



For CEOs

By Mike Critelli

You are frustrated by your Company's inability to control healthcare costs. What can you do in an environment in which the federal government has taken a much more active role in healthcare management? To do so, you need to understand the following insights:

Having a comprehensive program that maximizes workforce health is a competitive edge.

Having a comprehensive high quality program that successfully maximizes workforce health gives leading edge employers a significant competitive edge in the war for talent, since their ability to deliver the environment that enables optimal health means a more productive and loyal employee.

Poor health and wellbeing has consequences beyond the cost of healthcare.

Poor health hits your income statement in many places, including higher healthcare costs, lost workdays, short term disability leaves, less productivity at work, and more susceptibility to work-related injuries, which drive workers compensation costs. Although less easily quantified, these total costs are estimated to be 2-3 times the cost of healthcare.

The Affordable Care Act will end up driving up your costs, even if you decide to move your employees to the newly created health exchanges.

Today, employer-sponsored health plans cover over \$1 trillion of our overall healthcare costs. The likelihood that the \$1 trillion burden will be transferred from employers to taxpayers is extremely low.

The health insurance exchanges to be created under the Affordable Care Act (popularly called "Obama Care") appear to offer you a government-subsidized, and less expensive, health coverage option for your employees than if you continue to provide health benefits. However, the prospect of long, or even medium, term, cost savings for employers and employees is highly questionable for two reasons:

The exchanges will have a per-member cost far more than the Congressional Budget Office has projected.

The cost of health care will be higher on the exchanges than currently projected.

- The exchanges are likely to attract the highest risk, highest cost working populations.
- The exchanges will have a broader, richer array of benefits than a comparable employer-

based plan, since benefits are likely to be determined by political considerations.

- The penalty for not purchasing coverage is so low that young, healthy people have a strong financial incentive to pay the lower penalty, rather than the much higher premiums. There will not be enough healthy people to subsidize the sick ones.

The likelihood of continued generous government subsidies over the long term is very low.

Governments are unlikely to continue to offer generous subsidies, given the strained government budgets at all levels. Employers and wealthy taxpayers will bear a much bigger burden, but all of us will pay far more for health plan coverage than we do today, and get less generous coverage, on any health plan heavily regulated by federal and state governments.

Understand what you need to do to bring down healthcare costs.

Your benefits managers and professionals are highly skilled at driving down third party administration and benefit plan management fees. However, these costs are a small fraction of your healthcare costs. Your health plan administrators are also very skilled in reducing the cost of specific clinical services. If there were a fixed number of clinical services and population health did not change, your healthcare costs would be going down.

Unfortunately, population health is declining because of lifestyle-driven chronic diseases like Type 2 Diabetes, Coronary Artery Disease, Mental Health, and Cancer. As a result, people will go to the doctor more often and spend more over their lifetimes, even after your benefits team does a superb job reducing per-transaction unit costs.

Maximizing population health is a completely different skill with different demands than reducing doctor, hospital or administrative fees. It's comparable to expecting a chief procurement officer to become a coach, a chief employee safety officer, or a chief medical officer. They are wired differently.

Much of what determines the health of your workforce is outside HR and Benefits control. The food you serve, your facilities configurations, and your work processes, as well as the quality of your leadership are far more important to the employee health than what you provide in healthcare benefits. You need the HR, Benefits, and IT Departments to be co-leading a health transformation effort, but you also need a senior level line executive to champion what they are doing.

Population health management is a multi-year effort that requires an investment in people, systems and processes as surely as a new product or business launch. You have to invest this year to get payback next year. For example, at Pitney Bowes, we decided to **provide maintenance medications for chronic diseases at no cost**, knowing that it would cost us money in year 1, but would avoid emergency room visits and hospitalizations every year after that, since more people would stay on their medicines to manage their chronic diseases. Whoever champions a population health effort has to be permitted to make prudent investments for the future.

Line executives and non-HR staff functions can make a big difference in population health and healthcare costs. Reward them for good decisions and punish them for bad ones. If a leader causes stress throughout his or her organization that drives up healthcare costs for that organization, charge back the actual costs of healthcare. The best way to get organizational alignment for a culture of health is to reward and punish the consequences of good and bad leadership behavior.

Besides not reflexively delegating this vital responsibility to HR and Benefits, what else should you do to help those who have responsibility for health and healthcare deliver transformational results?

Give them sufficient staffing and budget to deliver excellent performance. Very committed HR and Benefits leaders have departments that have been thinned out in misguided headcount reduction initiatives driven by external benchmarking consultants. Invest intelligently in building those staffs with people that can make a difference.

You need to consider rotating your top line management talent through the health benefits function, since it is a great proving ground for future high-level executive success.

You should consider putting a high potential line executive in charge of the healthcare line item and recognize that you can make a difference in health, healthcare costs, and healthcare quality. **Most of all, you need to stay engaged yourself.**



Dossia - Empowering individuals to change health and healthcare

Dossia is an employer-led organization dedicated to improving health and healthcare in America by empowering individuals to make good health decisions and become more discerning healthcare consumers. Backed by some of the largest, most respected brands in the world - Applied Materials, AT&T, BP America, Inc., Cardinal Health, Intel, Pitney Bowes, sanofani-aventis, Vanguard Health Systems, NantWorks and Wal-Mart - Dossia's founding member companies have united under the common vision of changing healthcare.

The Dossia Health Management System makes individuals' aggregated health data actionable with customized applications brought together on a single intelligent platform to deliver personalized, data-driven solutions that enable users to get more value from healthcare spending, better manage chronic conditions and pursue a healthier lifestyle. Dossia integrates game and social dynamics, incentives and targeted messaging to foster sustained engagement and health behavior change, thereby offering long-term value to employers as well as their employees and families. Far too often employers overspend on health benefits for which they realize little value. The Dossia Health Management System is the solution for innovative employers that aim to rationalize their health benefits spending while engaging their employees as true partners in achieving high value healthcare.

For more information, visit www.dossia.org.

