

No Quick Cure For Health-Care System

With health-care costs soaring, IT can play a role in fighting further increases.

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General Motors Corp. last week unveiled a tentative agreement with the United Auto Workers to cut health-care coverage for retirees, saving it about \$3 billion a year. Later in the week, IBM said it's giving 150,000 U.S. employees the option of creating online health records, one of the largest efforts by an employer to push the use of digital medical records.

What's the connection? Companies bludgeoned by soaring health-care costs are starting to take matters into their own hands. The job of containing those costs isn't going to just land on the IT executive's desk, since it's generally seen as human resources' problem. But IT can play an important role, so CIOs and other business-technology leaders must step up to the challenge. "That's the one area where I'm disappointed I haven't contributed more over my career," GM CIO Ralph Szygenda told *InformationWeek* in a June interview, "and now I'm going to spend some time on it." (GM declined to discuss specific initiatives.)

The problem is huge. Employers today pay 78% more and employees 64% more for health care than they did in 2000, according to HR consulting firm Towers Perrin. This year's expected 8% hike in health-care expenses marks the first time in years that growth wasn't in double digits, largely because of fierce cost fighting by companies.

Companies that use IT to contain costs are doing it in two main categories: tools to help employees live healthier and make better health-buying decisions, and others to better analyze companies' health-insurance costs to find places to squeeze. There's also a push by big businesses to pressure doctors and hospitals to more quickly adopt electronic medical records, E-prescriptions, and other IT systems in their practices to lower costs and improve care (see story, [Putting The Pressure On Providers](#)).

This isn't a discussion, however, that's being led by IT executives at most companies. At early-adopter companies, it's generally being championed by HR and benefits pros. But companies that aren't aggressively using these tools are missing an opportunity to strike at one of their most-stubborn costs. If IT leaders haven't considered their role in fighting health-care costs, the time has come.

Wal-Mart Stores Inc. is encouraging that idea. The retailer has a group called the CIO Summit made up of CIOs from more than 20 companies that supply products that Wal-Mart sells. It meets twice a year to discuss pressing technology issues. One topic scheduled for this fall's meeting: The head of Wal-Mart's risk/benefits department will talk with the CIOs about strategies to lower health-care costs. "This discussion is going to be about 'Is there a way we as a group of leading organizations can come together to do something about how health care is managed and how the tools are used in the United States?'" Wal-Mart CIO Linda Dillman said last month at the *InformationWeek* Fall Conference.

Pushing Lifestyle Changes

American Standard Cos., a diverse manufacturer best known for its faucets and toilets and its Trane air conditioners, is zeroing in on the issue, too. Last year, it spent \$190 million on health care for its 20,000 U.S. workers. With costs climbing steeply, the company, which had revenue of almost \$10 billion last year, is looking at health-care costs averaging \$240 million a year over the next five years, a whopping \$1.2 billion total during that period. It's hoping IT can play a significant role in containing those cost increases

With 104 factories in 28 countries, American Standard's employee portal is "the center of our universe" for communicating with the company's 61,000 workers, says Jill Hart, director of Web communications. That provided a natural platform for its health-related tools for employees, which it has bolstered in the last couple years and most aggressively the last several months.

The push to help employees become healthier and reduce health-care costs came directly from American Standard chairman Fred Poses, as part of a larger effort to make the company a great place to work. American Standard workers can access online health-risk-assessment tools and information that can guide them to health-wellness and educational programs. Through the portal they can E-mail questions, such as whether symptoms might warrant a visit to a doctor, to "health coaches."

In the last several months, American Standard has expanded its use of health-risk assessment through an online application, now providing health scorecards that result in financial incentives to adopt healthier lifestyles. A scorecard test takes about 15 minutes to complete, and employees who get good scores are rewarded with discounts of up to

\$300 a year on their health-care costs. Nonsmokers, for instance, could receive \$90 off what they pay toward benefits.

Few employers make online health assessments mandatory, but they're not being shy about charging higher health-care deductions for those who skip them.

"Managing health-care costs is about managing health, period," says Delia Vetter, director of benefits at storage vendor EMC Corp., which also provides online tools to its 18,000 employees to help them better manage their health and to give EMC a better handle on their needs.

EMC provides employees with WebMD Inc.'s health-care portal services, including a personal assessment in which employees can compare their risks with benchmarks of developing health problems based on family and personal medical history, lifestyle, and other factors. The assessments link to information geared to their needs, such as care for diabetes or heart problems. Tools also let them compare prescription drugs with alternatives, like generics. Portal content "arms them with questions to ask their providers" about treatments and alternatives, Vetter says. Through the WebMD service, employees also get an electronic health record that lists doctor visits, prescriptions, and out-of-pocket costs and "true costs" over the last three years.

With the tool IBM is providing, its employees will be able to take health-risk assessments and create personalized electronic health records, including lists of medications, allergies, and medical histories. The service isn't very sophisticated today--employees must manually enter information into the system. It's provided by WebMD and Fidelity, which handles some of IBM's benefits-administration services, and IBM customized the services for its employees. IBM won't have access to the personal records. "We're encouraging people to get familiar with and use online tools, trying to get them engaged with health-risk assessments and become educated consumers of health care," says Dr. Paul Grundy, IBM's medical director of global occupational health and well-being. The service would be more powerful if, as IBM plans, the records could draw data from sources such as health plans, labs, and prescription mail-order companies like Medco Health Solutions Inc. To share the electronic information with their doctors, employees need to use E-mail or printouts. While it's one of the biggest moves by a major employer to push digital records, the limitations also show how far E-health records have to go.

Sharing The Costs

Health insurance has endured its share of cure-all fads. Remember when health-maintenance organizations were going to lower everyone's costs by putting the emphasis on prevention? The latest push is for "consumer-driven" health-care plans. The idea is to make employees pay less up front but share more of the variable costs for their health care, so they'll more actively shop for the best doctors and the most cost-effective treatment. In concept, a smart health-care consumer will challenge a doctor with "Do we really need that test?"

That's sure to fail if people don't have the information they need to track their costs and compare treatments, drugs, and providers. "It's the employer's responsibility in this age of consumerism to make sure employees have access to easy-to-use tools and that the employees know how to use them," says Dale Whitney, corporate health and welfare manager at delivery-services company UPS Inc. IT will have its biggest impact by making it easier to examine quality of care and reward the best caregivers, Whitney believes.

The data for assessing the quality of health care, however, is often hard to come by. Whitney notes that most data related to clinical information is "claims based"--it comes with diagnosis codes designed to manage transactions, not to give patients and caregivers a view into quality of care.

Employers are working with the data they've got. Some are licensing Web-based services from medical-data vendors such as WebMD and Subimo LLC, through companies that provide outsourced benefits-administration services or directly from insurers.

Automatic Data Processing Inc., one of the largest providers of outsourced payroll- and benefits-administration services, last month started making available to its clients' employees an online decision-support tool from Subimo to help them pick health plans and adjust coverage for life-changing events, such as the birth of a baby.

After employees answer questions about their health and any chronic conditions and medications, the ADP service offers forecasts of likely health-care costs over the next 12 months. The system then helps employees compare what their annual out-of-pocket expenses are likely to be for each possible health-plan choice.

Subimo's Web-based service lets a patient diagnosed with an illness--say, a heart-valve defect--access tools that provide information about the types of surgeries and other treatments available, the risks, and hospitals that perform those procedures. It also gives indicators of quality, such as the number of that type of operation performed annually and reported complications and deaths. Small businesses are one of Subimo's fastest-growing segments, CEO Ann Mond Johnson says. Subimo recently released MyHealthAdvisor, a suite of online decision-support tools for employees of small companies.

Godfrey Wood, CEO of the Chamber of Commerce for the Portland, Maine, region, subscribed to Subimo for the chamber's 10 employees and for members who wanted to enroll. The organization needed these tools because it recently moved from offering an HMO to a plan with a moderately high deductible but lower premiums. That put pressure on employees to be more aware of treatment options and hold down costs. Wood used the Subimo tools himself when a relative, diagnosed with an aortic aneurysm, was planning to have surgery at a local hospital. He discovered that the hospital performs relatively few such procedures annually and found a New York hospital with a good record for performing an alternative, noninvasive procedure. His relative chose that option, with good results. "The more you know, the better decision you can make," he says.

Analyzing The Data

Beyond helping employees monitor their health, IT tools are being applied by employers to analyze and understand their health-care expenses. That includes more easily comparing health-plan and coverage bids by insurance providers, watching costs more closely, and analyzing aggregate employee health data to focus on their worker population's health needs.

The biotech company Millennium Pharmaceuticals Inc. in the past year started using ADP's carrier enrollment services to track eligibility more closely. When an employee leaves the company, the system immediately notifies the insurance carriers about the departure and triggers Cobra insurance processes so the ex-employee picks up the costs if he or she wants to continue coverage. The service also automates the process of signing up new hires for benefits. Paperwork reduction let the company move one full-time person from manually processing forms to working as an analyst, says Mark Rodger, associate director of HR operations at Millennium. Savings from eliminating errors--such as Millennium paying for benefits of terminated employees--will likely be tens of thousands of dollars a year, Rodger says.

Most of the tools being used to manage health-care costs are delivered as Web-based services and range from service providers such as ADP to tech firms such as HighRoads Inc., which sells a hosted application to help employers figure out what sort of coverage to offer employees, manage the procurement process, communicate health-plan choices to employees, and track health carriers' performance. And health plans themselves are starting to offer increasingly sophisticated technology-driven services to monitor spending.

The University of Pittsburgh Medical Center Health Plan, one of Pennsylvania's largest health insurers, offers what CIO Ed McCallister describes as "WebMD on steroids." In addition to WebMD's online risk-assessment and information tools, UPMC Health Plan last month signed a technology licensing pact with MEDai Inc., which sells analytic software. This will let UPMC Health Plan give employers two years of aggregate health data to match against national trends. So an employer could compare how effective disease-management programs are at reducing health-care costs for chronic conditions such as asthma, or forecast the impact of those programs on future costs.

Employers also are analyzing the aggregate data coming from employees' online assessments and scorecards to create disease-management or wellness programs to lower high-risk areas. American Standard's analysis led it to create a wellness program for workers with back pain, because of how common it is among employees. EMC uses WebMD tools to analyze aggregate employee health-risk data and offer on-site clinics, including a recent one on sleep apnea.

These tech-driven health-care-management tools and services "aren't a quick fix," EMC's Vetter says. But they've let EMC "maintain our health-care costs while everyone else was increasing double digits," she says.

Is This Really I.T.'s Turf?

Right now, most employer efforts to use IT to improve health-care costs are driven by HR and benefits people, and not by the the CIO or other IT leaders. The HR and benefits people generally understand the challenges and know the business problems, says McCallister at UPMC Health Plan.

But just because no one will insist IT take on the problem of soaring health-care costs doesn't mean IT leaders can't bring ideas to the table. Many of the services that provide employee information or analyze health costs are subscription based and "don't have a big footprint" or take a large IT capital investment, says Brent Bannerman, chief strategy officer for HighRoads. Towers Perrin estimates the average cost of health-care coverage per employee in 2006 would have increased by \$750, instead of \$597, had it not been for companies' major cost-fighting efforts. It's an area where IT can play a great supporting role--or jump-start the discussion if no one else is leading the way.