

Healthy incentives

How health incentive accounts can help reduce spending and improve employee health

In recent years, health insurance companies have been enthusiastically deploying new tactics, sometimes linked to financial incentives, to improve health and reduce medical costs.

Many insurers are offering employer groups plans that provide monetary rewards to members who exhibit healthy behaviors and encourage them to be more involved in their health care decisions. A few have created a comprehensive, integrated and incentivized approach that is turnkey to help both employers and employees to achieve this goal.

A suite of next-generation, consumer-directed health plans powered by a health incentive account represent a cost-effective solution for directly addressing the rising cost of health care for employers while focusing on the health and productivity of employees.

"Enlightened consumer-directed health plans with funded health incentive accounts help employees and their families understand and improve their health," says Dr. Michael Parkinson, senior medical director of health and productivity, UPMC Health Plan. "It also helps employees partner with their doctors in medical decisions and earn incentives as they do. Healthier, more engaged individuals — as both consumers and as patients — live longer, better and more productive lives, and usually save money in the process."

Smart Business spoke with Parkinson about how to manage consumer-directed health plans and how they can benefit employers.

Why should an employer be interested in a consumer-directed health plan?

Increasingly, employers are focused on the health and productivity of their employees as an essential business investment. They understand that having healthy employees means increased productivity.

But employers need a cost-effective solution to the rising cost of health care. Chronic conditions account for 80 percent of all medical costs to employers, and that number is rising. The increase in these conditions and their costs predominantly are due to behavioral factors.

Consumer-directed health plans (CDHPs) must be done correctly to improve health and reduce unnecessary medical care costs for all members of a population, not just the young and healthy. Employers should embrace this growing trend because it focuses on the health and productivity of employees. It works because employees are better able



Dr. Michael Parkinson

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to understand their health and their care, improve their health care and partner with their doctors to make health care decisions — with money they 'see' and 'feel' is their own.

How can employees be rewarded?

Employees can earn money for their Health Incentive Account to reduce out-of-pocket health care expenses by completing specific healthy behavior and care engagement activities. To understand their health needs, employees take a confidential personal health risk assessment that helps pinpoint their health risk factors. Based on aggregated data, this also enables the employer to offer targeted solutions for managing health conditions common in the population through wellness and disease management programs.

The health incentive account approach can be effective because it combines a high-deductible health plan with a program that rewards healthy lifestyles and better medical decision making in partnership with one's physician. The high-deductible component encourages employees to be active consumers of health care, while the healthy lifestyles reward component gives them the opportunity to earn financial rewards for activities that have been designed to improve their health.

These activities would include getting a flu shot, visiting a doctor for a well visit, partici-

pating in a healthy lifestyle or a disease management program, or learning more about options for back surgery. These activities will help your employees reach healthier outcomes, whether by alerting them to health issues they were unaware of, or by motivating them to address ongoing medical conditions.

What is in it for the employer?

These programs work to improve health and productivity and to reduce unnecessary medical care faster and more effectively than traditional health plans. This is particularly true when done as a full replacement with leadership commitment and communication.

A plan that rewards healthy behavior tells employees that you care about their current and future health risks. These plans are popular because employers want employees to lose fewer days to illness, and they provide employees with the tools to change poor health habits and adopt healthier ones for life. Studies of effective CDHP plans with funded accounts and incentives show greater preventive care, healthy behaviors, care engagement and lower cost than other types of plans — even for patients who are high users of health care with chronic medical conditions.

When a health incentive plan is tied with a consumer-directed health plan, it allows an employer to offer a less-expensive health plan but make up the difference in benefit coverage by giving employees a way to earn extra money to cover out-of-pocket costs.

Why have these plans become more popular?

Employers frankly are running out of effective strategies — as well as time — to address rising costs and declining health among their employees and their families. Consumer-directed health care plans reward consumers who take charge of their health and health care by promoting personal responsibility and cost-conscious decision making. Increasing employee engagement gives them 'more skin in the game' but with enhanced support.

By aligning both responsibilities and rewards for healthier behaviors, more engagement in their care decisions and greater awareness of the costs of their options, employees do make better choices. And their healthier behaviors and better choices literally pay off in better living and lower costs for both them and for their employer. <<

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