

# INCREASING THE HUMAN CAPITAL INVESTMENT





Why it makes sense to invest even more  
on health care for your workforce

FOR EMPLOYER HEALTHCARE SPECIALISTS ONLY

# BUSINESS CAPITAL AND HUMAN CAPITAL BOTH NEED MAINTENANCE

Both business and human capital require ongoing investment— or “maintenance plans”— for optimal performance

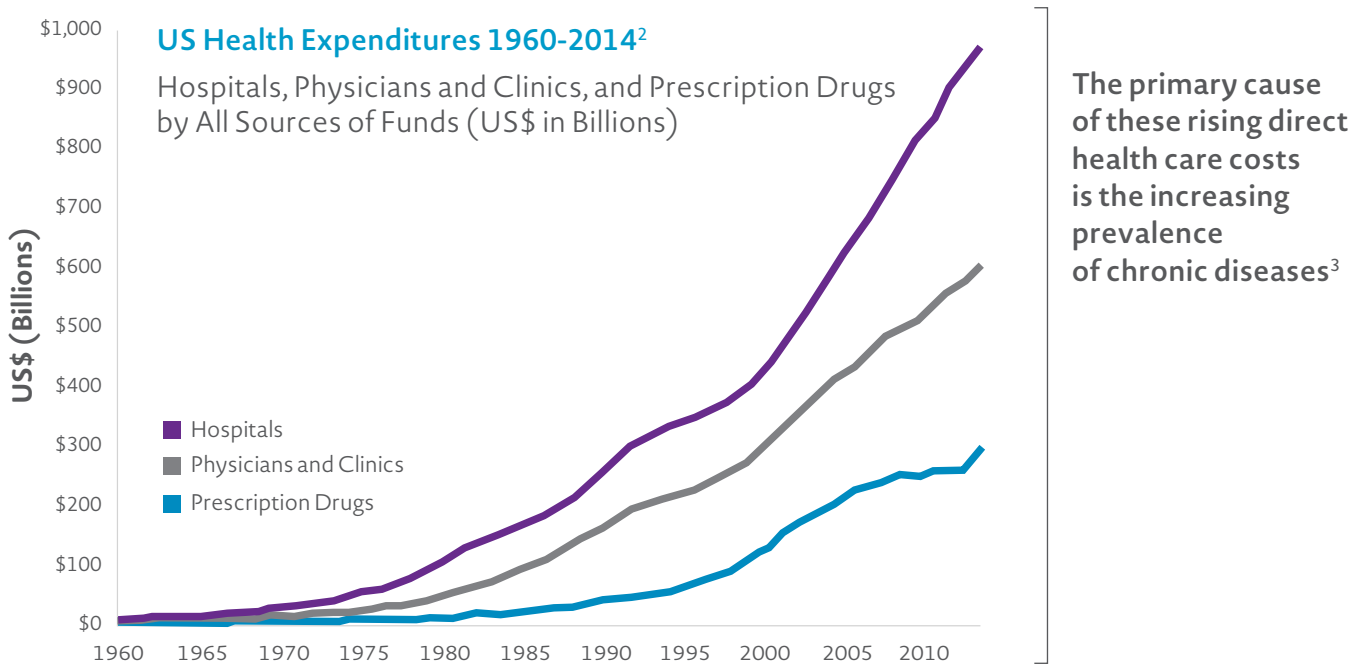
|                  | Initial Investment  | Ongoing Investment  |   |   |
|------------------|---|---|---|---|
| Business Capital | <p><b>Purchase or lease</b></p>  | <p><b>Daily</b></p> <ul style="list-style-type: none"> <li>• Fuel</li> </ul>  | <p><b>Periodic</b></p> <ul style="list-style-type: none"> <li>• Oil change</li> <li>• Tires</li> <li>• Brakes</li> </ul>              | <p><b>Emergency</b></p> <ul style="list-style-type: none"> <li>• Breakdown service</li> </ul>   |
| Human Capital    | <p><b>Hiring</b></p>           | <p><b>Daily</b></p> <ul style="list-style-type: none"> <li>• Nutrition</li> <li>• Well-being</li> <li>• Exercise</li> <li>• Medication</li> </ul> | <p><b>Periodic</b></p> <ul style="list-style-type: none"> <li>• Preventive care</li> <li>• Training</li> <li>• Development</li> </ul> | <p><b>Emergency</b></p> <ul style="list-style-type: none"> <li>• Acute illness</li> <li>• Surgery</li> <li>• Emergency room visits</li> </ul> |

- Investing in business capital is a commonly accepted practice—for example, purchasing or leasing a vehicle if you manage a transportation company
- No transportation company purchases a vehicle without also planning to invest in the maintenance of that vehicle on a daily, periodic, and emergency basis
- The same company should look at investing in the health of the driver in the same way

Maintaining the performance of the driver is just as important as maintaining the performance of the vehicle<sup>1</sup>

# THE COST AND VALUE OF HEALTH MAINTENANCE

Investing in human capital health maintenance is expensive, as direct health care costs have grown considerably over the years<sup>2</sup>



Direct health care costs are rising,<sup>2</sup> but so is the value of health care innovation in the United States

|                    |   |
|--------------------|---|
| <b>Cancer</b>      | 1.5 million lives have been saved since the early 1990s due to early diagnosis and treatment advances <sup>4</sup>          |
| <b>Hepatitis C</b> | Fourth-generation hepatitis C virus (HCV) treatments offer cure rates of 95% to 96% in about 8 to 12 weeks <sup>4</sup>     |
| <b>HIV</b>         | Today, a 20-year-old diagnosed with human immunodeficiency virus (HIV) is expected to live into his or her 70s <sup>4</sup> |

In the last 100 years, average life expectancy in the United States has increased from 50 years to 79 years<sup>5</sup>

# TOTAL COST OF HEALTH... BEYOND THE TIP OF THE ICEBERG

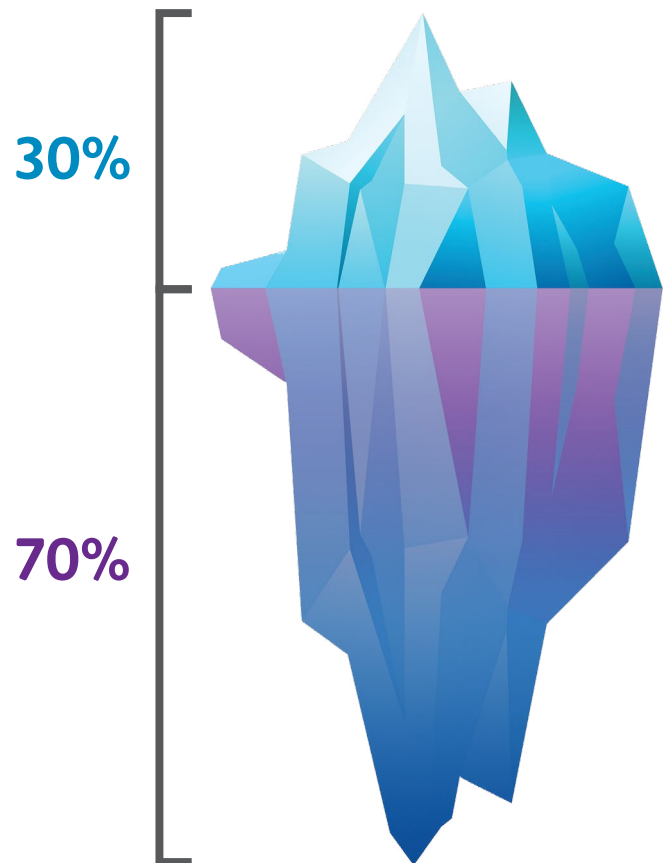
Direct medical costs pale in comparison to other organizational costs of human capital maintenance<sup>6</sup>

## Personal Health Costs

- Medical care
- Pharmaceutical costs

## Health-Related Lost Productivity Costs

- Presenteeism
- Absenteeism
  - Overtime
  - Turnover
  - Temporary staffing
  - Working slow
  - Late deliveries
  - Replacement training
  - Customer dissatisfaction
  - Variable product quality



## Case Example:

### BANK ONE

Bank One evaluated medical costs and concluded that the cost of presenteeism (illness-related reductions in productivity) was much higher than other health-related costs<sup>7</sup>

- **Presenteeism accounted for 63%** of other organizational costs
- It was more than **2.5 times higher** than medical and pharmaceutical costs

It is estimated that these other organizational costs result in a loss of \$12,000 per employee<sup>8</sup>

# INCREASED INVESTMENT IN HUMAN CAPITAL MAINTENANCE CAN TAKE MANY FORMS

## MORE investment in human capital health maintenance can deliver value in direct health and other organizational costs

- While employers may be feeling pressure to control or curb direct health care spending, compounded by ACA concerns, there may be value in actually investing more, not less
- In fact, several employers have increased their investment,<sup>9</sup> and you probably are too, to some extent

### Health Maintenance Investment Examples



Many employers have been investing in **preventive care and well-being**<sup>9</sup>



Several employers are partnering with **Centers of Excellence (CoEs)**<sup>10</sup>



Some employers are **keeping Rx out-of-pocket (OOP) costs low** for their members with chronic conditions<sup>11</sup>

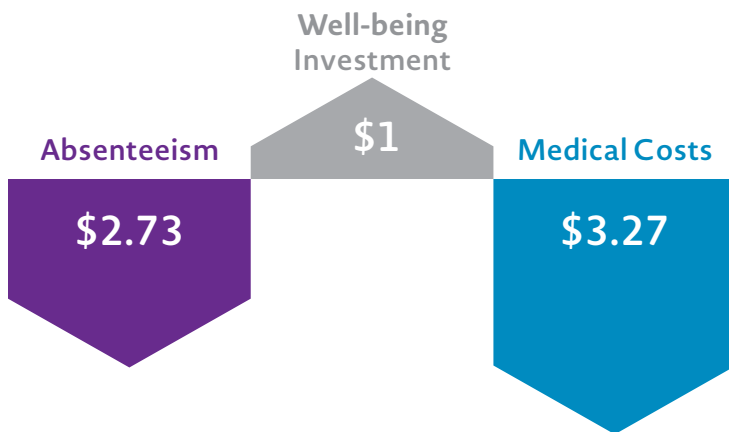


## PREVENTIVE CARE AND WELL-BEING

# GOOD FOR PATIENTS AND EMPLOYERS

Well-being and prevention spending has demonstrated health care cost savings, as well as reductions in absenteeism

When some companies invested in **well-being**, high returns occurred<sup>9</sup>



Investments in **prevention** proved valuable as well<sup>12</sup>

- **Preventing a single HIV infection avoided** a lifetime treatment cost of roughly **\$355,000**
- **Tobacco screening** resulted in an estimated lifetime **savings of \$9,800 per person**

### Case Examples:

#### CITIBANK

3,000 Citibank employees participated in health-management programs centered around chronic disease management<sup>13</sup>

- The program included services such as initial screening, extensive follow-up with high-risk employees, and general health education
- This program reported an **average savings of \$4.50 in total health care costs per \$1.00 spent**<sup>9</sup>

#### HUMANA

Humana offered a well-being and rewards program to employees

- Engaged members had approximately **25% fewer hours of unscheduled absences** compared with unengaged members<sup>14</sup>
- Health care costs for engaged members were 10.1% compared to unengaged members by Year 3<sup>14</sup>
- In contrast, costs for unengaged members rose 17%<sup>14</sup>



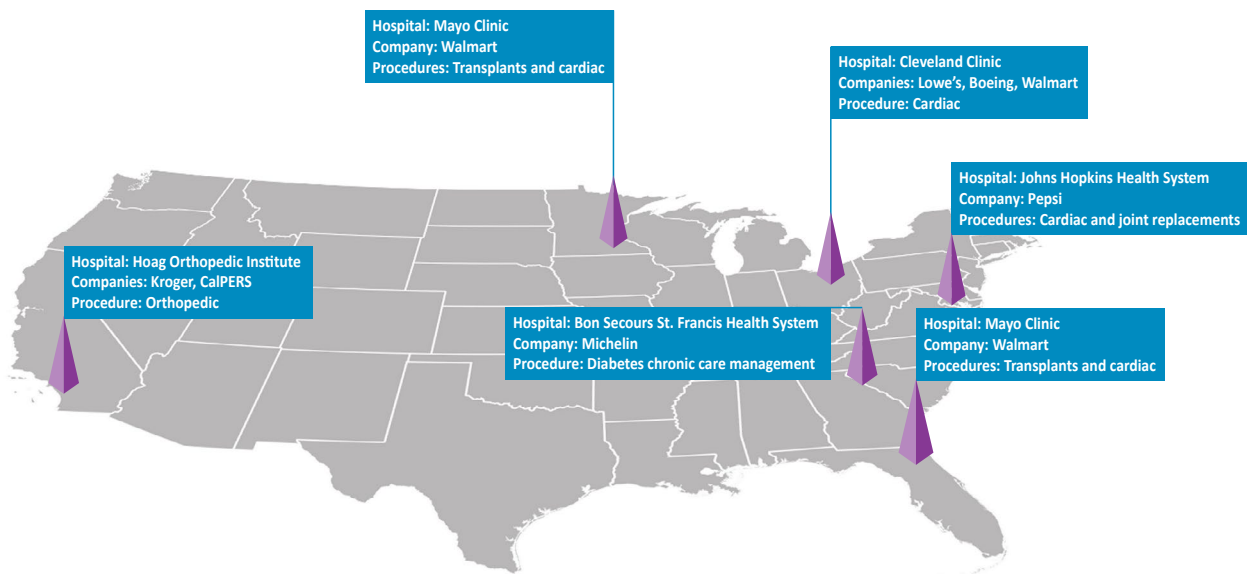
## CENTERS OF EXCELLENCE (CoEs)

# HIGHER QUALITY, HIGHER VALUE

CoEs are providing high-quality care for several employers and have been shown to be a worthwhile investment

- They offer specialized programs and services that can produce better health outcomes and potentially result in cost savings<sup>15</sup>
- These centers reduce health care costs to employers by reducing duplicate testing and providing standardized care and treatment, thus eliminating waste<sup>10</sup>

### Examples of CoEs<sup>10</sup>



### Case Example:

#### LOWE'S

Lowe's partnered with Cleveland Clinic to provide care for members needing thoracic surgery<sup>10</sup>

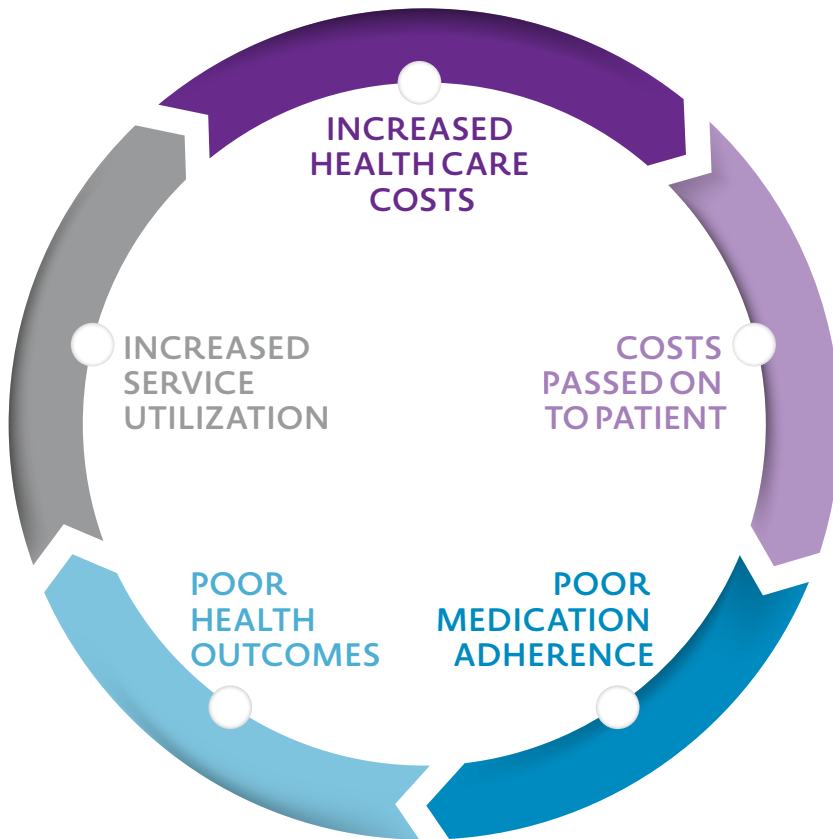
- Care is provided for a flat fee, and Lowe's covers all travel expenses<sup>10</sup>
- Lowe's members who went to the Cleveland Clinic for thoracic surgery were **approved to return to work up to twice as fast as the national average**<sup>16</sup>

Using CoEs, while potentially more costly initially,  
can save 10% to 25% overall<sup>10</sup>



# HIGH OUT-OF-POCKET (OOP) COSTS FOR MEDICATIONS SERIOUS IMPACT

Increasing patient costs can lead to a cycle of increased costs for all parties<sup>17</sup>



- High direct health care costs have led some employers to shift more costs to the member
- This can lead employees to avoid all types of care, including medication
- This can result in a cycle of even higher costs for both members and employers

## Health care nonadherence can impact both direct and other organizational costs



### Impact on the US health care system

Medication nonadherence costs the US health care system

**\$100 billion to \$289 billion annually<sup>18</sup>**



### Impact on employers

Health-related productivity losses can be twice as costly as medical and pharmacy expenses<sup>19</sup>

For example, a study\* showed a

**46% increase in short-term disability**

for patients who were nonadherent to their treatments<sup>20</sup>

\*A retrospective observational cohort of 2112 employees with a new episode of treatment with an antidepressant medication evaluating the relationship between antidepressant medication adherence and short-term disability in an employed population.





## LOW OUT-OF-POCKET (OOP) COSTS FOR PATIENTS IMPROVED ADHERENCE

There are many reasons for medication nonadherence, including a direct correlation with patient OOP costs

MS

Patients with MS whose OOP was >\$250 were **7x as likely NOT to fill** their Rx versus those whose OOP was ≤\$100<sup>21</sup>

Cancer

Patients with CML were **42% more likely to be nonadherent** when they had higher co-pays<sup>22</sup>

RA

In RA, medication **adherence rates vary from 30% to 80%**<sup>23</sup>

CML=chronic myeloid leukemia.

### Case Examples:

#### GEISINGER

- When offered a **\$0 co-pay drug program**, employees with unmanaged chronic conditions were **more likely to fill** their prescriptions<sup>11</sup>
- **Total health care spending was lower** among those in the program **by 13%, or \$144 PMPM** during the study period<sup>11</sup>

#### PITNEY BOWES

- **Reduced OOP costs** by moving drugs from higher tiers (30% to 50% co-pays) to Tier 1 (10% co-pay)<sup>24</sup>
- After 1 year, **decreases were seen in ER visits** (by 1/4) and **total health care costs** (by 6%) for diabetes patients<sup>24</sup>
- Short-term disability (**STD**) **decreased by approximately 50%**<sup>24</sup>

A 2011 CVS Caremark study found that adherent patients<sup>25</sup>:

- Had fewer ER visits and were hospitalized less often
- Saved up to \$7,800/patient annually in direct health care costs

# INVEST MORE TODAY IN HUMAN CAPITAL HEALTH MAINTENANCE

Consider investing MORE in programs like these as part of your human capital maintenance plan



- Well-being initiatives<sup>9</sup>
- No-cost preventive services, such as flu shots and age- and gender-related screenings



- Partnerships with CoEs for certain medical procedures<sup>10</sup>
- No-cost travel arrangements for members and caregivers



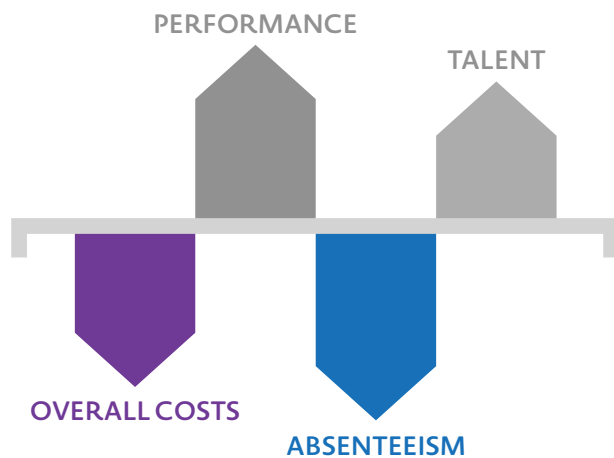
- Reducing or eliminating high OOP costs for Rxs (ie, cap the co-pay)<sup>11</sup>
- For plans with health savings accounts (HSAs), consider:
  - Adding some specialty medications to an expanded preventive list
  - Incenting healthy behaviors for additional HSA funding
  - Removing any cost barriers for your members to stay adherent to their medications

# RETURN ON INVESTMENT— FOR YOU AND YOUR EMPLOYEES

A higher investment in your human capital maintenance plan could potentially lead to a wide range of benefits

## Goals for the employees:

- Enhanced engagement
- Improved member health
- Increased job satisfaction
- Reduced personal/sick time for illness
- Reduced OOP health expenditures



## Goals for the employer:

- Decreased overall health care costs
- Greater retention and reduced turnover
- Reduced absenteeism
- Improved employee and business performance

# ADOPT THIS ATTITUDE... MAKE THE INVESTMENT IN YOUR PEOPLE!



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