An Employer’s Perspective on Health Care Cost and Access

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Key Employer Issues

- Health Care Costs -
- Health Risk Profile -
- Health Care Quality -
- Worker Productivity -
- Employee Paycheck -
Rising health care costs are unsustainable and is threatening the profitability of U.S. companies.

In 2003 U.S. employers spent $331B on employee health insurance – a 50% increase since 1998; $3.80 per hour for each worker who participated in health insurance coverage.

"..the prices of care, not the amount of care delivered, are the primary difference between the U.S. and other countries... the more-costly U.S. healthcare has not resulted in demonstrably better technical quality of care or better patient satisfaction with care."

Source: Employment Policy Foundation

Individual lifestyle behaviors have a 50% impact on health

Source: Centers for Disease Control and Prevention, 2000
Obesity Trends Among U.S. Adults -1993

(CDC data, BMI ≥30, or ~ 30 lbs overweight for 5’ 4” person)
Obesity Trends Among U.S. Adults - 2003

(CDC data, BMI ≥30, or ~ 30 lbs overweight for 5’ 4” person)
Health Care Quality -

- Adults receive recommended and appropriate health care approximately ½ of the time
  - Overall care – 55%
  - Acute care – 54%
  - Preventive care – 55%
  - Chronic care – 56%

### Worker Productivity -  

**Avoidable** Annual Sick Days for Top 5 Chronic Conditions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Sick Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>11,731,500</td>
</tr>
<tr>
<td>Diabetes</td>
<td>11,557,300</td>
</tr>
<tr>
<td>Asthma</td>
<td>7,542,600</td>
</tr>
<tr>
<td>Heart Disease</td>
<td>7,174,300</td>
</tr>
<tr>
<td>Depression</td>
<td>2,913,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,919,500</strong></td>
</tr>
</tbody>
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$10 per hour = $3.27B annually  
$15 per hour = $4.91B annually

Source: NCQA State of Health Care Quality, 2003
Health insurance premium increases continue to outpace workers’ earnings.

Between 1993 – 2003 worker’s earnings have increased at an annual rate of ~3%, while health insurance premiums have increased at an annual rate of ~9%.

Most employers have responded to rising health care costs by passing costs onto employees or eliminating health care insurance altogether.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003
How Has WaMu Responded?

Implemented health benefits strategy emphasizing cost, quality and consumerism with a goal of improving employee health and productivity

**Demand Side Initiatives**
- Web-based health benefits portal (*WaMu Health*)
- Decision-support tools
- Incentive program for healthy behaviors
- Wellness programs
- Integrated health management programs
- Focused disease management programs

**Supply-Side Initiatives**
- Negotiated performance-based contracts
- Negotiated transparent Rx contract
- Demanded provider networks based on quality and efficiency
- Joined Puget Sound Health Alliance
WaMu Results

Medical Cost Trend

- 2004: 23%
- 2005: 1%
- 2006 (Proj): 6%
- 2007 (Proj): 5%

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What’s Missing in the Marketplace?

- More individual responsibility to be a good health care consumer, however:
  - Ability to choose providers based on quality is lacking
  - Little to no transparency on cost of care
  - Decision-support tools are weak
  - Longitudinal electronic personal health record is virtually non-existent
- Payment mechanisms are not aligned – system pays for additional care, not positive outcomes
- Use of technology in health care administration
- Little emphasis and funding on prevention or wellness
Road Map for Success

- Reward providers and employers who emphasize prevention and wellness
- Reward providers who are delivering cost-effective quality health care – “Pay for Performance”
- Make information available to the public on who is delivering quality health care and who is not
- Emphasize paperless administration and reward providers who utilize such technology
- Implement a comprehensive database on all patients
- Focus on health not health care