

THE RISING COST OF HEALTH CARE

Instead of shifting expenses to employees, many employers are prioritizing wellness programs to improve worker productivity and the bottom line.



When the 2010 Employer Health Benefits Survey was released in early September of this year, few corporate employees should have been surprised by the findings. Conducted by the Kaiser Family Foundation and the Health Research & Educational Trust (HRET), the survey

found that U.S. workers, on average, are paying 14% more in 2010—nearly \$4,000—for family health coverage through their jobs than they did last year. Total premiums have risen just 3% and company contributions haven't changed at all.

Shifting health-care costs from employers to employees is not new to corporate America. "That's been the traditional way of managing health-care costs for the past 20 years," says Dr. Ron Goetzel, president and CEO of The Health Project, a nonprofit consortium, and director of the Institute for Health and Productivity Studies, a partnership between Emory University and Thomson Reuters. According to Goetzel, companies steered away from cost-shifting for a period of time. "But now," he says, "because of the economy, it's back in fashion."

And with a vengeance. In response to the recession, health-care reform, and rising costs, 30% of employers say they have reduced the number of health benefits offered, and 23% say they raised the amount workers must pay for coverage, according to the Kaiser survey. Workers' contributions to health insurance premiums have increased 47% since 2005, even though overall premiums have risen just 27%. Wages have increased 18% and inflation has grown by 12%.

"If premiums and costs continue to shift to consumers," warns Dr. Maulik Joshi, president of HRET and senior vice president for research at the American Hospital Association, "households will face difficult choices, like forgoing needed services, and will have to reexamine how they can best care for their families."

Adds Goetzel, "If you keep moving numbers around on the spreadsheet, that's not going to address the underlying issue of the increased number of people with chronic diseases. Eventually, if everything is shifted to the employee, health care will become so unaffordable that nobody will be able to have insurance."

Rather than shift costs, however, some corporations are managing their health-care outlays—and bottom lines—by



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giving employees the tools and resources to improve their own health. And doing so makes better business sense, experts say.

Companies today typically spend around \$10,000 per employee per year for health insurance coverage. Factor in health-related problems like absenteeism, disability, workers' comp, and productivity loss, and the cost to the employer doubles as the consequence of poor health. In contrast, free screenings, counseling, and follow-up sessions cost between \$150 and \$500 per employee, per year, a fraction of the consequences of poor health.

At the American operations of GlaxoSmithKline (GSK), employees pay about 11% of health-care costs, a share the company says hasn't changed for a few years. Instead of shifting costs or cutting programs, GSK is providing more services to make it easier for workers to get the care they need.

In addition to offering employees cash incentives for completing an annual health-risk questionnaire, the company provides on-site medical services at all its major locations, plus annual health fairs, screenings, and adult immunization clinics. GSK also maintains an Energy and Resilience Portfolio of wellness and prevention programs.

"The basic premise is to help people more effectively manage their health so that they can be more engaged when it matters and perform better at work and in their personal lives," says Dr. Ann Kuhnen, vice president of Health and Safety Excellence at GSK. "When we have employees who are better able to

cope and more in charge of their own energy and resilience, we have a more engaged and productive workforce."

At the same time, the company is exploring new ways to share the cost of health care—and not at employees' expense. As more of its staff chooses to work remotely or during non-traditional hours, GSK is looking to partner with vendors that can offer webinars and other online solutions in order to reach all of its employees, all the time. Says Kuhnen, "We have to challenge

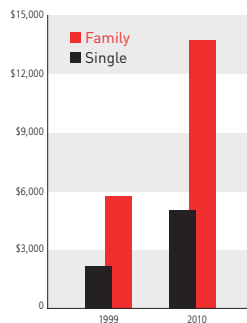
ourselves to think about the most effective ways to meet our employees' health and wellness needs."

While health benefits for some employees may be shrinking, opportunities are expanding at many companies that provide workplace health-care programs and services. Walgreens offers a number of solutions that help other companies keep health costs down and employees healthy. Through

its Take Care Health Employer Solutions business, Walgreens operates on-site health centers, fitness clubs, and pharmacy services for a roster of clients that includes Toyota, BMW, Intel, and Disney.

"The big difference now is that employers are looking at health care as an investment rather than an area of cost," says group vice president for Walgreens' Health and Wellness division, Peter Hotz. "More and more companies are realizing that they have to make an up-front investment, whether through preventive programs such as flu shots for employees or, when appropriate, on-site health centers."

AVERAGE ANNUAL PREMIUMS FOR SINGLE AND FAMILY COVERAGE



Source: Kaiser/HRET

Employees' Costs Keep Climbing



In 2010, workers on average are paying nearly

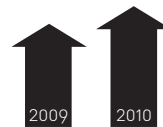
\$4,000

toward the cost of family health coverage, up 14%—or \$482—from 2009.



At the same time, total premiums for family coverage have risen only

3%.



Twenty-seven percent of covered workers in 2010 face annual deductibles of at least

\$1,000

up from 22% in 2009.

Source: 2010 Employer Health Benefits Survey from the Kaiser Family Foundation and the Health Research & Educational Trust (HRET).

3RD LAW OF HEALTHONOMICS:

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More employers are rethinking their responses to escalating health-care costs. Why? They recognize chronic diseases are the root problem. Example: An employee managing his diabetes might cost \$5,000 per year.¹ An employee not managing his diabetes could cost up to \$45,000.¹ The win-win here is that by providing employees incentives to lead healthier lives and helping them manage their chronic diseases, you reduce your healthcare costs. And you'll have healthier employees. Sure beats the alternative.

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Reference: 1. Health Partners. Beyond Benefits. January 2006. http://www.healthpartners.com/747/media/beyondbenefits/BB0106_br.htm. Last accessed 8/3/07.



For companies interested in the bigger picture, Hotz says, “We’re helping them understand that an initial investment can save money down the road.” Take Care Health Employer Solutions estimates a return of two to four dollars for every dollar an employer invests in the company’s programs.

Take Care Health also runs retail clinics at select Walgreens drugstores for consumers in need of accessible, walk-in health care, and these visits can be covered by their employer. The company is also piloting a new program, Walgreens Optimal Wellness, to offer diabetes patients face-to-face counseling with specially trained Walgreens pharmacists and nurse practitioners.

For its own 240,000 employees, Walgreens offers health benefits that emphasize fully covered preventive services, such as physical exams, mammograms, and flu shots, and rewards workers who participate in health-risk appraisals.

POTENTIAL SOLUTIONS

In addition to employee health-care programs, supplemental insurance is also becoming a bigger business as cuts and reforms alter the U.S. health-care

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—PETER HOTZ, PRESIDENT,
TAKE CARE HEALTH
EMPLOYER SOLUTIONS,
WALGREENS

system. “We’re seeing companies cut back on benefits more now than ever before, and that’s where we come in,” says Jeff Hyman, vice president of national accounts and specialty markets at Aflac, a voluntary insurance provider that sells individual policies to companies looking to supplement primary plan benefits for their employees. “Businesses see Aflac as a potential solution to the rising cost of health care.”

Although policies are sold through employers, the plans are paid for by individual policyholders through payroll deduction, which costs 23% to 24% less than similar coverage purchased outside

the companies, according to Hyman. Benefits are paid directly to employees, who can use the cash for unpaid medical bills or everyday living expenses.

Aflac currently provides supplemental benefits to over 443,000 employers—and about eight million workers—in the U.S. In its own offices the company practices what it preaches by providing its 4,800 employees with at-work health screenings, flu shots, and educational sessions. By doing so, Aflac is able to apply lessons learned as an employer to the marketplace. “When we sit down and look at products to design, we look at our own employees and try to design products that will fit a broad range of needs,” Hyman says.

The key to keeping workers healthy while managing the bottom line, experts say, is a top-down commitment to health promotion and prevention programs over the long haul. Periodic health offerings simply don’t work.

“Health promotion has got to be a systematic, comprehensive, evidence-based intervention similar to other initiatives companies take, like training, recruiting, and developing new products and services,” says The Health Project’s Goetzl.

Incentives don’t hurt, either. Johnson & Johnson, for example, offers preventive health programs that can benefit individual employee policies, with the best plans offered to workers who take part in annual assessments and follow-ups.

As more companies consider similar incentive programs, the result could be not just healthier workers and corporations, but a healthier society, too. “In the U.S., with or without retiree medical, most companies ultimately deliver employees into Medicare,” says GlaxoSmithKline’s Kuhn. “Instead, our thinking is, ‘How can we create a healthier consumer, a healthier employee, and a healthier retiree for a healthier society?’” ●

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