



## **Benefit Design in the Post-ACA Environment**

**Presentation by:**

**Bruce Sherman, MD, FCCP, FACOEM,  
Medical Director,  
Employers Health Coalition, Inc.**

**Sponsored by the Business Health Care Group (BHCG)  
&  
Merck**

**March 26, 2014, 8:00 – 10:00  
Briggs & Stratton Auditorium**

### **Executive Summary**

The enactment of the Affordable Care Act (ACA) has provided employers an opportunity to reassess their approach to health care benefits. They can:

- Stay the course – essentially do what they have always done while continuing to seek solutions to mitigate cost trend;
- Exit the business of providing health care benefits and pay the penalties; or
- Continue to offer health care benefits but make transformational changes in how and what they offer

While there is no right answer for all employers, Dr. Sherman suggested the approach that makes sense for many employers is the transformational approach, characterized by creating a culture of employee engagement and well-being and a proactive approach to their benefit strategy.

## **What employers have done to date**

High Deductible Health Plans – According to Dr. Sherman, many of the strategies employers have adopted, such as HDHPs, represent cost shifting to employees. He views the popular HDHPs as a rather blunt surgical instrument which may be effective in the short-term, but will not be a long-term solution. He sees several negative consequences in the wide-spread adoption of HDHPs including employees:

- Delaying or ignoring the necessary preventive care (even though it is paid at 100%) because of concerns regarding the cost of necessary care if a problem were found
- Underinsuring (i.e., selecting a plan with higher deductibles than they can afford if they become ill)
- Experiencing the financial stress of meeting high deductibles leading to productivity and presenteeism issues.

Incentive-Based Wellness Programs – Employers are expanding their use of incentives linked to wellness programs. However, employee behavior change isn't typically sustainable when incentives are removed, calling into question their effectiveness. "I am not a big fan of incentives," stated Dr. Sherman. Several employers, PPG and Dow among them, have moved away from incentives completely and have instead embraced creating a culture of well-being and engagement. In such an environment, incentives become much less necessary as a tool for effecting behavior change.

## **Thinking differently**

"Why do we think of health care costs as a cost, rather than as an investment in our employees, in our human capital? Why don't we see the business value in keeping people healthy? With healthier employees, businesses experience more productivity and less presenteeism. It's also likely that healthier employees do higher quality work," explained Dr. Sherman.

According to Dr. Sherman, research is emerging which suggests that improvements in well-being correlate with improvements in business performance. He says focusing on employee well-being will be a key component of a broader, more effective approach to a health management strategy, rather than solely focusing on health care cost management.

Dr. Sherman implored employers to stop managing human resources benefits departments as a cost center, and instead manage it as a strategic source of value to the organization. "If there is one message I would like to share with you, it's this – think about human capital as an asset; think about physical health as just one dimension of well-being. If you can make strategic improvements in well-being, you can improve workforce performance. That is business value."

## **Doing things differently**

Dr. Sherman suggests that employers need to provide employees with tools and information to promote health and well-being. These include:

- Health care consumerism and transparency tools
- Health and well-being programs
- Effective and frequent communication

Value-Based Benefit Design (VBBD) – Employers are identifying and implementing many new ways to lower barriers to high value services while raising barriers to lower value services, through the use of VBBD. According to Dr. Sherman, VBBD has evolved from simple strategies, such as providing free diabetes drugs to diabetics in disease management programs, to more comprehensive strategies that more broadly address the supply side of the health care delivery system,. He cited some examples designed to create value:

- For its state employees, Minnesota **rank-ordered the primary care physicians** in the state and assigned them to quartiles based on value (cost and quality). They then pegged the employee co-pay to the quality rating of the provider (i.e., employees who sought care from physicians in the highest quartile had the lowest co-pay expense).
- Employers, using experience gained managing their supply chains, are now managing their health care provider suppliers via direct contracting strategies. **Centers of Excellence (COE)** contracting using bundled pricing is a prime example of this approach. Supply side contracting is matched with financial incentives (waiving deductibles, paying for out-of-area transportation and lodging, etc.) for employees utilizing the COE.
- There has been an explosion in the number of employers offering **onsite primary care clinics** across the country, fueled by employers' desire to foster the relationship with primary care providers, eliminate the fee-for-service payment model and increase the use of primary care over the use of specialists.
- **Reference-based pricing** has been somewhat slower to catch on, but employers are using it with “commodity-type” services such as MRIs.
- **Second opinion services** are becoming increasingly popular, specifically in light of reports that show 20 to 40 percent of individuals are being misdiagnosed and receiving inappropriate treatment. These services have been shown to be effective, particularly in complex cases such as cancer diagnoses.

These tactics, among others, can be used as part of a value-based benefit design strategy to steer employees to health care services providing value.

### **Private Exchanges – some pitfalls**

Dr. Sherman outlined some of his concerns related to the growing trend of employers utilizing private exchanges to address the health cost issues. Chief among his concerns, “All of the support services that employers purchase as add-ons to their services will now come through the exchange. Employers will be relinquishing control of managing individual dimensions of well-being. If an employer goes to a multi-vendor exchange, how can that vendor or the exchange understand their population health concerns when individuals are scattered among several vendors in the exchange?

“Similarly, from a well-being standpoint, how can that be effectively managed? It will be a real challenge for an employer to collect data about the needs of their particular workforce in such an environment. It’s very important for employers to fully understand the implications of moving to a private exchange and the impact on workforce well-being and workforce performance,” summarized Dr. Sherman.

Dr. Sherman also expressed concern the private exchange model will likely result in more people being underinsured. Behavioral economics theory suggests that individuals discount the future potential of health care expenditures in favor of near-term access to financial resources. Accordingly, some employees are likely to purchase a health plan with less coverage for a lower premium than perhaps their economic and health situation would suggest is prudent. If the employee incurs health care costs, this scenario can lead to financial stress and, in some cases, medically-related bankruptcy.

### **Summary**

In Dr. Sherman's opinion there needs to be a "re-framing" of expenditures in health care as part of a broader investment in workforce human capital from a health and well-being perspective. In closing, Dr. Sherman had this to say: "Cost containment remains critical, but think about where value in health and well-being benefits is being derived, and how you can most efficiently purchase it in the marketplace."

Click to [view pictures](#) from the event.