

## **IPMA-HR Benchmarking Committee**

### **Best Practices in Healthcare Benefits Cost Management**

The following five case studies came from the results of the 2005 Healthcare Benefits Cost Management Survey. This area created some unique challenges in determining best practices. As Lynda von Barga, Director of Personnel Management for Montgomery College in Maryland pointed out, this is not an area within HR's control.

A bad claim year, or one expensive claim, can throw the system off. You can establish goals, and attempt to improve health, but unlike workforce planning (the topic of the previous survey) which lends itself to a written plan, goals and objectives, health care costs are in the hands of insurers and to a lesser or greater extent the individuals themselves.

The following case studies attempt to identify practices that have helped the individual jurisdictions control costs and that might provide a framework for others seeking to do the same. Contact information is provided so that readers can follow-up with the particular agencies and ask questions unique to their situation.

**City of Maple Grove, Minnesota**

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The City of Maple Grove, Minnesota provides a year-round, incentive based, comprehensive worksite wellness program to promote the health and well-being of employees and their families, resulting in reduced healthcare and worker's compensation costs and an improved quality of life at work and at home. Two hundred and thirty-five benefit-earning employees are eligible to participate in the program as are an additional 100 paid on-call firefighters.

The "Fit for Life" Wellness Program has been designed to address the behavioral risk factors of employees as identified through various health risk assessment instruments and surveys completed by the employees. This is accomplished by offering a wide range of program activities throughout the year, many of which are targeted to address the most prevalent risk factors. Employees can then pick and choose programs from a menu of options that meet their needs and interests. Sample program offerings include:

- Annual on-site health screening (blood pressure, bone density, cholesterol, glucose, flexibility, mobility, hearing, vision and aerobic step test), and follow-up with a health educator to interpret health screening results
- Preventive screenings provided by the employee's own health care provider
- Multiple exercise programs and campaigns throughout the year
- Onsite flu vaccination program

- Participation in our healthcare provider's on-line health program
- Tobacco cessation and weight management programs
- Effective personal safety habits
- Partnership with local health club for discounts on membership fees and exercise programs
- EAP services available through our health plan
- On-site group wellness activities and health educational session
- Partnerships with health plan providers, health management specialists, local athletic clubs and the local community health providers ensure a rich mix of program offerings.
- Time-off incentives of being able to earn up to two vacation days per year, motivate employees to participate in the program

The program is innovative in its comprehensiveness and its unique approach. It is based on nationally recognized benchmarks for excellent wellness programs. The comprehensive program offerings motivate employees to improve or maintain a healthy lifestyle, encourage effective self-care, provide education about health issues and awareness of at risk behaviors, and promote screenings and annual physicals.

The city seeks input from employees throughout the year and evaluates the effectiveness of the program overall at year-end by using an employee survey instrument to continually monitor how successful the program has been in meeting the needs of employees and whether or not the city is achieving the goals established.

For the past 5 years, the annual health plan costs per employee have been approximately 14% lower than the national, Midwest region and local area averages. Additionally, the city's health plan provider has recognized the positive impact the wellness program had on the city's annual claims experience and modified the experience rating, which resulted in significant health plan cost savings over the years.

For the past 5 years, for every \$1 the city spends on wellness activities the city has saved on average over \$6.70 in health plan premium costs. In addition the city's claims experience for worker's compensation has also been extremely favorable and the city has saved on average approximately 22% in premium costs over the past 10 years due in large part to the wellness program.

And, the benefits are not just financial. The city's program has received numerous awards, the most recent being the "2004 Innovation in Prevention Award" from the U.S. Department of Health and Human Services, which honored the city as one of the nation's top public sector programs focused on prevention.

The city's workforce is also more educated on healthcare and maintaining a healthy lifestyle, there is more dialogue between employees and their physicians on health issues and employee morale is up.

Employees have formed aerobic groups, walking teams, work out together, lend support to each other, and wear pedometers to track their daily steps. One of many employee testimonials indicated that the wellness program helped him stay on a year-round diet and exercise program. Another discovered he had a thyroid condition by talking to one of our on-site health educators. A recent weight loss challenge resulted in

2 employees losing over 40 lbs each, and the overall weight loss for all employees was 348 lbs.

A recent survey of employees found that the wellness program has impacted their health:

- 77% believe their health status has improved
- 71% believe their workplace morale has been positively impacted
- 90% view it as a great employee benefit
- 74% believe it impacts the cost of health care

In summary the city has been promoting wellness initiatives in the workplace for over 15 years, and has developed a level of expertise and success that gets the attention of many other organizations.

**City of Aiken, South Carolina**

**Kenny Cook, HR Director**

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The City of Aiken, South Carolina has approximately 400 full and part time employees. In 2003 the city began a wellness program to help control skyrocketing healthcare costs. The program has been so successful that for the first time in 2005 it did not have to pass premium increases onto the employees. The premium increase of 7 percent (in 2004) was lower than the national average.

The wellness program includes:

- Quarterly reimbursement for the cost of joining a gym, if the employee proves that s/he has visited the gym at least three times per week for the three month period.
- Seminars held at the local hospital focusing on men's health issues such as prostate cancer and others on women's issues and others for both genders
- A wellness benefit of \$300 per year to be spent on preventive care such as physicals, mammograms, etc. and screening for common diseases.
- An exercise class during the day offered three times per week. A local group provides the teachers.
- Safety and health lunches where vendors come in and give presentations on health management issues.
- An annual self & healthcare fair with forty vendors that is sponsored by the City and the county.
- Interactive CDs provided by a local doctor that includes health care tips.

As a result of the wellness program, the number of total sick days used by employees has decreased over the years (2003, 2004, and 2005) and insurance premiums have leveled off. Before the wellness program began, there was an insurance hike every year (2000, 2001 and 2002). One year in that time span saw a 30 percent increase in health insurance costs. A percentage of the money saved is rolled back into the wellness program each year.

**Judi Christ, HR Coordinator,  
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The Green Bay Municipal Sewage District is a small agency with 79 employees. With a small group of mostly older employees, the GBMSD found it increasingly difficult to be self-insured and in 2004, decided to join the State of Wisconsin plan, which significantly reduced the cost of providing benefits.

Prior to joining the state of Wisconsin, and at the height of the cost increases, the GBMSD switched from a traditional fee for service program to a PPO in 2001. This also greatly reduced costs by slowing the increase by about 10 percent. Much of cost has been from dependents not the employees.

Judi Christ, human resources coordinator for the GBMSD, said that about 10 years ago, the district instituted a wellness program “ahead of their time.” “Starting the program was mostly a philosophical decision” said Christ. Employees receive up to \$400 annually if they receive a certain number of points. Employees can earn points in a variety of ways, including having a regular doctor, not smoking, meeting a flexibility test, a walking test, and a body fat test. Partly a result of the wellness program, premiums were reduced in 2003, then rose by about 5% in 2005 and predicted to be 8% in 2006.

**Maryville City Schools, Maryville, Tennessee**

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Maryville City Schools has established an Employee Health Services Clinic for all of our permanent employees (full and part-time). This clinic provides free health care by a nurse practitioner and registered nurse for episodic personal illnesses and injuries, annual physicals and workers compensation injuries.

The clinic is located in a renovated house owned by the school district. It is in a location central to the many school campuses. Care is provided free of charge to the employee, the school district covers the entire cost. It is not paid for by the employee's insurance but is completely separate.

There is also a health and wellness program that includes monthly seminars on topics such as cancer, blood pressure and cholesterol. In conjunction with the seminar, the clinic hosts free screenings – for high blood pressure, high cholesterol, etc.

The clinic has been in operation for 2 and a half years and reduced the number of office visits under the city's medical insurance. Ms. Stooksbury said it may take a little more time for the results of the clinic to translate into bottom line savings on insurance expenditures.

**City of Cincinnati, Ohio**

**Chuck Haas  
City of Cincinnati  
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Number of Employees Covered by Health Insurance Program: 5, 300

In 2003 and 2004 the City experienced a 21 percent increase in healthcare costs each year. With total healthcare expenses costing nearly \$40 million per year, the city was faced with some difficult decisions. In a heavily unionized environment, the city and the employees, made some changes that saved money, and enabled the city to continue providing healthcare without greatly increasing the employee's share of the premium cost.

However, city employees did agree to carry more of the total cost for health insurance. Instead of cutting benefits, or increasing the employees' share of the premium, the city moved toward a consumer-driven health plan model, although in modest steps.

Beginning January 1, 2005, the city moved the majority of its employees, roughly 3,000 of them, to a co-insurance program where the employee has a \$300 deductible per year and has a 20 percent co-pay. The rest of the employees, including the police union and the firefighter union joined the new plan later in the year.

In addition to the plan, the city offers its employees the opportunity to put pre-tax dollars aside in a flexible spending account that can be used to cover the cost of the deductible and the co-pays.

The new plan resulted in a cost shift from the employer to the employee of about 12 percent. Prior to the change, employees bore approximately 13 percent of the total cost for healthcare. After the change, employees contribute to approximately 25 percent of the total cost for healthcare.

The city continues to pay 100 percent for preventive care such as annual physicals and has not changed its comprehensive dental plan yet. Chuck Haas explained that given the options, this one was the most beneficial to employees.

With cost increases of over 20 percent per year, the city simply could not afford to continue paying the healthcare costs for employees as it had been. The options including reducing benefits, increasing the employee's share of the premium payment or increasing the deductible/co-pay as they did.

In 2006, the city is hoping to implement a health and wellness plan that will focus on reduced utilization. They are looking at an incentive plan where employees would be rewarded for doing such things as quitting smoking and having regular preventative care check ups.

The city also participates in a program called Bridges to Excellence where area doctors are financially rewarded for providing excellent care and patients can be rewarded for self-management of the disease. For more information:

<http://www.bridgestoexcellence.org/bte/>