

The Carrot vs. Stick Approach to Redesigning Health Plans

wellness

Everyone has heard it before: An ounce of prevention is worth a pound of cure. Ben Franklin termed this phrase hundreds of years ago, but even he was taking a cue from the ancient Greeks. It was Hippocrates, considered the father of preventive medicine, who embraced the idea that medicine should not be exclusively curative in nature. Preservation of health seemed a more prudent endeavor.

This idea is as relevant today as it was thousands of years ago. A testament to this fact occurred in 1992 when the U.S. Congress changed the official name of the CDC from the Centers for Disease Control to the Centers for Disease Control and Prevention in order to reflect the CDC's wider mission.

Despite the CDC's long-term emphasis and employers' recent attention on prevention and wellness programs, health care costs continue to outpace inflation more than twofold. The percentage of the U.S. gross domestic product spent on health care continues to increase with no end in sight. With this in mind, it is fair to say that simply offering preventive health care is not enough.

The merits of prevention such as lifestyle modification, immunization, cancer and other health screenings are well known. Here are some examples:

- The Wellness Councils of America cites that for every \$1 spent on wellness programs, an employer can expect anywhere from \$3 to \$4.50 in return.ⁱ
- A 2005 study by Milliman estimated that with 100 percent cancer screening compliance, there would be three to five fewer deaths per 50,000 employees for a net cost saving of \$2.35 to \$3.75 per employee per month.ⁱⁱ
- Colon cancer screening performed every five years would result in a net saving of \$5 for every American.ⁱⁱⁱ
- By making changes in diet and increasing the level of physical activity, the American Diabetes Association cites that Type 2 diabetes can be prevented from ever developing. Diabetes alone represents 11 percent of the annual U.S. health care expenditure.

So what's going on here? Why hasn't utilizing prevention made more of a dent in containing health care inflation?

Though employers are making positive strides in these areas, most are falling short or have yet to make the proper investments. Prevention/wellness programs are a step in the right direction; however, most of the programs are either voluntary or only available to employees. The program must be paid for fully and, importantly, it must require behavior change with the

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entire member population, not just the employee. For example, one late-stage cancer diagnosis could not only be emotionally tragic to the employee's family, but could also be devastating to the long-term financial health of the plan.

Of all employers offering health care benefits in 2006, only 10 percent offered fitness programs or on-site health club facilities to their plan members. Only 6 percent offered weight-loss programs, and only 9 percent offered smoking cessation programs.^{iv}

Prevention needs to be coupled with efforts to encourage at-risk members to change behavior. The reality is that most people need more reason to take care of themselves than simply becoming healthier. Incentive-based plan designs can be an effective way in which to address this issue.

First, a plan needs to encourage lifestyle modifications such as proper diet, exercise, weight loss and smoking

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cessation. Second, it needs to significantly encourage, if not require, all plan members to seek medical attention for appropriate immunizations and cancer and other health screenings according to national guidelines. Lastly, it needs to be a part of a company's overall culture of wellness, from top management down.

As more employers turn to high-deductible health plans and cost-shifting as a means to reduce health care costs, a recent study by the Kaiser Foundation^v reported that only 22 percent of these plans provided preventive care services without a deductible. Additionally, only 48 percent of HMO plans and 47 percent of PPO plans provided preventive care services without a deductible. As a result, a majority of plans require members to provide "first-dollar coverage" for such services.

One way to explain this statistic is that almost half of all large employers switch health insurers every year.^{vi} Why should a plan increase short-term costs when they may not recognize the benefits of such an investment?

For this reason, employers who are self-funded have the appropriate incentive to invest in programs that produce long-term return on investment. Not only is this a huge market—in 2006, 53 percent of all employers were self-funded^{vii}—but self-funded employers have an increased opportunity for plan design flexibility since these plans are not subject to state regulation.

If employers truly want to encourage people to do the right thing, preventive health care should be covered 100 percent by health plans and not subject to co-pays or deductibles. In order to achieve 100 percent compliance, employers must require all employees and their families to take more accountability for their health status. Empirically, this is the only way to truly impact long-term medical costs.”

North Star Health does just this with a “stick versus the carrot” incentive-based plan design. Members pay less for health care benefits when they are compliant with nationally recognized guidelines for preventive care such as those recommended by the CDC and the U.S.

getting 30 minutes of aerobic exercise, and 4) maintaining a body mass index of 25 or less. GE cites that even small percentage decreases in smokers and overweight workers substantially cut medical costs and absenteeism.^{viii}

Pitney Bowes structured an incentive-based benefit program that targets chronic illnesses. Through its proactive program, the company has been able to decrease costs for diabetes by 7 percent and costs for asthma by about 19 percent.^{ix}

Another setting in which prevention is poised to enter a new frontier is in the area of predictive health. The idea of actually predicting disease and intervening before it ever develops is the work of many research facilities, including the Emory/Georgia Tech Predictive Health Initiative in Atlanta. Its new technologies are being used to identify biological markers (biomarkers) to predict health, disease risk and prognosis.^x

Other programs such as the Human Genome Project^{xi} have produced insights into how disease processes are influenced by one’s genetic code. Predicting and ultimately treating certain diseases in the future may be a matter of changing how gene sequences work using advances in molecular medicine and gene therapy.^{xii}

Until such futuristic health care becomes readily available, one of the best options remains tried and true ... an ounce of prevention is worth a pound of cure. Some of us just need a little more encouragement to see the wisdom in this than others. **CDHC**

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Age	Gender	Testing/Program	Frequency
21-39	Female	Pap	Yearly
35	Male	Cholesterol screening (healthy individuals, no chronic condition)	Every 5 years
< 40	Both	Physical exam	Every 3 years
> 40	Both	Physical exam	Yearly
40-49	Female	Pap & Mammogram	Yearly
45	Female	Cholesterol screening (healthy individuals, no chronic condition)	Every 5 years
45	Both	Fasting blood sugar (healthy Individuals, no chronic condition)	Every 3 years
45*/50	Male	PSA	Yearly
50	Female	Pap & Mammogram	Yearly
50	Both	Colonoscopy** or Fecal occult blood test (FOB)	Every 10 yrs, FOB test yearly
n/a	Both	Smoking cessation program enrollment	Yearly

* For African-American males, it is recommended to start PSA testing at age 45.
 ** Colonoscopy should start earlier for members with a strong family history of colon cancer as determined by their physician
 Reference: American College of Cardiology
 American Cancer Society
 Healthy people 2010 - Department of Health and Human Service

Preventive Services Task Force. Conversely, those plan members who are not compliant with preventive care guidelines are required to pay more for their health care benefits than other members. An example of member compliance guidelines are presented below:

For example, the Hughston Clinic, a large orthopedic clinic in Georgia, implemented North Star Health’s plan design in 2007. “We feel that North Star Health presents the only long-term solution that targets the root causes of our historical renewal increases. At first, we were concerned about employee feedback. So far, the feedback has been extremely positive. Enrollment is up and member compliance is close to 90 percent,” said Lana Folds, director of human resources for the clinic.

Several large employers already are taking this proactive approach to health care. For example, General Electric has 315,000 employees, many of whom are older, overweight and smokers. Its mandatory wellness program stresses four key factors: 1) zero instances of tobacco use, 2) eating five servings of fruits and vegetables a day, 3) walking 10,000 steps per day or

*i The Cost of Wellness, Ron Goetzel, Director, Cornell University Institute for Health and Productivity Studies and Vice President of Consulting and Applied Research, Medstat, Wellness Councils of America, 2004, page 1.
 ii Cancer Screening: Payer Cost/Benefit thru Employee Benefits Programs, Milliman Consultants and Actuaries, commissioned by C-Change and the American Cancer Society 11/2005.
 iii Journal of the National Cancer Institute, April 5, 2000; 92:557-563,513-514
 iv Employer Health Benefits 2006 Survey, The Kaiser Family Foundation and Health Research and Educational Trust, page 143.
 v ibid, page 89.
 vi ibid, page 122.
 vii ibid, page 127.
 viii The Apple-a-day Incentive, The Manufacturer Magazine US, March 2007.
 ix ibid
 x Predictions Coming True, Momentum Magazine, Woodruff Health Sciences Center of Emory University, Winter 2006-2007.
 xi http://www.ornl.gov/sci/techresources/Human_Genome/home.shtml
 xii Genome-wide association study of prostate cancer identifies a second locus at 8q24, Nature Genetics Online April 1, 2007.*