

A SECURITY WHOLESALER

BUSINESS DESCRIPTION:

This security wholesaler (name withheld) is the nation's leading independently owned wholesale distributor of security products and services, employing over 350 employees in 14 locations across the United States. This security wholesale company stocks more than 40,000 items representing 350 manufacturers; utilizes a national sales force; and deploys a variety of business development tools, including computer assistance, to help organize shops, check stock, and place orders.

INITIATION OF VALUE-BASED APPROACH:

The company offers its employees two types of benefit plans, Gold and Silver, with a built-in incentive to drive individuals to the more generous Gold plan. If individuals complete both a health risk assessment (HRA) and biometric testing, they qualify for the Gold plan. Both plans require use of in-network health care providers.

PROGRAM OBJECTIVES:

The program's objectives are to improve employee health while reducing costs (claims, absence and lost productivity), as well as to increase morale around the perceived value of the benefit plan.

PROGRAM COMPONENTS:

The Gold and Silver Plans differ in the required amount of contribution from the employee. For the Gold Plan there is no deductible and the plan pays 100% of the costs of care, with the exception of some modest copays and a premium contribution as outlined below. The Silver plan has a \$500/\$1500 individual/family deductible and the plan pays 90% coinsurance, with the insured paying 10% of costs only after expenses have exceeded deductibles for services without a set copay. Under the Gold plan there is an office visit copay of \$25 for primary care and \$40 for a specialist, versus \$30 and \$50 copays, respectively, under the Silver Plan. There is also a \$10 to \$20 difference between plan types in the employee contribution tier to the premium. The prescription coverage is identical for both plans, with \$10, \$30, and \$40 copayments for generic, brand, and non-formulary prescriptions, with the exception of prescriptions for asthma, diabetes, and hypertension, for which the copayment is a flat \$10 for both generics and brands.

The plan structure supports engagement in the key components of the program:

1. Completion of an HRA
2. Engagement in preventive activities
3. Adherence to prescribed medication
4. Participation in disease management
5. Participation in three educational segments per year
6. Engagement in medical coaching one-on-one

CASE STUDIES

PROGRAM RESULTS:

A little over 80% of the employees completed an HRA. The admission to the Gold Plan requires completion of the HRA and biometric testing. Between 2008 and 2009 biometric results improved and health risks declined. Costs related to premiums, excess health claims, lost productivity and absenteeism appear below. The concept of excess costs associated with excess risks is based on the calculation of an estimated maximum percentage of savings for an entire group assuming everyone reduces to low risk, and assuming that changes in health care costs follow the changes in risks. Excess cost estimates used here are based on peer-reviewed literature.^{5,6} The estimates shown in the "Quantifying Impact on Costs" figure below represent the potential cost savings related to the specific risk factors identified within the HRA specific to the employee population.

Quantifying Impact on Costs			
	2008	2009	Difference
Results from Health Risk Assessment (HRA)			
Excess Health Claims	\$612,720	\$579,050	- \$33,670
Lost Productivity	\$501,350	\$455,470	- \$45,880
Cost of Absenteeism	\$76,590	\$71,410	- \$5,180

Source: a security wholesaler