



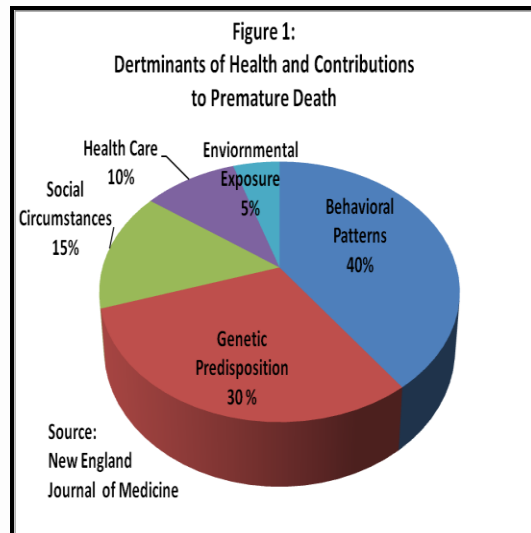
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State Employee Health Management Initiatives

Executive Summary

With a workforce increasingly susceptible to chronic diseases, states are addressing the various conditions that account for more than 75 percent of all health care costs.¹ Typical initiatives include screening programs that monitor and detect diseases before they become more costly and deadly as well as health coaching programs that motivate and support employees in achieving health goals. Other programs include incentives such as lower premiums, cash awards, or increased time off for healthy living. For higher risk employees, disease management initiatives provide more intensive interventions and coordinated care.

Governors employ more than four million state employees who are vital to implementing government initiatives, administering programs and providing services to citizens. Across the nation, states provide health care benefits to more than 13 million people, including active state employees, their dependents, and retirees.² As the costs of health care continue to grow, states will face challenges to providing these benefits. The recent economic situation may lead states to consider changes to their employee benefit approach as one opportunity to help their budgets. Recognizing the high costs of health care, states are increasingly offering health management programs to improve employee wellness and manage costs.



Employee Benefits and the Role of Health Management Initiatives

States provide health care benefits to more than 13 million active public employees, dependents and retirees, at a total cost of more than \$29 billion nationwide.² Given that chronic diseases account for 75 percent of health care costs, about \$21 billion addresses such conditions among all states. Since behavioral patterns are such a large determinant of health (Figure 1),³ states increasingly offer health management programs to their employees hoping to prevent and manage costly conditions. States also offer such programs hoping to improve productivity and decrease absenteeism. Staying competitive with the private sector also prompts states to offer such programs. A traditional attraction of public service is the employee benefit package, including health care, with state governments being more likely to offer health insurance than the private sector (Figure 2).⁴ With an average age of 44 years and 20 percent of currently eligible for retirement,⁵ states need to consider how to replenish their workforce. Strong benefit packages may be one way of achieving this.

Health management programs have several components, including population assessment of risk factors, motivation and incentives for healthy behaviors, and disease management for those already with chronic conditions. Most states try to implement a mix of these approaches, recognizing that a single initiative alone (such as only a health risk assessment or only a disease management program) will have less impact than several components working together. The components of health management programs also have different initial costs and potentials for cost avoidance. Thus, a health risk assessment costs less to implement than waiving medication co-pays for diabetics. Although the initial cost for the latter is higher, the potential in cost avoidance for preventing a catastrophic event or managing blood sugar levels is greater than that from only having an employee complete a health risk assessment.

States have implemented a variety of health management initiatives. This issue brief highlights state efforts in:

- Catching diseases early with screenings;
- Providing motivation through health coaching programs;
- Creating incentives for healthier lifestyles; and
- Managing high risk employees.

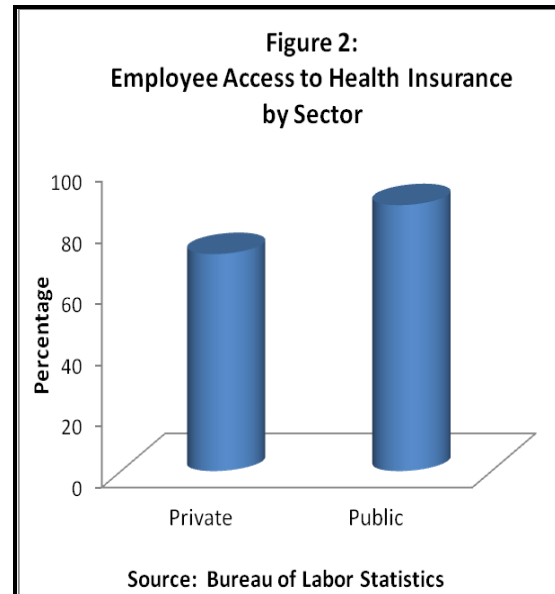
Catching Diseases Early with Screenings

Screening programs can catch at risk employees before they progress towards more serious and costly chronic conditions. Although screening programs have been shown to help people reduce their risk factors or avoid diseases altogether, only about half of adults in the United States participate in them.

Since missing work or costs of screens can be a barrier to participation, states typically offer employees free screenings once a year at the worksite. After screens, employees are informed about their results and referred to other resources, such as health coaching or financial incentive programs. In addition to offering screenings at the worksite, states often pair screenings with an incentive to further participation rates. **Kansas** offers employees a \$50 gift card to local retailers and entertainment venues.⁶ **Montana** employees and family members can save up to \$10 a month on health insurance premiums for obtaining screens.⁷

Providing Motivation through Health Coaching

Health coaching can help employees change behaviors and thus lead to fewer chronic disease complications and fewer hospital admissions. Health coaches answer questions and provide tools (such as websites that offer education or keeping track of daily exercise and dietary intake) to help employees manage their conditions. Although they provide some education, coaches typically use motivational interviewing techniques to get feedback from employees about what they would like to address and set goals with actionable items. Coaches try to help employees choose health decisions based on their own values and preferences to produce longer lasting outcomes. Health coaching programs vary in their frequency and level of intensity, leading to different findings on the return on investment (ROI) of such initiatives. Although the ROIs of health coaching programs may differ, such programs typically do demonstrate financial savings.



In **North Carolina**, the State Health Plan for state employees has offered eligible members health coaching for key chronic conditions such as diabetes, asthma and cardiovascular disease since the fall of 2005. Health coaching resources expanded in 2009 to assist members with other conditions such as migraines, cancer, pain management and fibromyalgia. Health coaches contact high risk members to help them manage conditions and understand treatment options to discuss with their physician. The coaches are health professionals with more than 10 years of experience and include nurses, registered dietitians and respiratory therapists. Employees can call a health coach 24 hours a day, seven days a week. North Carolina estimates that the health coaching program has saved the state \$2.00 for every dollar spent.⁸

Oklahoma's OK Health has a component that manages cardiovascular disease (CVD) and diabetes risk factors. Employees set risk reduction goals with health coaches and use a web-based self management program (Figure 3).⁹ The web-based program includes modules that provide motivation and tips to employees on exercise, diet, and weight management. Users can also record their primary care visits and the results of lab work. As a result of the initiative, CVD and diabetes risk in employees were cut by roughly 11 percent. Oklahoma estimates an ROI of \$2.30 for every dollar spent on the program.¹⁰

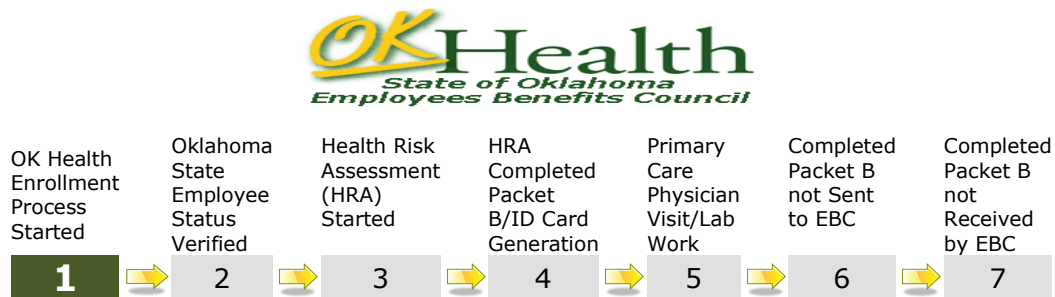


Figure 3: OK Health site

Creating Incentives for Healthier Lifestyles

In addition to screenings and motivational support, incentives can increase the impact of health promotion activities. Incentives can be cash or non-cash awards. Typically, an employee can receive an award for completing a health risk assessment or engaging in behaviors such as healthy eating or regular exercise over a period of time. Other awards may include days off from work, gift certificates, gym discounts, or recognition. Initial program participation rates can range from 2-10 percent with no incentives to roughly 30 percent with cash awards or small item incentives such as gift cards. Participation can increase to over 75 percent if cash is combined with lower premiums or additional health care benefits.¹¹

The important consideration is that one type of incentive does not fit all. In some cases, a points system that offers different options to participate and earn rewards is appropriate if some employees are less ready to take certain steps than others. The type of incentive may also vary depending on the risk of the individual. A low risk or moderate risk individual may already be engaging in healthy behaviors and so need less incentive. Conversely, high risk individuals averse to eating well and exercising may need higher cost incentives to motivate them to change their lifestyles. Given the scarcity of resources, states may target a majority of funds for medium to high risk individuals.

Financial Incentives

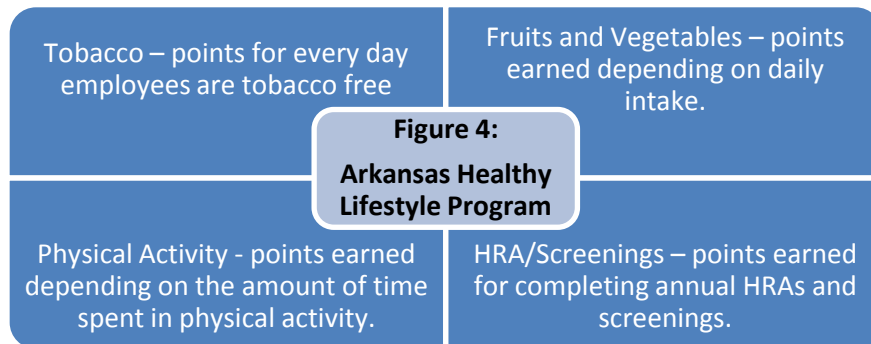
In **Alabama**, all state employees will have a \$50 per month health insurance premium starting January 1, 2010 (an increase from the current \$25 per month). Employees who wish to avoid the increase can remain at the current premium level if they obtain blood pressure, cholesterol, glucose and body mass index screenings. If employees are found at risk, they can still receive the discount by meeting with a physician or participating in wellness and self-management programs. Employees who do not complete health screenings or manage conditions will be required to pay the new level of health insurance premiums.¹²

By completing a health risk assessment and attending two follow-up evaluations with primary care physicians in a 12 month period, **Oklahoma** state employees can earn up to \$500 a year in cash awards. More than 4,000 state employees have participated in this program. State agencies self fund the awards and can choose whether or not to participate. Agencies that participate can choose whether to offer employees \$100 (bronze level), \$300 (silver level), or \$500 (gold level) for completing the HRA and physician visits. Of Oklahoma’s 124 state agencies, 64 participate in the financial incentives program.¹³

South Dakota state employees who meet exercise goals (exercising five days a week for three consecutive months) can receive \$100 per plan year in a Health Reward and Wellness Account (HRWA). Employees report the number of days that they exercise on a state website. Employees can choose to tax or not tax the amount in the HRWA. If the funds are not taxed, employees can be reimbursed for copayments, deductibles and coinsurance. Employees choosing to tax the HRWA amount can receive reimbursement for exercise equipment and gym membership.¹⁴

Non-Financial Incentives

The **Arkansas** Healthy Lifestyle Program offers state employees the opportunity to earn more vacation time each year by participating in a variety of health related activities. Employees can earn points over time and report their activities on a state website (Figure 4). To earn the maximum three days of extra time off, employees must commit to exercising three days a week, eat five servings of fruits and vegetables five days a week, and not smoke for a year.¹⁵



Redemption of Points	
Total Points	Leave Accrued
600	1 Hour
4750	8 Hours
5320	16 Hours
5890	24 Hours
Note: One hour of leave may be taken up to four times every 52 weeks.	

Managing High Risk Employees

Disease management initiatives coordinate the services of providers and other health care professionals so that employees with chronic diseases can control their conditions and prevent catastrophic events. This system typically requires health care team members to coordinate with each other on ways to care for the patient. The patient in turn is required to attend appointments, use health coaching, adopt healthy behaviors, and get regular screenings and diagnostics. Another aspect of disease management is paying providers more for performing such coordination. Given that providers currently are paid much more to treat diseases than for preventing or managing them, changing the way providers are reimbursed for services chronically ill patients has the potential to alter health care quality and stem costs.

Governor James Douglas created the **Vermont** Blueprint for Health (Blueprint) to refocus health care from a reactive system to a proactive one. The Blueprint is a collaborative approach to improving health care for those living with chronic conditions such as diabetes, asthma, and cardiovascular disease. To promote collaboration between public and private partners to strengthen the care coordination necessary for disease management, Vermont incorporated the priorities of the Blueprint into the state's selection process for state employee health insurance. The Blueprint uses information technology to alert providers which patients under their care need additional attention or specific interventions. This web-based chronic care patient information system alerts providers of any abnormal health reading (such as cholesterol, weight, or blood pressure), and what kinds of interventions can address such issues. Patients also have access to healthy living workshops, in which participants learn self-management of chronic conditions through a variety of skill-building techniques. Vermont is currently working to reform payment systems so that providers are rewarded for high quality care and patient wellness.¹⁶

Montana stratifies state employees into high, medium and low risk categories. To obtain an employee's level of risk, the state uses a health risk assessment (HRA) and other information, such as claims data, sick leave and absenteeism, medication use and health care consumption. The information allows Montana to forecast an individual's future costs and risk factors. Employees with multiple chronic diseases and high medication use are placed into a high risk category. High risk employees are eligible for waiver of deductibles and co-pays on disease management programs, medical services and prescription drugs for hypertension, high cholesterol, and heart disease. Medium risk employees are those who are approaching the high risk category. They are also eligible for targeted disease management programs and deductible and co-pay waivers. Low risk employees receive health education, walking programs and HRAs. Targeting high risk individuals with intensive programs has given the state a return on investment of three dollars for every dollar spent.

Other Considerations

As stated in the introduction, states also provide health benefits to retirees. As states continue to deal with fiscal pressures, funding for retiree health care benefits may be squeezed. Health benefits are not pre-funded as pensions are, and the unfunded obligations of state retiree health benefits have risen to over \$1 trillion.¹⁷ To deal with such liabilities, states may consider reducing such benefits, an option that employee groups and unions may find undesirable. In addition, new Government Accounting Standards Board rules require states to report their retiree health benefits obligations.¹⁸ Although the rule only requires reporting the obligations, not funding them, high amounts of unfunded benefits may affect a state's bond rating and lead to higher interest rates on borrowing. Should a state desire to borrow funds for special projects, having high amounts of unfunded benefits can lead to unfavorable bond rating and higher interest rates. Although states have many options to address unfunded retiree health benefits that are out of the scope of this

issue brief, some states are implementing wellness initiatives in hopes of stemming the costs of retiree health care.

With the state's unfunded liabilities for retiree health care benefits approaching \$80 billion, **New Jersey** Governor Jon Corzine has launched a series of reforms to control costs. In addition to raising the retirement age from 55 to 60 for all new employees, the state now requires retirees to contribute 1.5 percent of their final base salary toward a health care coverage plan of their choosing. Previously, retirees were not required to contribute towards their health-care premiums. Retirees also were previously allowed to choose their own doctor, but now they must select from a network of providers with whom the state has negotiated fees. New Jersey's reforms give retirees the option of being exempted from the cost sharing and network provider requirement if they enroll in preventive wellness programs. After three years, New Jersey's Division of Pensions and Benefits will issue a report to assess the savings realized from the wellness programs. The report will compare program participants' claims data to the data of those who do not participate.¹⁹

Alabama Governor Bob Riley launched a series of initiatives to address soaring retiree health care costs. With unfunded retiree health care liabilities of nearly \$20 billion, the governor expanded the authority of the State Employees Insurance Board (SEIB) to allow it to increase premiums if necessary and to adjust premiums for smokers. A supportive vote of two-thirds of SEIB members is required in order for premium surcharges to be enacted. Smokers now pay an additional \$20 a month in premiums. To promote smoking cessation, smokers who participate in wellness and self-management programs are eligible to forego the premium surcharge.

State Employee Health Benefits Outlook

State employees provide valuable public services. Benefit packages, including health coverage, have traditionally been more robust in the public sector than the private sector, making it an effective recruiting tool. However, states are considering how to balance offering health care coverage with managing tight budgets. As states consider possible reforms to benefit packages, they must consider unions and employee groups who will likely be opposed to cuts. While not a cure all, health management initiatives can be part of the solution. By offering such initiatives, states may manage health care costs and in turn employees can continue to receive affordable coverage, provided they participate in such programs. Offering such programs also keep employees healthy as they enter retirement, potentially curbing retiree health care costs.

As the health care system begins to integrate more wellness based programs, states, through their employee benefits, can impact a sizeable population. Since the state government is often one of the largest, if not the largest employer in a state, reforms to employee benefits will affect a wide range of a state's population. While the private sector has been ahead of the public sector in implementing health management initiatives, states are also beginning to offer such programs, as demonstrated. In these initiatives, governors have often been active in providing their workforce with benefits that promote health and productivity while managing costs.

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