Wellness Council of America estimates that a \$1 investment in a comprehensive wellness program saves about \$3 in health care costs.

Highmark Inc. offers a host of wellness programs to its members, such as its Lifestyle Returns incentive-based product that rewards employees for participating in healthy lifestyle initiatives and receiving preventive care. It's also built a number of local wellness centers for its employees to take advantage of cardio- and strength-training, exercise classes, nutrition counseling, stress management and seated massages.

In a newly released study, Highmark noticed substantial savings for group customers once a work site wellness program was established. The four-year study found

that when employers consistently offered a wellness program to their employees, health care costs rose at a 15% slower rate among wellness participants than a comparison group. Savings per participant was \$332, Highmark said.

UnitedHealth Group's Personal Reward program also centers on behavior change. Enrollees are rewarded for taking a more active role in improving their health and wellness. Leveraging its Consumer Activation Index, which helps identify which health conditions have the greatest impact on a population of employees and an employer's bottom line, the program provides members with personalized online scorecards that identify specific health goals based on health status, lifestyle and personal health needs.

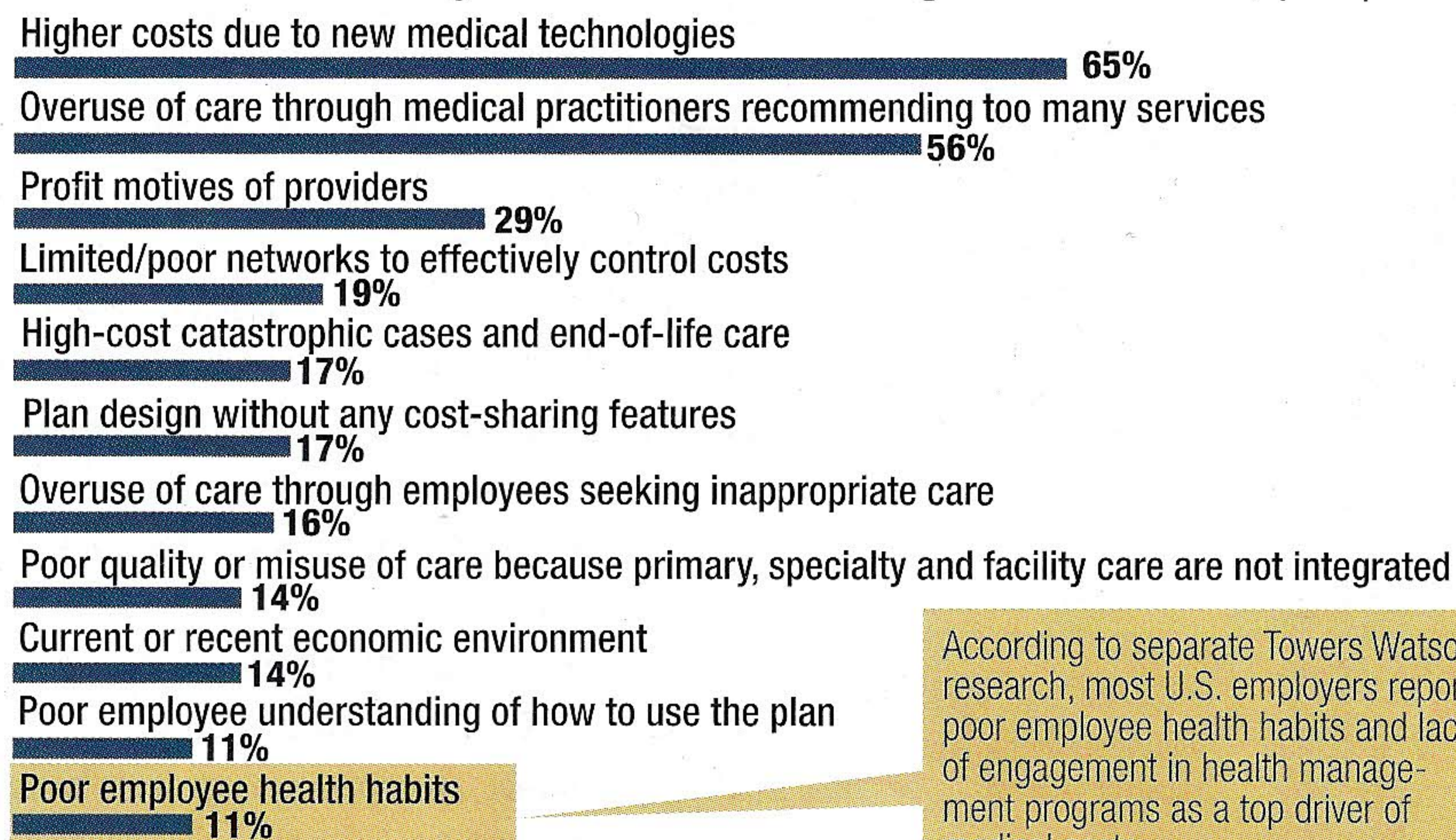


Employers and health plans have seen costs rise so quickly that there's "a sea change in the willingness to experiment and take on new approaches."

—Maureen Sullivan,
Blue Cross and Blue Shield Association

Cost Drivers

Considering the countries in which you provide medical insurance, what are the three most significant factors driving medical costs, per person?



According to separate Towers Watson research, most U.S. employers report poor employee health habits and lack of engagement in health management programs as a top driver of medical costs.

Note: Participant-weighted estimates
Source: Towers Watson

Good news for smaller employers: Beginning this year, they're eligible for grants to help initiate wellness programs. In 2014, employers will be allowed to reward employees up to 30% of the cost of coverage for participating in a program.

Out of the Equation

Removing ineligible dependents from the cost equation is another innovative approach to cost containment.

ConSova offers health care eligibility verification to identify employees' dependents such as ex-spouses, or children who have dropped out of college and should not be on their health plans.

Over the past seven years, the Lakewood, Colo.-based company has generated more than \$550 million in savings for clients, said Chief Executive Michael Smith.

Dependent ineligibility audits not only identify deliberate falsifi-

cations to uncover immediate cost savings, but also help companies clear up inconsistencies or areas of confusion in their eligibility requirements, he said.

For instance, dependents can be erroneously admitted to a plan because employees don't understand the dependent definitions.

"With the dependent eligibility changes imposed by health care reform, we're seeing ineligible rates range from 7% to 10%," said Smith. One of ConSova's clients identified more than 725 ineligible dependents, to a tune of nearly \$2.2 million of savings in the first year.

Each year, insurers issue millions of dollars in overpayments due to duplicate payments, improper coordination of benefits and provider contractual overpayments, he said. "Our receivable monitoring process can produce recoveries up to 2% of annual paid claims."

Employers' use of audits or eligibility and enrollment reviews in their health plans climbed 14% between 2008 and 2010, according to a Towers Watson report.

Another approach to driving down health coverage costs removes things like paper gowns

Price Check

Employers and carriers are trying to drive greater transparency of health care costs into employees' hands.

That's especially useful for those in consumer-driven health plans like health savings accounts and high-deductible plans, where price sensitivity is heightened for frequent health care purchases.

Earlier this year, Blue Cross and Blue Shield plans unveiled a new tool that sheds light on the cost of 59 of the most common elective procedures for inpatient, outpatient and diagnostic services at specified area hospitals, ambulatory surgery centers and free-standing radiology centers nationwide in nearly every ZIP code. Cost estimates are developed using claims data from 12 months and provide consumers with a cost range for a specific procedure.



Dr. Sam Ho

For UnitedHealth Group members, its Premium Designation program recognizes physicians and specialty centers that meet or exceed quality-of-care and cost-efficiency standards, said Chief Medical Officer Dr. Sam Ho.

Hospitals and doctors in 20 specialties are evaluated based on industry standards, evidence-based and medical society standards and guidelines from medical organizations and governmental agencies such as the National Committee for Quality Assurance, along with scientific advisory boards.

Ho said UnitedHealth is narrowing that information down to the 10 most common elective procedures, such as gall bladder surgery and hip and knee replacements.

"Employers are asking for condition-specific transparency to know quality and cost in any given market to share with consumers," Ho said.

and waiting rooms from the health care equation.

Cigna is among a growing list of carriers that routinely cover virtual medical visits for various maladies.

In 2009, about 40% of physicians were communicating with patients online, up from about 15% five years before, according to the technology-focused firm Manhattan Research.

Since 2006, Cigna's eVisits allow customers to consult with their

physicians via a secure website about non-urgent medical needs, such as follow-ups on chronic conditions, allergies or sore throats.

At no charge, customers can perform administrative tasks such as refill prescriptions, schedule or cancel appointments, view lab results and request a referral online.

Amrita John, director of product development, said that after customers answer a series of questions, they receive a response from their physician within eight hours. The cost for employers averages around \$30, and members pay their plan's defined copay or coinsurance.

That's a significant saving from a general office visit that typically runs upward of \$80, she noted.

"The visits improve productivity and lower absenteeism because patients aren't sitting in a doctor's office. Rather, they're communicating via computer or getting a prescription without taking time off of work," John said.

Aetna offers a similar program, known as webVisits. In February, it took the idea a step further by rolling out to members, in most fully insured medical plans in Texas and Florida, the option of accessing non-urgent care over the phone.

Aetna members contact a participating local Teladoc doctor, who calls the member usually within 20 to 30 minutes.

A summary of each consultation is captured in an electronic health record. The cost of a consultation, available around-the-clock, is \$38 or



'Virtual' doctors' visits "improve productivity and lower absenteeism because patients aren't sitting in a doctor's office."

—Amrita John,
Cigna

lower, depending on the member's specific plan. Copays, deductibles and coinsurance apply, and consultations are a qualified expense for health savings accounts, flexible spending accounts and health reimbursement accounts.

Earlier this year, Blue Cross and Blue Shield of Minnesota launched a "virtual clinic" to all Minnesotans to receive a live, 13-minute physician consultation on a broad spectrum of conditions via webcam, voice and instant messages, said Sig Muller, vice president of business development.

Users are charged a \$45 flat fee directly to their credit card, or employers can subscribe to the online service to offer employees and their families unlimited access.

In terms of savings, Muller said 87% of users indicated they would have gone to an emergency room or had an office visit if not for the online consultation, "so that's real tangible savings versus the cost of those visits."

Onward Bound

This year, employers can expect to pay about \$7,612 in health care premiums per employee, according to Aon Hewitt.

That's leading to "a sea change in the willingness to experiment and take on new approaches," said the Blues Association's Sullivan.

With that come some challenges, however.

"As extensive as innovation and pilots are, many Blues Plans are waiting to see results before they expand. That can take 12 to 18 months," she said. "The need to bring costs under control is imme-

diately, but it will take time for us to make that happen as we roll out innovation in the market based on what works and across different communities."

Will health reform legislation have an impact in this area?

"There's an added urgency with health insurance exchanges," said Ho. Coming in 2014, those exchanges will assure individuals and small employers that plans include essential benefits and protection against high medical bills.

"Employers are keenly interested in [the exchanges] because they'll be a new marketplace for plans to be offered to individuals and small group markets," Ho said.

"All employers will have an opportunity to review whether they can have more-competitive plan designs offered through exchanges. Health care costs and premiums will be more important than ever." **BR**

Learn More

Aetna Health and Life Insurance Co.

A.M. Best Company # 08189

Distribution: Brokers, consultants, retail network (pharmacy products)

Cigna HealthCare

A.M. Best Company # 68124 (Cigna Insurance Group)

Distribution: Agents and brokers

Highmark Inc.

A.M. Best Company # 64010

Distribution: Captive sales force, brokers, direct

UnitedHealth Group

A.M. Best Company # 69973

Distribution: Independent agents, brokers, associations

For ratings and other financial strength information visit www.ambest.com.