

10/22/2007

Companies Turn to Preventative Wellness Programs to Reduce Health-care Costs

With health-care costs skyrocketing and projected to soar even higher in the next decade, companies are turning to a method that was discarded by the medical community a century ago - prevention.

Chronic diseases cost the nation's economy more than \$1 trillion a year in lost productivity and an additional \$300 billion in treatment costs, according to a report released in October by the nonprofit Milken Institute. Studies show that reducing obesity and smoking could prevent up to 71 percent of cancers, 70 percent of strokes, 82 percent of heart disease and 91 percent of diabetes.

Treating these often preventable diseases is projected to cost companies an average of \$15,000 per employee per year by 2015, said Steve Eagle, a partner at Savannah-based Seacrest Partners, an insurance brokerage and consulting firm that specializes in employee benefits packages as well as property and casualty insurance. "That's just going to be unsustainable for a lot of employers unless we find a way to change current trends," he said.



Steve Eagle

One way that Seacrest Partners offers its clients to change the tide is to create a wellness program. Seacrest tailors each program to the needs of the client. "We look for ways to keep employees well and to improve the health of those who are ill," Eagle said.

Creating a wellness strategy is a move supported by the recent Milken Institute report. A wellness program that includes reducing obesity through better nutrition and exercise, reducing smoking, more aggressive early detection of diseases and less-invasive treatments could reduce the number of projected illnesses by about 40 million cases and save an estimated \$1.6 trillion cumulatively by 2023, the report stated.

A wellness strategy often starts with a health-risk assessment of each employee to give the employer an idea of what kind of wellness programs might benefit the company overall. Examples include smoking-cessation classes, Health Savings Accounts and Health Reimbursement Accounts. "If you improve the well-being of the employee, over the long term costs will go down," Eagle said.

Because of recent Health Insurance Portability and Accountability Act (HIPAA) legislation, employers now can offer healthy employees an incentive of up to a 20 percent differential in their health insurance costs. That means that employees that comply with the recommendations of their company's wellness program could benefit from lower deductibles or lower insurance payments. "This is a long-range strategy that will pay dividends over time," Eagle said.

The strategy already has been beneficial at the Colonial Group in Savannah, said director of human relations David Deason. Colonial's program began in January 2006 after the company noticed that few of its employees heeded the advice of its on-site physician. "We determined that our employees needed an incentive to make the changes to increase their health," Deason explained.

That incentive came in the form of a three-tier premium structure in \$25 increments. Those who choose not to participate pay a basic premium. Those who are working toward goals such as lowering blood pressure, losing weight or stopping smoking get a \$25 break. And healthy workers or those who have met their goals get an additional \$25 off their premium charges.

Deason said the program has brought participation from virtually nil to about 80 percent. In addition, he estimated that 25 percent to 30 percent of participants have been deemed healthy while the rest are working toward various goals.

The program also has produced some amazing results. One woman who hadn't had a mammogram in 10 years found out that she had breast cancer. Doctors said that the mammogram saved her life because the cancer was detected early. Another man waited three years past the recommended age for a colonoscopy and found that he had cancer. Doctors said that if he had waited another six months, it might have been too late. "It's good to know that, not only are you helping people get healthy," Deason said, "it's actually saved a couple of lives."

Another employee who had been smoking for 30 years quit because of the incentive program, and another

worker agreed to an angiogram that found that he needed triple bypass surgery. "We've seen a lot of success stories," he said. "It will be interesting to see how it looks in another five years."

Unfortunately, the program does not work 100 percent of the time. Deason said one employee with high blood pressure refused to comply with the doctor's recommendations and lost the use of his kidney. "People in this country are so spoiled," he said. "They haven't been held accountable for their health. It's kind of got to be like car insurance. If you have a bad driving record, you pay a higher premium. If you have a good driving record, you pay a lower premium."

Although employees obviously enjoy paying lower premiums, companies also benefit from their employees' good health. It is estimated that companies save \$350 annually for every healthy employee who stays healthy and an additional \$153 for every employee who reduces health risks. "Wellness is gaining a lot of ground simply because companies are seeing the high cost of health care," Eagle explained. "A lot of these claims are preventable."